

# **The skills-based organization: A new operating model for work and the workforce**

The most fundamental building block of work—the job—could be hampering many organizations. Instead, many are now applying skills-based models to meet the demand for agility, agency, and equity.

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# Introduction

FOR OVER A century, jobs have been the dominating structure for work—defining how work is done, by whom, how it is managed and led, and how workers are supported by every HR practice, from hiring to compensation to career progression to performance management. It’s so embedded in everything companies do that people rarely stop to question it at all.

But confining work to standardized tasks done in a functional job, and then making all decisions about workers based on their job in the organizational hierarchy, hinders some of today’s most critical organizational objectives: organizational agility, growth, and innovation; diversity, inclusion, and equity; and the ability to offer a positive workforce experience for people.

In response, organizations are moving toward a whole new operating model for work and the workforce that places skills, more than jobs, at the center. One company pioneering this move is

Unilever: “We’re beginning to think about each role at Unilever as a collection of skills, rather than simply a job title,” explains Anish Singh, head of HR for Unilever in Australia and New Zealand.<sup>1</sup>

According to a global Deloitte survey of more than 1,200 professionals, organizations are increasingly experimenting with what they hope is a better way. By decoupling some work from the job—either by atomizing it into projects or tasks, or broadening it so it is focused on problems to be solved, outcomes to be achieved, or value to created<sup>2</sup>—people can be freed from being defined by their jobs to being seen as whole individuals with skills and capabilities that can be fluidly deployed to work matching their interests and to evolving business priorities. And by basing people decisions on skills more than jobs, organizations can still have a scalable, manageable, and more equitable way of operating. We call this new operating model for work and the workforce “the skills-based organization.”

## SKILLS DEFINED

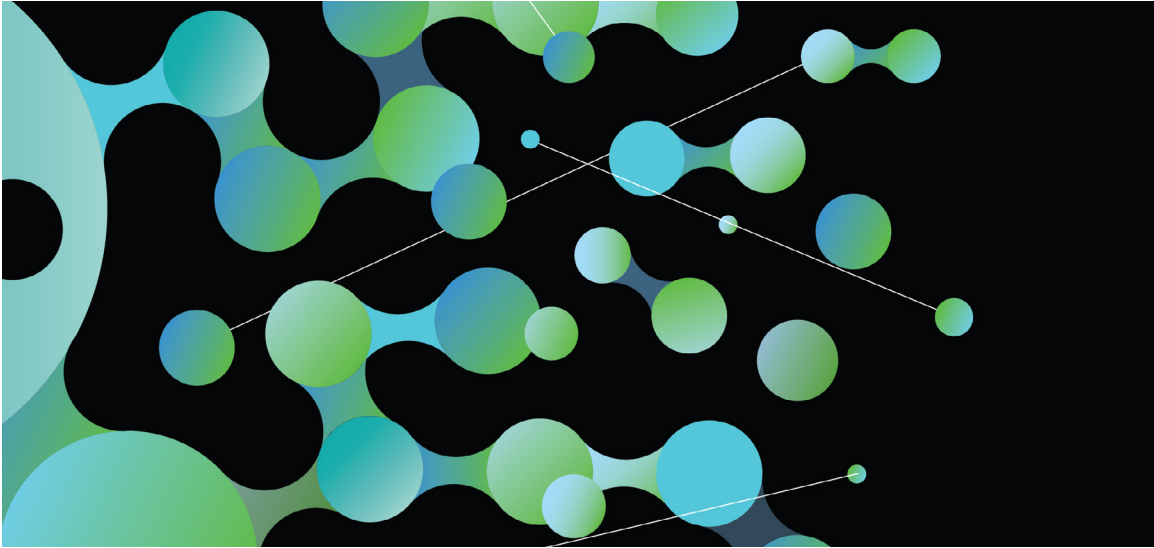
We broadly define “skills” to encompass “hard” or technical skills (such as coding, data analysis, and accounting); human capabilities or human skills (such as critical thinking and emotional intelligence); and potential (including latent qualities, abilities, or adjacent skills that may be developed and lead to future success). Eventually, we see the word “skills” becoming short-hand for more granularly defining workers as unique, whole individuals—each with an array of skills, interests, passions, motivations, work or cultural styles, location preferences and needs, and more.

