

Building a 21st Century Workforce

Skills for Success

“The illiterate of the 21st Century are not those who cannot read and write but those who cannot learn, unlearn and relearn.”

Long before Alvin Toffler penned these words in his book *Powershift* in 1991, futurists and HR practitioners alike have attempted to discern the most critical skills required of employees in the future. Now that we are well into the present century, the picture is coming into much sharper focus. We are at a point today where we can ascertain not only what those skills are, but also why they matter. The emerging picture, paradoxically, is one of much change and yet little change at the same time. The familiar maxim *“The more things change, the more they stay the same”* first coined by Jean-Baptiste Alphonse Karr still holds true.

A quick perusal of the articles and postings of any major news outlet will surely reveal that our world is undergoing a time of significant change. While the major forces driving these changes are not fundamentally new, the exact shape and nature of those forces are different than they were even 10-15 years ago. A few examples of these forces include:

- **Increasing Globalization:** the breakdown of traditional trade barriers, the growth of cross-national partnerships and joint ventures, and the ease of accessing information anywhere in the world due to the Internet.
- **New Labor Markets:** the emergence of the “gig economy” and freelancing, the rise of micro-work (such as Amazon’s Mechanical Turk), and novel types of job or work sharing arrangements.
- **Economic Forces:** new forms of digital currencies (e.g., Bitcoin), the rapidly growing sharing economy (e.g., AirBnB), and rising individual and national debt levels and trade deficits.
- **New Technologies and Digitalization:** significant increases in automation and the use of robots, the arrival of artificial intelligence, and the global proliferation of mobile devices.

The changes being driven by these forces are affecting every sphere of life. Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, has called it the Fourth Industrial Revolution. It is *“characterized by a range of new technologies that are fusing the physical, digital and biological worlds, impacting all disciplines, economies and industries, and even challenging ideas about what it means to be human.”*¹ There is a fundamental shift occurring in the way we are interacting and getting value and meaning out of life.

Nowhere is the shift greater than in the landscape of organizations and workplaces. The changes are ubiquitous, impacting organizations of all types in all places. To take just one of the changes above—digitalization—as an illustration, according to a recent survey, 87% of business executives agree that digitalization is a priority for their company. Some industries are affected more than others (such as IT and Financial Services), but more than 50% of all organizations in every industry say that digitalization is a priority.

All the above have significant implications for the talent that organizations need today and in the future, and clearly explain why so many organizations are concerned about their talent and the skills they offer. Those concerns are so significant that they have come to occupy a significant portion of the agenda of corporate boardrooms. According to Mercer’s 2018 Global Talent Trends Study, the top workforce-related concerns of boards of directors today are:³

1. The lack of critical skills
2. Employees’ digital experience
3. Automation at work
4. The aging workforce

¹ The Fourth Industrial Revolution, by Klaus Schwab. <https://www.weforum.org/about/the-fourth-industrial-revolution-by-klaus-schwab>.

² Gartner, Defining Digitalization: Creating a Common Vision, 2017.

³ Mercer (2018). Global Talent Trends 2018 Study: Unlocking Growth in the Human Age.

Looking deeper within organizations, another recent survey by Deloitte of more than 11,000 business and HR leaders found that more than three-quarters were concerned about the following talent issues: people data (85%), wellbeing (84%), the “hyper-connected” workplace (82%), and new forms of rewards (77%).⁴

In the last few years, these concerns have been exacerbated by historically low unemployment rates resulting in a massive gap in talent with the skills to succeed in this environment. In order to compete with and differentiate themselves from their competitors, organizations are seeking more effective ways to identify, retain, manage, and develop talent. The winds of change have clearly set in motion a new dynamic in the decades-long war for talent that is forcing many organizations to continually change their talent management strategies.

A Unique Vantage Point

While many reports have already been written by various futurists, consultants, and management gurus on the workforce of the 21st century, SHL sits in a unique place for observing, analyzing, and discerning the skills employees require and their implications for employers. As an intermediary between job seekers and employers, SHL has been continuously gathering data on the skills, capabilities, and careers millions of individuals on the one hand, and the jobs and employment needs of thousands of organizations worldwide across multiple decades on the other hand. Most other observers and analysts focus largely on the latter, the demand of organizations for talent, and then ask them to project their needs into the future. Unfortunately, few are able to assess these trends with hard evidence on the supply of skills across the labor market.

In this whitepaper, we look at the evidence SHL can provide on both the skills of individuals in the labor market as well as the talent profiles sought by employers. This evidence has the additional advantage of having been gathered through SHL’s Universal Competency Framework, a proven performance taxonomy for measuring, tracking, and predicting critical skills over time. (For more details, see the sidebar on “SHL’s Proprietary Data and Insights”.) With consistently captured data, this whitepaper identifies the most acute mismatches between the supply and demand for talent today. Furthermore, by examining the data on the trends leading up to the present day, we provide a glimpse of what the workforce will look like in the next 5-10 years. Since most talent trends take years to unfold, we can already generate a clear picture of tomorrow’s workforce.

The remainder of this whitepaper addresses important questions that employers and employees alike are asking, such as:

- Does the future workforce need new or different skills, and if so, which ones?
- How does the new generation of employees differ from past generations?
- How universal are the trends? Are there significant differences across sectors?
- And, finally, how can organizations respond to these trends? What should they stop or start doing?

The primary objective of this whitepaper is not to suggest entirely new, previously unknown skillsets, but rather to clarify and provide evidence of which skillsets matter most and where those skills can be found. Along the way, the analyses uncovered some areas where the evidence doesn’t line up with conventional wisdom. In doing so, this whitepaper will enable employers and job candidates to make informed decisions based on the most objective, scientifically valid data available.

