



The Tale of Neel & Top-Down vs. Bottom-Up

Recently, I met someone who was a former warehouse associate at a publicly traded biotechnology research company. Let's call him Neel to protect his identity. As a warehouse associate, Neel prepared and maintained various records, reports, and documentation. He had basic Excel and word processing skills and could use templates for customer order processing. But what Neel did not have was a structured path for employees like him to change jobs, to reinvent themselves.

Neel heard that the Quality Department was building a team of data analysts. He had a passion and aptitude for data and analytics, but he didn't have the advanced data skills, education, or the right previous job title to be considered for the role. When he expressed his interest in joining the data analyst team to the hiring manager, who he personally knew, the manager was surprised to hear that Neel was even interested in a data analyst role. Not only was there no skills-based career pathway for employees like Neel to change jobs, but there was no mechanism for Neel to use that would have

placed him on a career pathway, for example, being able to share his role and skill goals internally. Internal mobility was limited to a linear approach at his company. The zig-zag approach to career development was nonexistent there.

Neel was dogged and determined to become a data analyst. This role was his new goal. He really had to think through and plan his own career reinvention. From identifying the skills and competencies he needed to planning out the required learning and development experiences, the onus was on him to do it all. Almost two years later, after learning advanced Excel and basic Python skills, he finally landed a data analyst job with that same hiring manager.

Neel's company could have expanded their talent pool by finding people, like Neel, who already had the foundational skills plus the desire to change jobs and then reskilling them. Why did no one at Neel's company know what his role and skill goals were? Workers are willing to share their skills data (79%) to help their organizations make decisions such as matching them to work (Source: *Deloitte Skills-Based Organization Survey, May–June 2022*). But there was no mechanism for Neel to share his skills data and he was never considered for a different role altogether. Would an internal talent marketplace have helped him? Probably not as he said that at that time, he didn't know what his own skills were or even how to articulate them.

Neel noted that 90% of that original data analyst team built for the Quality Department were filled by external candidates. From a talent strategy perspective, that is an expensive and inefficient approach— particularly in the tight labor market of recent years. But his company didn't need to hire from the outside as Neel already had the foundation and interest to up- and reskill in data analysis.

It may come as a surprise that the two least reliable predictors of job success are educational qualifications and experience in a similar role with another organization. This means that the main criteria organizations ask for when recruiting are not necessarily indicative of how successful a candidate will be. What then is the best chance of a successful hire? Surprisingly, it is when the applicant is already employed by the company in a different capacity, like Neel was. This could be due to their knowledge of the firm's culture, procedures, mission statement, etc., and their existing relationships.

While Neel's tale is illustrative of the wastefulness of a job-based organization, the question I want to explore in this blog is how Neel's skills data could have been added to his company profile or learning and employee record in the first place to give his employer visibility into Neel's skills inventory. Whose responsibility is it to record an employee's skills, roles and goals? Should that process be owned by the employee in a bottom-up approach or owned by the employer in a top-down approach?

The Best Approach to Skills Management: Top-Down vs Bottom-Up

Skills management is an essential aspect of organizational success. It involves identifying, developing, and utilizing the skills of employees to achieve strategic goals. When it comes to managing skills data, there are two primary approaches: the top-down approach and the bottom-up approach. Both approaches have their merits and challenges, and finding the right balance between the two is crucial for becoming a skill-based organization.

The Top-Down Approach

The top-down approach to skills management involves HR professionals, people managers, and external consultants defining job roles and the skills required to perform those roles. These definitions are then applied to various aspects of the organization, including training programs, recruitment plans, and career development initiatives.

One of the advantages of the top-down approach is its prevalence in HR departments over the past few decades. HR professionals have experience in defining roles and skills, and they can use their expertise to create competency frameworks and career paths for employees. However, there are several challenges associated with this approach:

1. **Accuracy of Role Definitions:** HR generalists may not fully understand the nature of certain roles, leading to inaccurate role definitions. For example, is it reasonable to assume that a HR generalist would understand the nature of a FinOps Strategist role? Probably not. It is important to ensure that the roles in the organization are accurately defined to avoid confusion and misalignment.
2. **Effectiveness of Skill Mapping:** HR generalists and external consultants may struggle to effectively map skills to key positions. Without a deep understanding of the practicalities of roles and required skills, it becomes challenging to create accurate skill mappings.
3. **Reliance on External Sources:** Job descriptions published for recruitment purposes may be copied from publicly available sources, perpetuating inconsistencies and errors. Relying on AI-driven technologies that use such sources as inputs can further amplify these errors and introduce biases.

To address these challenges and explore alternatives to the top-down approach, organizations can consider adopting a mixed approach that incorporates elements of the bottom-up approach.