At Unilever, for example, an internal talent marketplace enables skills to fluidly move to projects and tasks across the organization, either as a permanent employee or as a “U-Worker”: a worker who has a guaranteed minimum retainer along with a core set of benefits, and who contracts with Unilever for a series of short-term projects.<sup>3</sup> Explains Patrick Hull, vice president of future of work at Unilever, “We just see that there’s all this opportunity that we can unlock for people that maybe we wouldn’t have been considering because, as with many organizations, we would have been more in our functional silos.” Increasingly,

departmental work at Unilever is being divided into projects, tasks, and deliverables. Ultimately, Hull sees siloed departments breaking down in the future, with a more granular method of viewing employees’ contributions focused on outputs and skills rather than on years with a job title, to understand what each employee brings. “When you can get to that level of detail, you can get much more targeted in your recruitment, in your internal mobility of talent, and applying the right talent to the right tasks and projects, and thereby also accelerate business performance.”<sup>4</sup>



# Organizations are moving toward a new approach



**T**O EXPLORE HOW organizations are thinking about the move to skills-based organizations and how (or if) they are operationalizing it, we conducted both quantitative and qualitative research—surveying 1,021 workers and 225 business and HR executives around the world and across industries, and interviewing nearly a dozen executives.<sup>5</sup> Across all the 11 workforce practices we asked about, we discovered a plethora of experimentation with (and a strong directional move toward) skills-based organizations, as well as a strong preference from both executives and

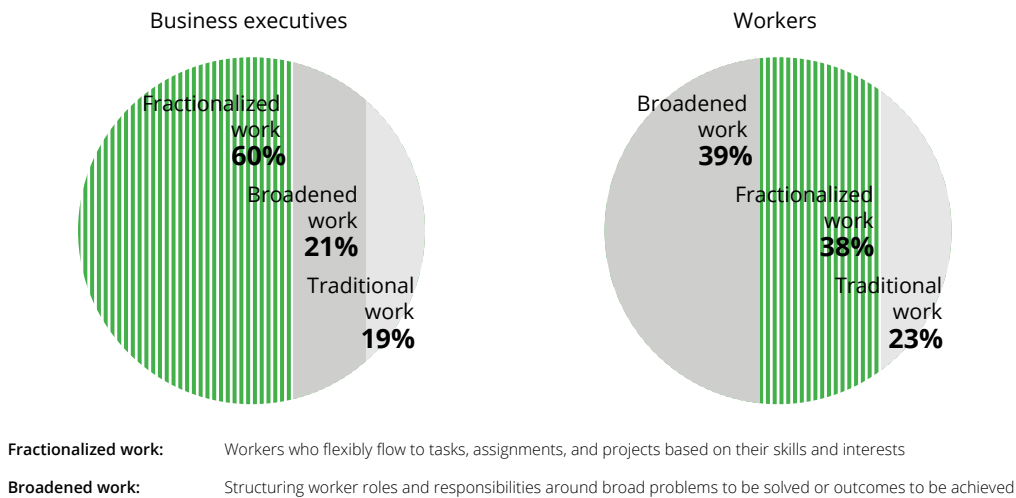
workers for a skills-based model over one based on jobs. This was surprising because we expected more organizations to resist moving away from a jobs-based model for organizing work and making decisions about workers (figure 1).

Despite this overall move, fewer than one in five are adopting skills-based approaches to a significant extent: across the organization, and in a clear and repeatable way. These early skills-based pioneers are achieving better business results than those with jobs-based practices (figure 2).