SHL’s Proprietary Data and Insights

SHL’s unique application of proprietary data sources leveraged two types of data assets: job analysis data to help us understand trends in the importance of various skills to successful job performance, and assessment data to investigate trends in the actual skills possessed by the talent pool.

- The job analysis questionnaire data were collected across the span of 10 years, including 12 million data points from over 800 separate projects with over 300 clients.
- The assessment data were collected across 8 years, including 4.63 million data points, from nearly 6,000 clients in over 200 countries.

⁴ Deloitte (2018). 2018 Global Human Capital Trends.

Overview of Key Findings

The most prominent and critical skills trends emerging from our analyses reveal that they have been relatively stable, with only gradual changes over time; there is little evidence of any sudden shifts in either the supply or demand of critical skills. Rather, certain skills and competencies have become more important for more roles, while others have declined (but not vanished) in importance. Most often, they are well-known competencies that are now being applied to different processes, information, and resources in the context of new challenges (e.g., more roles are now requiring greater amounts of “handling ambiguity” or “customer focus”). At the same time, we find clear evidence that these trends are also resulting in a growing mismatch in most labor markets generated by the inability of the workforce to acquire the skills demanded by a massive shift toward digital, customer-focused business models.

The primary components of this shift and its implications for future skills include:

1. The expansion of automation beyond routine activities into areas requiring human direction, judgment, and management. Softer “human” skills oriented around Learning, Creativity, and Innovation are growing in importance. Our data reveals that new generations entering the workforce place more importance on these skills and competencies but are not as skilled at them as older workers. To apply those skills effectively, employees need strong critical thinking and reasoning skills (i.e., higher cognitive ability). And, with shrinking applicant pools in today’s tight labor markets, organizations are encountering more candidates with lower levels of cognitive ability seeking jobs.
2. A rapid pace of change resulting in roles, job requirements, and performance expectations that are constantly shifting. Organizations are finding they need more employees and leaders who demonstrate high adaptability and resilience. Unfortunately, adaptability levels have also dropped steadily over recent years across all employees, and leaders have shown little improvement in this area.
3. Technologies and networking tools are creating heightened levels of interdependence and connectivity between organizations and individuals. Individuals need stronger collaboration and communication skills to be able to navigate and leverage their networks. However, our analyses find that communication skills have declined over recent years, particularly among graduate hires, resulting in a development gap for many employees.
4. Growing emphasis on consumerization, personalization, and customer-first product and service strategies. All employees, not just customer-facing ones, need to have greater commercial thinking and business acumen to understand and meet customer needs. Yet, the availability of employees with strong commercial thinking skills is very uneven. Some sectors consistently lag behind other sectors in the strength of their talent on commercial thinking

Key 21st Century Skills

There is little debate that technology, automation, and AI are profoundly changing the way we work. A recent report by PwC observed that “Automation and ‘thinking machines’ are replacing human tasks and jobs, and changing the skills that organizations are looking for in their people.”⁵ Their impact will be most keenly felt in jobs that are highly routinized or involve data processing and information search tasks. However, the impacts are expected to extend far beyond these roles as well. A new study by the World Economic Forum concludes that “Even those work tasks that have thus far remained overwhelmingly human—communicating and interacting (23%); coordinating, developing, managing and advising (20%); as well as reasoning and decision-making (18%)—will begin to be automated (30%, 29%, and 27% respectively).”⁶ It’s clear that these forces—more broadly described as digitalization—are affecting all types of jobs, and aren’t isolated to a few “technical” roles.

⁵ PWC (2018). Workforce of the future: The competing forces shaping 2030.

⁶ World Economic Forum (2018). The Future of Jobs Report 2018.

At the same time, as some skills become less important, others are rising in importance. Most research points to the increasing importance of softer, human skills. For instance, the PwC report found that digitalization, by replacing workers doing routine, methodical tasks, will increase the comparative advantage of those workers with problem-solving, leadership, EQ (Emotional Intelligence), empathy and creativity skills. According to their 20th Annual Global CEO Survey: “the skills they’re looking for are particularly telling: problem-solving, adaptability, collaboration, leadership, creativity and innovation top the list.” Our own research at SHL reinforces this message. Individuals who exhibit abilities around continuous learning and innovation, insightful analytics, collaboration and network performance, and execution excellence are more likely to be “digitally-proficient”.⁷

Our in-depth analyses of proprietary SHL data across the last two decades years has identified the key skills and competencies of the future and illustrates why they are growing in prominence.

Adaptability and Resilience

Adaptability has become especially critical as the world of work is changing more quickly than ever before and employees need to thrive in times of rapid and continuous change. Adaptability is listed as one of the “Top 10” 21st Century Skills by the New World of Work organization (2015).⁸ Adaptability involves accepting and adapting to change while continuing to remain productive in changing environments, working productively in ambiguous situations, and working well with people from different cultures. Similarly, in changing environments, it is crucial for employees to be resilient, working productively under pressure and staying positive in the face of difficulties or challenging circumstances.

Learning

In the face of the changes in the world of work, it is becoming increasingly important for employees to be able to learn more effectively in new situations. The acquisition of new knowledge and the ability to master new skills will likely continue to become even more important as jobs and organizations evolve and adapt to the changing times. The ability to learn from experience and apply those lessons learned to new situations is critically important as workplaces continue to change and present new challenges to today’s workers. However, it is not only learning ability that is important to performance. The willingness to learn and seek feedback and development opportunities to improve one’s performance will also be an important differentiator of successful employees in the future world of work.

Innovation

An organization’s ability to innovate is a critical capability required for success in the tomorrow’s work environment.⁹ Innovation at the individual level occurs as employees generate and experiment with new ideas, approaches, or solutions that can save the organization time and money.¹⁰ Innovation and adaptability go hand in hand, as changing circumstances create opportunities for thinking in new and different ways. In today’s dynamic business environment where adaptability is critical, innovative thinking is universally important and can unlock differentiators that could lead to advantage for every organization.