The Bottom-Up Approach

In the bottom-up approach, employees take ownership of their skills and career development. They self-identify their skills, set their own career goals, and consume personalized training based on their decisions. This approach taps into the collective knowledge of the workforce and allows employees to actively work towards their desired roles.

While the bottom-up approach empowers employees and aligns with their individual aspirations, it also poses challenges:

1. **Messiness and Interpretation:** Allowing employees to self-identify skills can result in a messy process, as interpretations of skills and their proficiency levels may vary across individuals. Some employees may over-claim skills, while others may be hesitant to acknowledge their true capabilities.
2. **Alignment with Organizational Goals:** The bottom-up approach may not always align with the strategic goals of the organization. While employees' input is valuable, it needs to be managed to ensure it contributes to the overall objectives.
3. **Skill Validation:** Validating self-identified skills becomes crucial in the bottom-up approach. Employers may require formal validation through assessments, tests, or feedback from managers and colleagues to ensure the accuracy of claimed skills.

Despite these challenges, the bottom-up approach can be a powerful tool in shaping skill definitions and keeping them relevant in a rapidly changing market. It allows employees to take charge of their career paths and fosters a culture of continuous learning and growth.

The Mixed Approach

A mixed approach to skills management combines elements of both the top-down and bottom-up approaches. It allows employees to self-identify skills, set goals, and consume training while providing oversight and refinement from HR, line managers, or learning and development specialists.

The mixed approach involves:

1. **Ready-Made Role and Skill Definitions:** Providing a comprehensive set of role and skill definitions based on open data sets and curated using natural language processing (NLP) models. This top-down approach enables organizations to get started with skills immediately.
2. **Employee Input and Collective Knowledge:** Tapping into the collective knowledge of the workforce to refine and shape skill definitions, role definitions, and mappings. Employees' input helps keep the organization's skills aligned with market demands.
3. **Goal Setting and Training:** Allowing employees to set their own skill-based goals and actively work towards their desired roles. Managers and HR professionals can also set goals for employees, providing a balanced mix of top-down and bottom-up control. Additionally, providing employees with access to personalized training resources supports their skill development.

By combining the benefits of both approaches, organizations can create a dynamic skills management system that leverages the expertise of HR professionals while empowering employees to drive their own career growth.

The Advantages of Becoming a Skills-Based Organization

Regardless of the approach chosen, organizations that prioritize skills management are more likely to thrive in today's rapidly changing business landscape. When interactions between employees, roles, opportunities, goals, career pathways, mentors, and training are aligned, a company truly becomes a skills-based organization.

The advantages of a skill-based organization include:

1. **Agility and Adaptability:** A skills-based organization can quickly adapt to changing market demands and industry trends. By focusing on skills rather than rigid job roles, organizations can ensure that employees have the capabilities needed to tackle new challenges.
2. **Efficient Resource Allocation:** Skills management enables organizations to identify gaps in skill sets and allocate resources effectively. By understanding the skills possessed by employees, organizations can make informed decisions about hiring, training, and talent development.
3. **Employee Engagement and Retention:** Empowering employees to take ownership of their skills and career development enhances engagement and retention. When employees see a clear path for growth and have opportunities to acquire new skills, they are more likely to stay with the organization.
4. **Improved Collaboration and Knowledge Sharing:** A skills-based organization encourages collaboration and knowledge sharing among employees. By providing tools and platforms for employees to find colleagues with specific skills, organizations can foster a culture of collaboration and innovation.

Back to Neel's Tale

So, how might Neel's story have unfolded if he had worked at a skills-based organization that offered their employees skills-based career pathways and reinvention opportunities? He would have been able to see the definitions for any roles at his company, like the data analyst role that he was interested in, as well as the list of skills and proficiency levels required to perform in that role. He would have been able to self-select "Data Analyst" as a career goal and all of the underlying skills that compose the role that he did not already possess would automatically be added to his skills goals on his company profile. He would then see the personalized, targeted training mapped to each new skill goal and begin his structured reskilling plan. He would be having weekly conversations with his manager around the kinds of skills he's trying to develop and where he wants to go instead of the rigid conversations around hierarchy and role. And by working for a company that has elevated a skills-based hiring approach, the hiring

manager in the Quality Department would have found Neel through internal visibility of skills and career goals.

Employers, as the tight talent market of recent years has shown, external hires cost 18% more than internal hires and have a 21% higher probability of leaving within the first year. (Source: *Alan Benson, Ben A. Rissing (2020) Strength from Within: Internal Mobility and the Retention of High Performers. Organization Science 31(6):1475-1496.*)

Maybe next time, Neel.