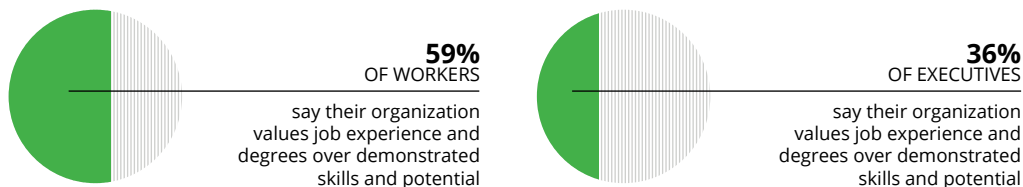
FIGURE 1

## Executives and workers want a new approach to jobs and work

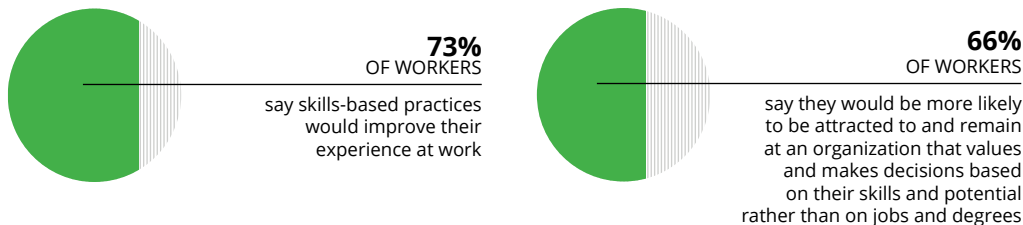
### WHAT DO YOU BELIEVE IS THE BEST WAY TO ORGANIZE WORK TO CREATE VALUE FOR WORKERS AND THE ORGANIZATION?



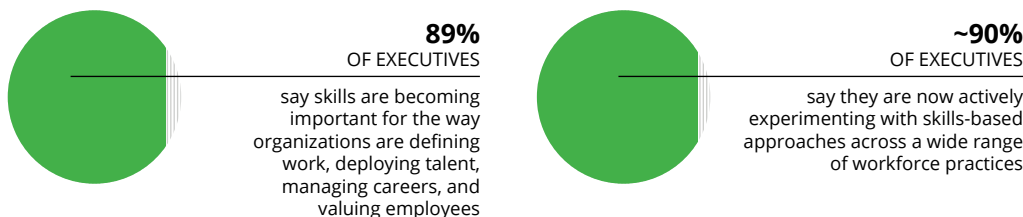
### MANY WORKERS FEEL THEIR EMPLOYERS VALUE JOB EXPERIENCE AND DEGREES OVER SKILLS



### BUT WORKERS WANT SKILLS-BASED PRACTICES AND WILL VOTE WITH THEIR FEET TO GET THEM



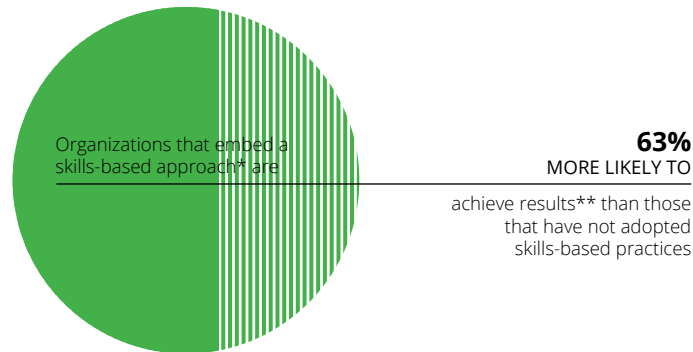
### AND EXECUTIVES SAY THEIR ORGANIZATIONS ARE MOVING TOWARD A SKILLS-BASED APPROACH



Source: Deloitte Skills-Based Organization Survey, May-June 2022.