⁷ SHL (2018). Talent in the Digital Era.

⁸ New Work of Work (2015). Competencies, Attributes and Traits for the “Top 10” 21st Century Skills. Retrieved from: <https://www.newworldofwork.org/wp-content/uploads/2016/10/21st-Century-Skills-Competencies-Attributes-Traits-Final-2017.pdf>.

⁹ Danks, S., Rao, J., & Allen, J. (2017). Measuring Culture of Innovation: A Validation Study of the Innovation Quotient Instrument (Part One). Performance Improvement Quarterly, 29, 427 – 454.

¹⁰ Henderson, T. (2017, May 8). Why Innovation is Crucial To Your Organization’s Long Term Success. Forbes. Retrieved from: <https://www.forbes.com/sites/forbescoachescouncil/2017/05/08/why-innovation-is-crucial-to-your-organizations-long-term-success/#e16458330986>.

Collaboration

The new world of work will include a heightened focus on the ability to collaborate with others, working together towards common goal. This is not a new concept, but collaboration in today's world of work looks different than it did in the past. It is now not uncommon for individuals to work closely with colleagues across the globe, spanning locations and time zones. Further, remote work is becoming increasingly popular, with 63% of employers having remote workers (Dishman, 2018) and this growing trend is expected to increase. More flexible collaboration is also now required compared to what had been expected in the past with traditional team structures. For instance, agile teams form to partner together to achieve a common goal, then disassemble when the goal is accomplished (Gartner, 2017). These approaches involve working across organizational boundaries or silos and employees who can quickly form effective working relationships.

The implications of these shifts are certain to be profound and long-lasting. But, while employers are already recognizing these shifts are underway, we also find clear evidence that the global workforce is not ready to respond to them. Trends from SHL's unique data reveals several critical skill gaps, but also suggests how organizations can address those gaps.

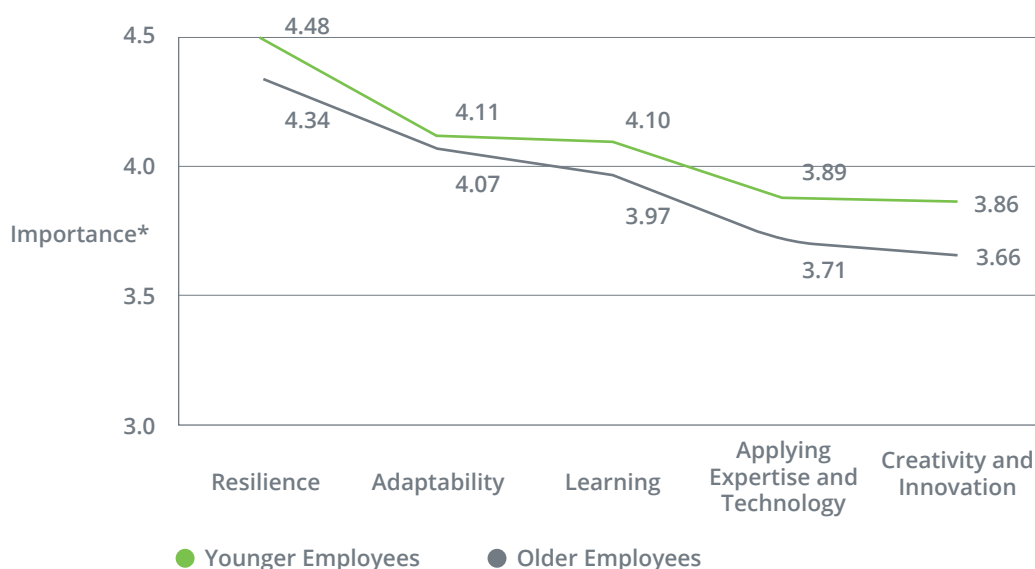
Addressing Critical Skill Gaps

A Shortage of Soft Skills of Younger Workers

A fascinating picture is unfolding for younger workers and their readiness for future jobs. On the one hand, we find that younger workers are increasingly recognizing the importance of softer skills for today's digital environment. On the other hand, our data reveals that younger workers are increasingly unprepared for jobs requiring these skills.

In our database of job requirements, spanning jobs and industries over the last 10 years, differences emerge in the reported importance of work behaviors from younger (under 40) versus older respondents (40 or over). We see a trend over the last 3-4 years toward younger individuals placing more importance on competencies and skills required by the digital work environment. As shown in Figure 1, younger respondents consistently rate skills such as Adaptability, Resilience, Learning, Creativity and Innovation, as well as Applying Technology and Expertise, as more important to job performance than older workers.

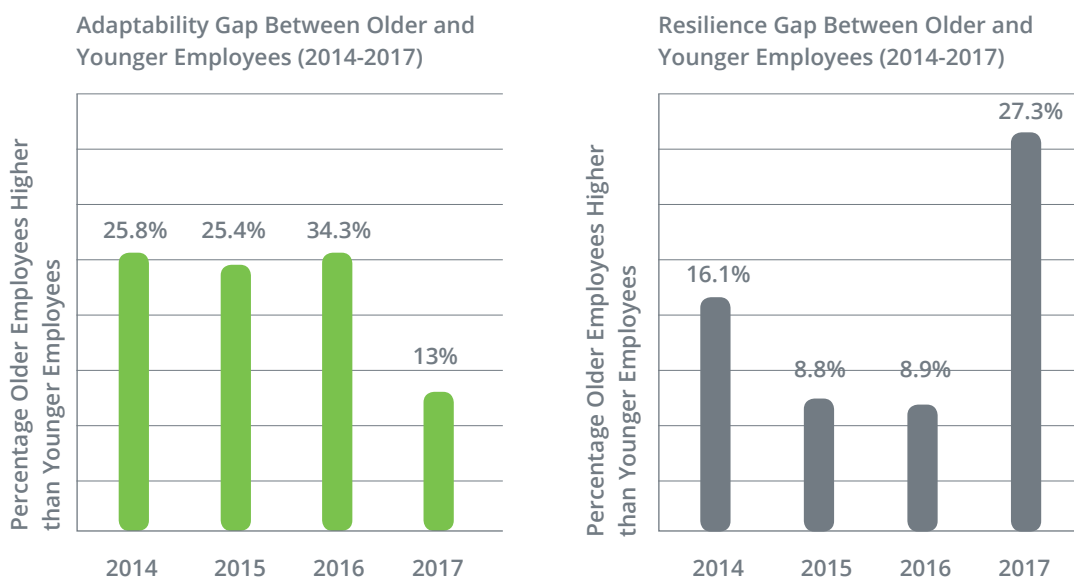
Figure 1: Importance of Future Skills, Younger Versus Older Employees



*Importance represents the average rating provided by high-performing job incumbents across a variety of jobs and industries on a scale of 1 to 5. A rating of 3-3.5 indicates incumbents felt the competency is "Important" to success in role where a rating of 3.6-4.5 indicates it is "Very Important" for success in role.

At the same time, our data on how well younger employees tend to score on these competencies indicates that they have lower scores than older employees. The gap between older and younger employees is especially notable in the areas of Adaptability and Resilience (see Figure 2), where older employees have outscored younger ones by as much as 34% between 2014 and 2017. In other words, younger workers may be more “in tune” with today’s work environment, but they’re not quite ready to work in it.

Figure 2: Generational Gap in Adaptability and Resilience



To be fair, some of these softer skills and competencies take time to develop and mature, especially functional and technical skills. Organizations shouldn’t expect to hire many early career candidates who are proficient at all these competencies. However, there is also growing evidence that today’s new workforce entrants are less prepared in these areas than their predecessors. A 2015 Gallup study of 30,000 college graduates, for example, found that having an internship or job in school that allowed them to apply what they learned double the odds that they would be highly engaged once employed.¹¹ Unfortunately, less than 3 in 10 (29%) graduates reported having had such experience. Moreover, recent studies by Pew Research of teens in the U.S. have uncovered dramatic decreases in the percentage who have had any work experience before graduating from college.¹²

¹¹ Gallup (2015), “Many College Graduates Not Equipped for Workplace Success”
<https://www.gallup.com/education/243389/college-graduates-not-equipped-workplace-success.aspx>.

¹² Brandon Busteed. March 29, 2019. “Why Aren’t Graduates Ready For Work? They’re The Least Working Generation In U.S. History”.
<https://www.forbes.com/sites/brandonbusteed/2019/03/29/why-arent-graduates-ready-for-work-theyre-the-least-working-generation-in-us-history>.

Addressing the Challenge

Organizations seeking to build their workforces' strengths in these softskills (and there should be many) can take a number of practical steps to move in the right direction.

- **Stop:** First, don't assume that younger employees have the skills needed for your jobs even if they seem to be aware of their importance. Don't take their word for it; look for real evidence that they have had experience applying these skills or offer them internships before bringing them on board permanently.
- **Continue:** Use interviews and assessments to understand/benchmark where early career/younger employees are at with these competences as they enter role. Once they join, ensure that their job responsibilities are clear so that they can understand how doing well on these competencies will lead to future success.
- **Start:** Provide more and better opportunities for younger, entry-level workers to acquire these skills. Identify and offer challenging assignments that contain opportunities for them to gain real-world experience/skill in these competencies. And, use more experienced employees to coach and mentor younger employees in these areas. Then, tracking their growth as younger employees move through the organization.

The good news with this skill gap is that the problem is not insurmountable. Efforts to provide training and experience in these areas before individuals enter the workforce fulltime can have a huge impact. The challenge, however, is that most organizations don't have time to wait. All organizations should start tackling this issue in earnest today.

Wanted: Change-Ready Executives

The heightened pace of change and uncertainty is affecting not only the roles of rank-and-file employees, but also leadership roles in most organizations. Today's unprecedented level of change is significantly altering the scope, complexity, and breadth of the jobs of leaders. A survey of 2,819 leaders by Gartner (2019) found that the top three most widespread changes leaders are experiencing include:¹³

1. Greater number of job responsibilities
2. Expectation to have a greater number of skills
3. Expectation to have a greater depth of knowledge about specific areas

According to new research from the Center for Creative Leadership, the most common success factor for North American managers was the ability to develop or adapt.¹⁴ When looking across successful executives in both North America and Europe, the study discovered that they tend to:

- Adapt to the changing external pressures facing the organization.
- Adjust their management style to changing situations.
- Accept changes as positive.
- Revise plans as necessary.
- Consider other people's concerns during change.

Our own database of the most important job requirements confirms the importance of adaptability for all leaders. However, executives view adaptability as particularly important (see Figure 3). These seasoned leaders are more likely to be exposed and experience the consequences of changes both inside and outside the organization. And, the changes they encounter tend to be larger in magnitude and more unpredictable.¹⁵

¹³ Gartner (2019). Reshaping Leadership to Prepare for the Future.

¹⁴ Center for Creative Leadership (n.d.) "5 Tips for Adapting to Change". <https://www.ccl.org/articles/leading-effectively-articles/adaptability-1-idea-3-facts-5-tips/>

¹⁵ Gartner (2013). Developing Senior Leaders for the New Work Environment.