FIGURE 2

## Skills-based organizations see results



### SKILLS-BASED ORGANIZATIONS ARE...

**107%**  
MORE LIKELY TO  
**place talent effectively**

**98%**  
MORE LIKELY TO HAVE  
**a reputation as a great place to grow and develop**

**98%**  
MORE LIKELY TO  
**retain high performers**

**79%**  
MORE LIKELY TO HAVE  
**a positive workforce experience**

**57%**  
MORE LIKELY TO  
**anticipate change and respond effectively and efficiently**

**52%**  
MORE LIKELY TO  
**innovate**

**49%**  
MORE LIKELY TO  
**improve processes to maximize efficiency**

**47%**  
MORE LIKELY TO  
**provide an inclusive environment**

\* Skills-based organizations ratio reflects the combined weighted ratios of the HR executive survey item “Our organization’s business and HR executives are aligned on the importance of skills in making decisions about work,” and the worker survey items “My employer treats workers as whole, unique individuals who can each offer unique contributions and a portfolio of skills to the organization,” “My organization supports me in pursuing opportunities to create value through activities that are outside of the direct scope of my job,” and “My organization makes it easy to apply my skills where they are most needed.”

\*\* Results are defined as 11 business and workforce outcomes: meeting or exceeding financial targets; anticipating change and responding effectively and efficiently; innovating; achieving high levels of customer satisfaction; positively impacting society and communities served; improving processes to maximize efficiency; being a great place to grow and develop; placing talent effectively; providing workers with a positive workforce experience; providing an inclusive environment; and retaining high performers.

Source: Deloitte analysis of Deloitte Skills-Based Organization Survey, May–June 2022.

This indicates that those who’ve adopted skills-based approaches to a significant extent are building organizational models that better align to their organizations’ needs—and workers’ expectations—today.

## The case for change continues to develop

This shift in approach is a result of several broader business shifts:



## ORGANIZATIONS' GROWING SENSE OF RESPONSIBILITY FOR THEIR WORKERS' WELFARE

There's a growing acknowledgment of the importance of human-centricity at work: 79% of business executives agree that the purpose of the organization should be to create value for workers as human beings, as well as for shareholders and society at large, and 66% are facing increased pressure to show their commitment to doing so, moving from rhetoric to results. About a quarter of workers (27%) strongly agree that their organization is making progress on this front, while 64% say they would be more attracted to and remain at an organization that does so, indicating that people want to work where they feel the organization is contributing to their growth and realization of their potential, and where they feel seen, valued, and respected. Instead of turning everyone into the same kind of contributor through standardizing them in jobs, skills-based organizations let people's uniqueness as humans shine through, with work tailored to their strengths.

Refocusing work around the people doing it and the skills required to do so—and supplying the necessary skills training—can also increase employability. For example, identifying adjacent or foundational skills of workers who are displaced by automation or whose roles are no longer needed can help organizations redeploy them to work that is needed.

Skills-based organizations can also promote equity: 80% of business executives say making decisions about hiring, pay, promotions, succession, and deployment based on people's skills rather than their job history, tenure in the job, or network would reduce bias and improve fairness; and 75% say hiring, promoting, and deploying people based on skills (vs. tenure, job history, or network) can help democratize opportunity and improve access to it.

## WORKERS' DEMAND FOR MORE AUTONOMY

Half of the workers we surveyed said they are more likely to be attracted to and remain at an organization that grants them more agency and choice in how they apply their skills to work. Although workers want to realize their full potential and be seen as individuals, only 26% of workers strongly agree that their employer treats them as whole individuals who can offer unique contributions and a unique portfolio of skills to the organization.

**77% of business executives agree their organization should help their workers become more employable with relevant skills, but only 5% strongly agree they are investing enough in helping people learn new skills to keep up with the changing world of work.**

## TALENT SHORTAGES

Seventy-three percent of business executives expect to continue to experience talent shortages over the next three years, and 70% of those respondents say they are getting creative about sourcing for skills rather than just considering job experience. For example, global commercial real estate firm Cushman & Wakefield looked to understand how the skills and adjacent skills of those who served in the military—such as leadership, project management, engineering, strategic planning, and machinery maintenance—could easily be applied in an entirely different industry and set of roles, thus recruiting from an underutilized talent pool.<sup>6</sup>

## THE NEED FOR AGILITY

In an era of accelerating, often unpredictable change, 85% of business executives say that organizations should create more agile ways of organizing work to swiftly adapt to market changes. COVID-19 is a case in point: A host of examples, such as Virgin Atlantic loaning its furloughed flight attendants to UK hospitals to help with customer care,<sup>7</sup> demonstrate that workers are far more capable than we think of stepping outside their usual jobs to add value in new ways.