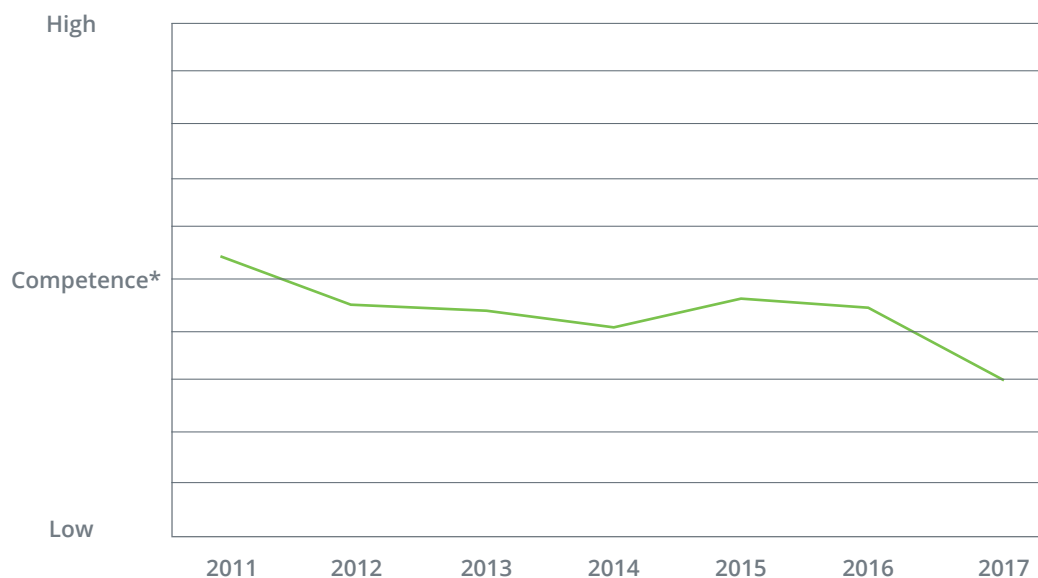
Figure 3: Importance of Adaptability by Level



*Importance represents the average rating provided by high-performing job incumbents across a variety of jobs and industries on a scale of 1 to 5. A rating of 3-3.5 indicates incumbents felt the competency is "Important" to success in role where a rating of 3.6-4.5 indicates it is "Very Important" for success in role.

Unfortunately, our data on how well senior leaders score on the competency of adaptability reveals that their scores have shown a steady decline over the last 7 years for which we have data (see Figure 4). In short, in today's tumultuous environment, organizations are not improving the adaptability of their current executives and will need to build a stronger pipeline of adaptable leaders at lower levels.

Figure 4: Adaptability Trend for Senior Leaders (2011-2017)



* Competence represents an estimate of the average effectiveness on this competency calculated from a combination of all relevant personality scales.

Addressing the Challenge

Organizations without adaptable senior executives are unlikely to see the rest of their workforce grow in its adaptability as well. Starting efforts to address this gap at the top while also seeking to build the strength of the rest of the workforce enables the whole organization to move forward. If this is the path for your organization, we've identified several steps you can take tomorrow to move in the right direction.

- **Stop:** First, don't pay lip service to the importance of adaptability. Adaptability has been spoken about for years; however, it is not just a buzz word but a true necessity in the new world of work.
- **Continue:** Continue setting long-term goals for senior leaders around your organization's strategy so that they don't lose sight of direction they need to go when encountering change.
- **Start:** Focus development programs on adaptability around the senior manager and executive roles that need it most. Ensure those programs allow senior executives "safe" experiences to learn to navigate change. And, include development on other competencies that can help them be more adaptable such as learning, creativity, and innovation.
- **Start:** Consider adopting more agile structures for your leadership teams, such as Deloitte's "network of teams" operating model, which aims to enable greater collaboration and internal agility by forming and disbanding teams relatively frequently.¹⁶

Cognitive Ability

In today's rapidly changing and increasingly digital business environment, it is more important than ever for organizations to be able to identify best-fit talent. Best-fit talent will have the critical skills and capabilities to perform well today and in new, often undefined, roles in the future. With ambiguity of role will come the need for competence in areas that require strong cognitive abilities to allow flexible thinking, ability to learn, and to critically think through unexpected problems as they arise.

Extensive research produced within the field of Industrial/Organizational Psychology over the past 100 years supports the relationship between strength of cognitive ability and quality of performance in role. Our data confirm competencies linked to cognitive ability (Learning and Critical Thinking) are consistently rated as required skills and abilities across job level (see Figure 5). Although data show the importance rating for Learning dips slightly for those in the senior manager/executive roles, the rating was still considered important for those levels.