**77% of business and HR executives say flexibly moving skills to work is critical to navigating future disruptions.**

## DIGITAL TRANSFORMATION

Sixty-one percent of business executives say new technologies such as automation and artificial intelligence (AI) that require new skills will be a primary driver of their organization adopting a skills-based approach. Automation is pushing organizations to “unfreeze” their jobs, disaggregate them into their component tasks and subtasks, and then hive off those that can be automated and reassemble the remaining tasks into a newly

formed “refrozen” job. But with newer technologies continuously reshaping jobs, many are looking for new structures of organizing work that enable people to continually flex as needed, instead of unfreezing and freezing jobs over and over again.

## DECREASING RELEVANCE OF JOBS

Probably as a result of all these factors, the concept of a job itself is less relevant than before. A full 71% of workers already perform some work outside of the scope of their job descriptions, and only 24% report they do the same work as others in their organization with the same exact job title and level. Meanwhile, 81% of business executives say work is increasingly performed across functional boundaries.

And many workers don’t even plan on performing work through a “job” at all anymore. Over half of workers (55%) say they already have, or are likely to, switch employment models throughout their careers—fluidly moving from permanent full-time jobs through projects on internal talent marketplaces, freelancing, and gig work, for example.

If jobs are no longer a useful construct to meet organizational goals and worker needs, many organizations are realizing it’s time to change their approach.

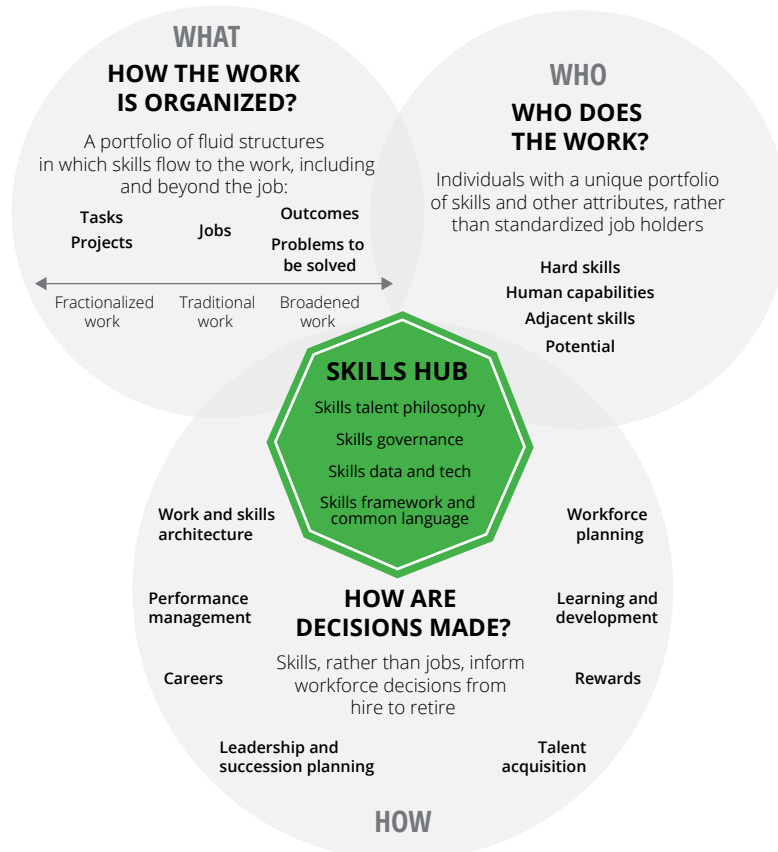
# The skills-based organization in practice

**S** KILLS-BASED ORGANIZATIONS OPERATE based on four principles (figure 3):

1. **Liberating work from the confines of the job** by reorganizing work as a portfolio of fluid structures, including and beyond the job
2. **Reconceiving workers from being employees in jobs to being a “workforce of one”**—individuals who work on- or off-balance-sheet, each with a unique ability to make
3. **Using skills, rather than jobs, to make decisions about work and the workforce**—from who performs what work, to performance management to rewards to hiring
4. **Building a “skills hub,”** an engine of skills data, technology, governance, and more, to power these decisions

FIGURE 3

## The skills-based organization: A new model for work and the workforce



Source: Deloitte analysis.

Let's explore each to understand how skills-based organizations operate in practice.

## Liberate work and workers from the confines of the job

### **The big shift**

From: Work **organized by jobs** in a *functional hierarchy*

To: A **portfolio of ways to organize work**, enabling greater agility and more fluid, meaningful packages of work including and beyond the job

One approach to organize work without jobs is to fractionalize the work: breaking it down into more meaningful chunks of work in the form of projects or tasks that continuously evolve as business needs change, letting workers with a relevant portfolio of skills and capabilities flow to the work. This approach is gaining ground, and is advocated by leading thinkers such as Ravin Jesuthasan and John Boudreau in their recent book *Work without Jobs*.<sup>8</sup> Many organizations are experimenting with partial fractionalization in the form of *internal talent marketplaces*: letting workers carve out a portion of their time from their traditional job to take on projects and tasks anywhere in the organization based on their skills and interests, with opportunities suggested to them through AI-powered matching technology. At Haier, the entire organization of more than 75,000 employees works in a fully fractionalized work model, with an internal talent market that governs how talent is deployed on specific projects, structured into self-organizing, fluid microenterprises, each with 10 to 15 employees.<sup>9</sup>

Some are taking this concept across organizational boundaries, temporarily loaning or borrowing workers from other noncompeting organizations for projects, tasks, or roles in the form of cross-company talent exchanges. For example, the US Department of Defense and private sector defense organizations jointly created the Public-Private Talent Exchange to share talent across organizations through temporary projects and assignments.<sup>10</sup>

**85% of HR executives say they are planning or considering redesigning the way work is organized so that skills can be flexibly ported across work over the next three years.**

But as one of the authors lays out in a previous article, *Beyond the job*, organizations can also go the other direction and broaden work, organizing it around flexibly applying skills to achieve outcomes or solve problems.<sup>11</sup> Our research reveals that organizations that do this are nearly twice as likely to place talent effectively and retain high performers, as well as have a reputation as a great place to grow and develop.

Cleveland Clinic, for example, moved from being organized by medical specialties and specific job titles such as “doctor” or “nurse” to broadly defining all staff as “caregivers” responsible for treating not just physical ailments but also patients’ spirit and emotions. Instead of organizing departments based on the medical specializations,

groups were instead formed around the patients and their illnesses, creating multidisciplinary, collaborative teams—which also sparked innovation in new treatments.<sup>12</sup> Our research suggests that organizations are moving to broaden the job, providing more flexibility regarding what is done within it (figure 4). Twenty-four percent of surveyed workers report that their organizations are already beginning to do this.

Although there will always be a place for the traditional job, organizations are increasingly looking to create a portfolio of different ways to organize work, using different options for different workforces or businesses.