Figure 5: Importance of Critical Thinking and Learning by Level

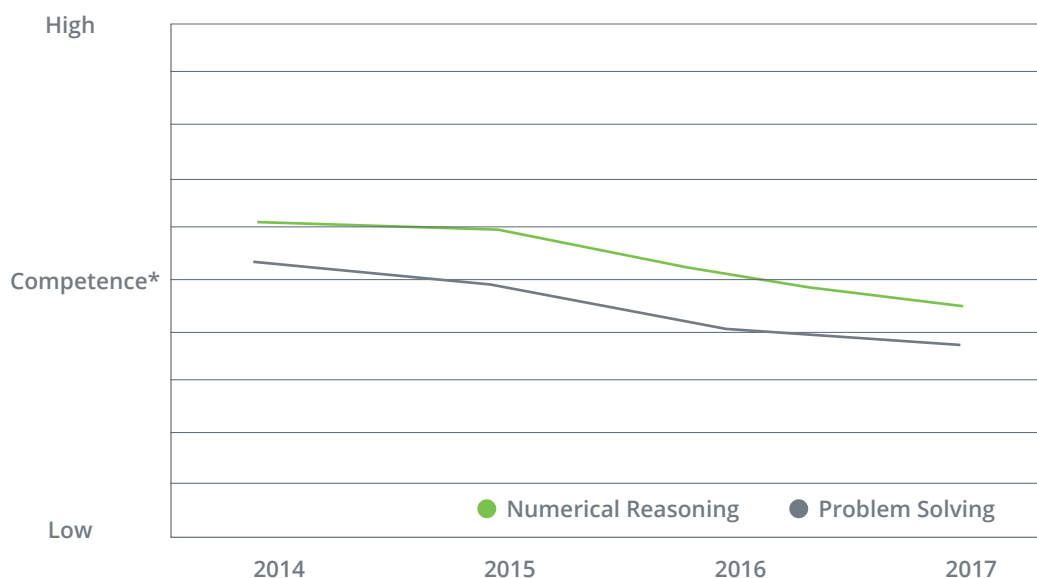


*Importance represents the average rating provided by high-performing job incumbents across a variety of jobs and industries on a scale of 1 to 5. A rating of 3-3.5 indicates incumbents felt the competency is "Important" to success in role where a rating of 3.6-4.5 indicates it is "Very Important" for success in role.

¹⁶ Deloitte (2016). Global Human Capital Trends 2016.

Interestingly, when we review workforce scores on measures that directly reflect one's ability to learn or critically think, problem solving and numerical reasoning skills have actually decreased between 2009-2019 with the exception of senior leaders who have made improvements in critical thinking over the last few years (see Figure 6).

Figure 6: Average Problem Solving and Numerical Reasoning Scores Over Time



* Competence represents the average score achieved across the population on the two cognitive tests displayed.

Several explanations could account for such a trend given the continued importance of these critical competencies. One possible explanation is that, over time, the overall representation of candidates being assessed by employers has broadened. In recent years we've seen the job market tighten and unemployment decrease, often times making it difficult to fill open jobs. In order to attract additional candidates to these roles, organizations may be opening their job requisitions to individuals with less experience, or different experience that traditionally weren't considered for such roles.

In the end, our data indicate that a strong demand for workers with excellent cognitive ability skills will remain high. Given that finding employees strong in these areas may prove difficult, organizations will also need to find ways to provide additional support to employees with lower cognitive ability in order to successfully navigate the future world of work.

- **Stop:** Don't assume your current workforce has all of the cognitive ability it needs to be successful regarding the types of tasks and problems they will face in the future world of work.
- **Continue:** Continue to focus on hiring the right people for important roles in your organization. Measures of cognitive ability have been strong and reliable predictors of job success for over 100 years given they predict the ability to learn, apply new concepts and conceptualize solutions to complex problems--all of which are going to remain relevant in the future world of work.
- **Continue:** Keep the lines of communication open. Different people may have different learning styles than their colleagues which may then require different managerial styles to best understand what is being asked of them. Managers can help grow these critical competencies within their current employee base with a bit of time and effort.
- **Start:** Educate supervisors/managers on different learning styles that might be more or less effective for subsets of employees. For example, using pictures/diagrams to explain assignments rather than written explanations may unlock better understanding of what is being asked and lead to better results despite seemingly lower level abilities.
- **Start:** Equip managers to use stretch assignments with consistent feedback loops to expose employees to the types of learning and critical thinking expected in role.
- **Start:** Review the cognitive demands of your jobs to determine if any can be redesigned to be less demanding.

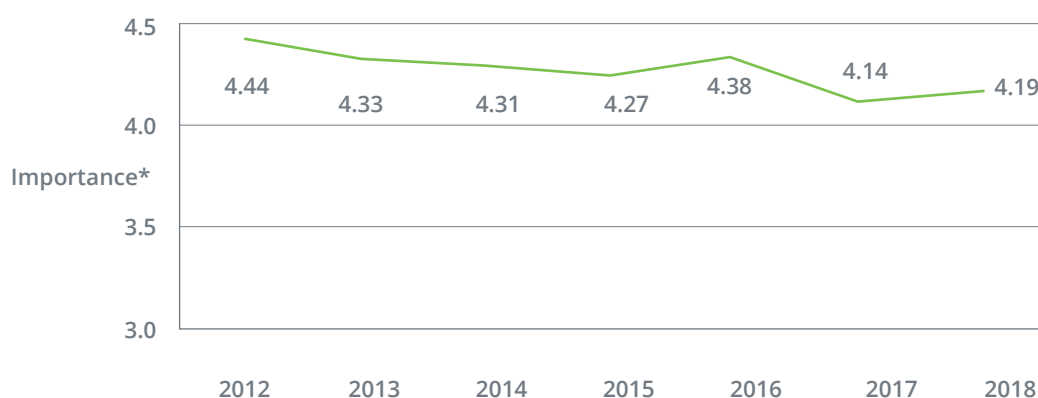
A Breakdown in Communication

Effective communication is vital to an organization's operation as it has the potential to improve both productivity due to more effective collaboration and use of networking skills, as well as to improve job satisfaction and retention of a workforce through the enhanced trust and transparency that strong communication elicits.

The term communication is broad; within its definition we consider ability to speak clearly and understandably and to adjust communication style or content accordingly to meet the audience's needs. Within the modern workplace the ways in which communications occur are plentiful. Employees communicate with others, both internal and external to their own business, through formal channels such as email, phone calls, voicemails, in-person meetings, as well as more informal pathways such as text messages, instant messaging, and impromptu hallway conversations.

The ability to communicate well with others remains a critical workplace skill. Our data show a consistent pattern of importance ratings for this competency over the past decade. Figure 7 illustrates this trend.

Figure 7: Importance of Communication by Year



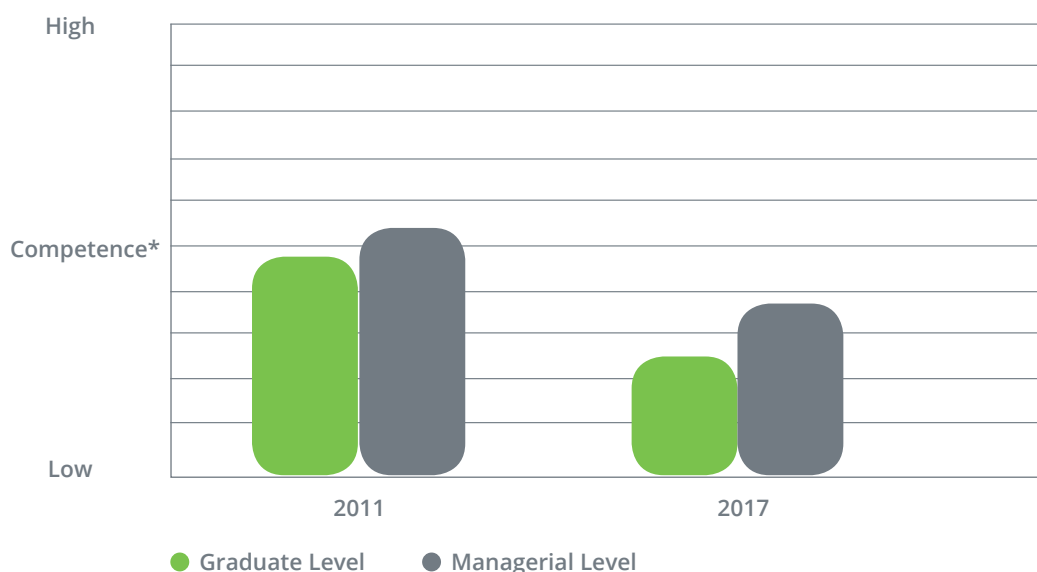
*Importance represents the average rating provided by high-performing job incumbents across a variety of jobs and industries on a scale of 1 to 5. A rating of 3-3.5 indicates incumbents felt the competency is "Important" to success in role where a rating of 3.6-4.5 indicates it is "Very Important" for success in role.

Despite its importance, employee communication skills have seemingly degraded over the years, especially for graduate-level hires.¹⁷ A report by ISE on the global skills gap in the 21st century reveals a substantial gap between employer satisfaction with candidate's communication skills (71) and their rating of its importance (95). Echoing these findings are SHL's own data, where we see a general downward trend in the average score for communication between 2010 and 2017 for both graduate managerial job levels (see Figure 8).

¹⁷ Institute of Student Employers (ISE) (2018). "The Global Skills Gap in the 21st Century".

<http://info.qs.com/rs/335-VIN-535/images/The%20Global%20Skills%20Gap%2021st%20Century.pdf>

Figure 8: Average Communication Score by Job Level



* Competence represents an estimate of the average effectiveness on this competency calculated from a combination of all relevant personality scales.

Addressing the Challenge

Effective communication remains essential to collaboration and network performance. With fewer graduates entering the workforce whose communication skills match employer expectation, organizations will need to address the gap to ensure a digital-ready workforce.

- **Stop:** First, don't assume employees or new hires will have acquired and developed strong communication skills elsewhere that they can apply in their jobs. Like the need to look for real evidence that they have had experience applying adaptability, learning, and resilience skills, organizations should utilize interview tools and work samples to assess candidates' effectiveness in communication prior to bringing new hires on board.
- **Continue:** Check in with employees on a regular basis (in person or online). Entrench the importance of strong, transparent communication into the organizational culture by ensuring managers and leaders model effective communication.
- **Start:** Strengthen the connections between managers and employees. Employees want to be heard and by empowering them with an avenue to share their concerns, thoughts, and recommendations a pathway can be established that allows them to upskill in the area of communication. Additionally, organizations should encourage and place value on collaborative relationships, highlighting opportunities and recognizing employees whose effective collaboration impacts success for the organization.

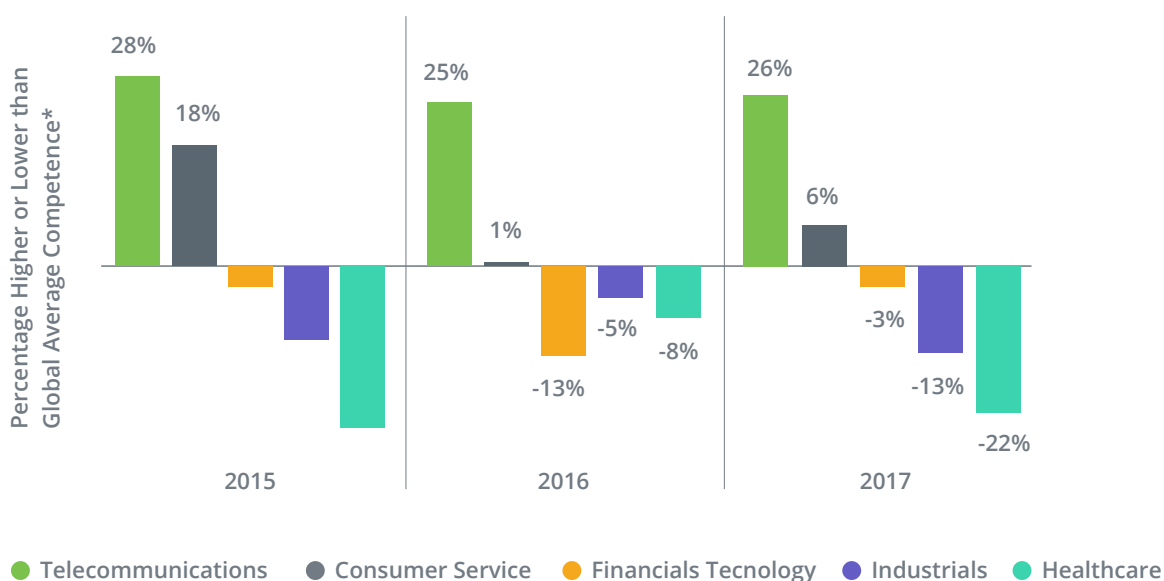
Uneven Availability of Commercially-Savvy Talent