## Develop the workforce of one

### The big shift

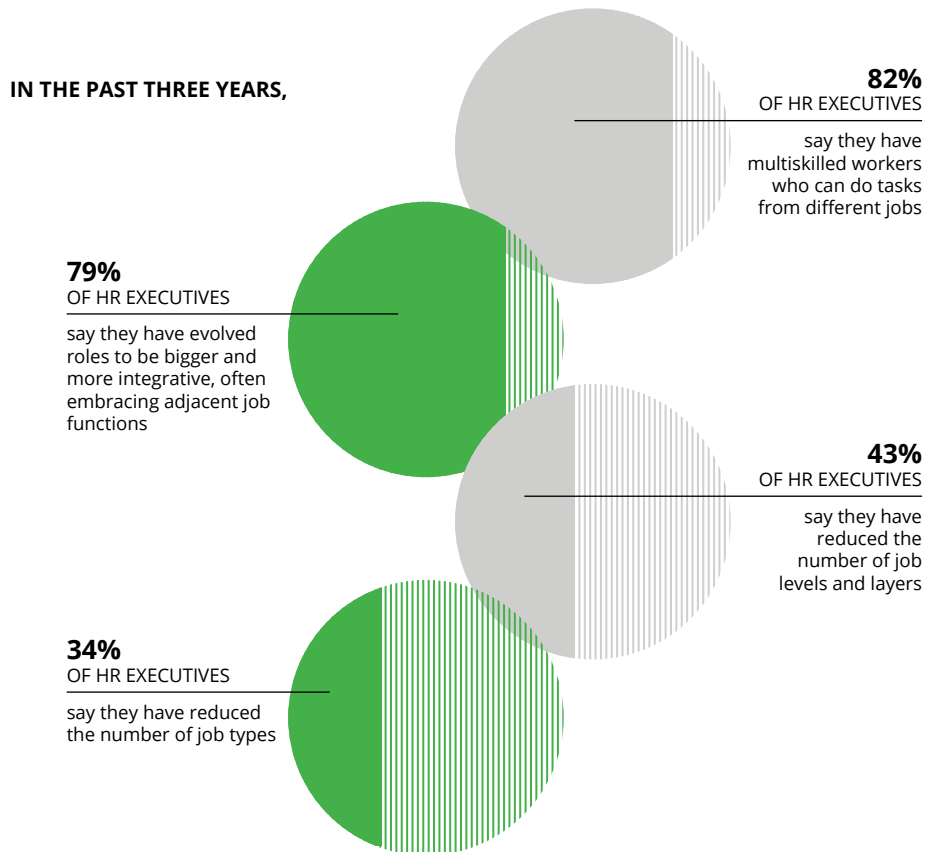
*From: A one-to-one relationship between employees and jobs*

*To: A many-to-many relationship between work and skills, with workers seen as **unique individuals with a portfolio of skills** who may be on- or off-balance-sheet*

When workers are unbound from being defined by their organizations as their “job,” work is no longer a one-to-one relationship between employees and

FIGURE 4

## Organizations are moving to broaden the job



Source: Deloitte Skills-Based Organization Survey, May–June 2022.

jobs but rather a many-to-many relationship between work and skills—with workers seen as a “workforce of one,”<sup>13</sup> or unique individuals with a portfolio of skills and the ability to make meaningful contributions to a range of work. Organizations that view workers this way are more likely to have better financial results, anticipate and respond effectively to change, and retain high performers, among other results.<sup>14</sup> Even though 72% of surveyed workers say it would improve their experience at work, only 12% say they are able to customize and personalize their work responsibilities based on their unique skills, capabilities, and interests (through projects and internal gigs, or choosing their own tasks) to a significant extent.

An important aspect of viewing workers not as job holders but as unique individuals is recognizing that every individual has the capacity to continually learn and grow, and decide how they deploy their skills to work. By breaking out of the confines of the job, workers can more easily try new things to continuously learn, build on their adjacent skills to solidify new ones, and leverage their foundational capabilities such as emotional intelligence or problem-solving in whole new ways. This is learning as it is done best: in the flow of work, experiential, and applied to real problems at hand.

## Only 14% of business executives strongly agree that their organization is using the workforce’s skills and capabilities to their fullest potential.

In the past, only select “high potentials” were given the opportunity to tackle business-critical challenges or move around to different projects, giving them the development needed to rise. But a

skills-based organization gives everyone the ability to access the types of experiences that previously were reserved only for those with perceived high potential, now democratizing opportunity for all.

## Use skills to make decisions about work and the workforce

### **The big shift**

*From: Decisions about how to organize work and make decisions about workers based on the job*

*To: Decisions about how to organize work based on **skills**, and eventually, on other unique attributes of workers as well*

If jobs are increasingly less relevant as the only organizing construct for work, and skills become the new underlying unit of work, this requires nothing less than a sea change in how managers and HR operate to support the workforce.