One of the biggest insights that arose out of the global financial crisis in 2008-2009 was the realization that organizations of all types, not just financial institutions, need employees with strong commercial thinking and acumen in order to understand how customers respond to their products and services. The need is for all employees to be effective at conveying the value of their products and services. In a recent Mercer Global Talent Trends Study, a survey of over 400 business executives predicted that today's jobs will focus more on sales and delivery and less on managing products and services.

At SHL, we define strong Commercial Thinking as an individual who “considers revenue, cost, and risk factors that drive organizational performance; identifies and secures new business; optimizes resources to deliver more with less; manages and mitigates risks; and maintains awareness of external factors impacting the business.” Recognizing the complexity of today's economies, it encompasses an organization-wide view of the business, and emphasizes both internal and external factors.

Our tracking of Commercial Thinking skills across the last 10 years, since around the time of the financial crisis, however, reveals that the availability of employees with strong commercial thinking skills is very uneven. In recent years, sectors such as Financials, Industrials, and Healthcare, have consistently lagged other sectors including Telecommunications and Consumer Services in the strength of their talent on commercial thinking (see Figure 9). This deficit in these sectors is especially true for graduate-level hires, indicating that this picture is unlikely to change soon if organizations do not change their current sourcing and hiring practices.

Figure 9: Highest and Lowest Industries in Commercial Thinking (2015-2017)



* Competence represents an estimate of the average effectiveness on this competency calculated from a combination of all relevant personality scales.

Addressing the Challenge

If your organization faces a dearth of commercial thinking skills, regardless of whether it's in one of the lagging industries or not, there are a handful of strategies to revisit.

- **Stop:** First, don't assume that commercial thinking is critical only for sales- or financial-related positions within an organization. Today's customer-first digital business models require employees in every position to be aware of and focused on their impact on the bottom line. Building a workforce with strong commercial thinking won't come from just hiring better sales people and financial analysts.
- **Continue:** Continue to orient your employee engagement and retention efforts around providing a compelling employment value propositions and keeping your most commercially-savvy employees from leaving.
- **Start:** Ensure all roles within your organization can understand how the work they do aligns to meeting the organization's financial goals. Provide a foundation of commercial skills and business acumen training to all employees, with a particular emphasis on how money flows into, through, and out of your organization.

Regardless of which of these strategies you pursue, one thing is clear: organizations lacking commercial thinking should look to grow these skills before their business performance falls behind. All organizations should look to assess the current commercial thinking skills of their workforce to determine where they stand and whether incorporating new strategies might be beneficial to the bottom line.

Conclusion

The trends and challenges highlighted in this whitepaper are some of the most pronounced and important issues for any organization seeking to build the 21st century workforce. The picture that has emerged is one of significant change. Although these changes are not occurring overnight, they are progressing rapidly. Importantly, organizations must adapt to and effectively manage them if they expect to have the talent they need to succeed. In short, the future is already here; it's time to act.

Taking the trends and insights in this whitepaper as a whole we recommend that all organizations evaluate their current talent strategies by implementing a handful of key steps, including:

- **Stop:** relying on an inaccurate (and likely biased) picture of future skills based only the future demand for talent. The most effective organizations rely on insights from objective data on talent to identify, select, develop, and manage your talent. Take advantage of SHL's scientifically-proven assessment solutions to make evidence-based decisions.
- **Stop:** viewing and addressing your future skills needs through piecemeal solutions on a role-by-role or as-needed basis. Look holistically across your workforce by using SHL's Workforce Review solutions to determine your aggregate talent needs and be able to benchmark your talent externally.
- **Start:** using a standard competency framework to gain a systematic end-to-end view of your organization's current talent. Partner with SHL to align your own competency models with our Universal Competency Framework and ensure that your talent has right 21st century skills to succeed in your business environment. Evaluate and track employees across their entire employee lifecycle from hiring to onboarding to ongoing engagement and retention.
- **Start:** upskilling to build a diverse portfolio of future skillsets organization-wide. Begin with your key roles and leadership positions where these skills are likely to have the biggest business impact. SHL's Leadership Solutions, such as our High Potential and Succession Management assessments, can help you identify, place, and develop the leaders your organization needs to succeed in the future.
- **Start:** if your organization has some critical talent gaps, look in new places (e.g., adjacent roles or sectors) where these skills already reside for opportunities to close the gaps and attract new talent quickly. By partnering with SHL's leading experts and consultants, your organization can develop talent acquisition and management strategies to address these gaps.
- **Continue:** monitoring emerging workforce and skill trends to ensure your organization does not get left behind. Stay up to date by regularly reading SHL's blogs, whitepapers, and reports on the latest industry innovations and trends.

About SHL

SHL exists to help you win. At a time of unprecedented change, we provide deep people insights to predict and drive performance.

Our world-class talent solutions empower leaders and their teams to make unbiased decisions throughout the employee journey. With 40+ years of talent expertise, cutting-edge assessment science and more than 45 billion data points, we have an unparalleled view of the workforce. SHL partners with organizations of all sizes – from start-ups to multinational firms – worldwide to deliver proven business results from people investments.