Today, every talent management practice is based on the job. HR writes job descriptions, sets compensation, creates organizational charts, and assigns training—all around predefined jobs. Managers hire, give feedback, promote, and organize their teams around jobs. And workers progress throughout their careers by moving to the next higher-ranking job. Talent management, in this view, is standardized and process-driven, siloed and centralized, and based on a supply chain-oriented view of the world that assumes that the workforce is an interchangeable resource to be supplied and managed at cost rather than a unique asset to be cultivated.

The skills-based organization turns talent management on its head, redefining and reimagining every talent practice to be based more on skills and less on jobs.

## SKILLS-BASED HIRING

Take hiring, for example. When a work need arises, hiring managers typically default to opening a job requisition and then use algorithms to screen candidates based on prior job experience and degrees. But with a skills-based approach, they would first determine how best to structure the work (through a traditional job or not), the skills needed to perform the work, and who is best positioned to deliver the work (for example, an employee or an external worker such as a freelancer), with workers then being selected based on their skills. By using AI to understand the capabilities workers have that are correlated to their success—using “affirmative” filters that “screen in” based on skills and demonstrated capabilities, even if these workers have never had a similar job before—organizations can open the doors of opportunity and movement to millions who have previously been shut out.

When one telecommunications company needed machine learning skills, for example, it didn’t search for those who held machine learning or AI jobs, or who had degrees in the field. Those workers were too hard to hire. Instead, it analyzed profiles of thousands of workers who identified themselves as machine learning experts to understand the aggregation of skills, experience, and pathways these workers took to develop these skills. It then created algorithms to search and hire for those—increasing the talent pool by at least three times what the company had estimated. After hiring the workers who had these adjacent skills, the company then quickly built on the foundation of these skills to train the hired workers with the specific required machine learning skills. It now has technology that enables workers to compare their skills profile to different types of work and assess their fit, along with a list of skills they need to develop.<sup>15</sup>

In an ever-evolving world of work in which the half-life of hard skills is shorter than ever, increasingly more important will be hiring

based on adjacent skills, or foundational human capabilities such as learnability. Workers then have the ability to build on the foundation of other capabilities to continually develop the hard skills they need.

## SKILLS-BASED WORKFORCE PLANNING

The move to a skills-based approach for this telecommunications company had the added bonus of providing the organization with a host of skills data to inform workforce planning. Instead of planning for headcount in jobs, it can now plan for skills—understanding not only what skills the workforce possesses today, but what skills the organization could easily have if, with a bit of investment, it builds on the foundational and adjacent skills of its existing workers to develop them.<sup>16</sup>

With a skills-based approach to workforce planning, organizations can plan for the skills they need, where they can get them, and the type of work in which skills will need to be applied. Unilever, for example, has identified more than 80,000 tasks it may need done over the next five years that are likely to be performed by a combination of full-time employees, gig workers, contractors, and those working flexibly.<sup>17</sup>

## SKILLS-BASED PAY

How is pay set if not based on jobs—carefully benchmarked and determined based on hierarchy and market position? The answer could be assessing some combination of the work performed, how well it was performed, the outcomes achieved, and skills needed.

At American multinational manufacturing company W. L. Gore (best known as the maker of Gore-Tex fabrics), employees have no job descriptions upon which to base pay. Instead, employees rank 20 to 30 peers based on added value and contributions to the organization; a committee then uses this information and external benchmarking data to decide on compensation.<sup>18</sup>

An alternative method would be to make compensation completely based on an individual's bundle of skills, aligned to market value and the organization's needs.

## **Around 75% of executives and workers alike say skills-based pay and transparency regarding what skills are worth would be a positive development.**

For many organizations that retain the job, employees may have both a base salary based on their job, and a "skills" salary based on the market value of and organizational need for their skills. This would enable people to still be rewarded in line with market demand for their skills, but jobs could still be far more broadly defined, thereby unleashing greater mobility for those skills to be deployed across a variety of types of work. Organizations are starting to experiment here: IBM uses AI-based system CogniPay to make pay decisions based on market demand, internal forecast demands, and attrition data for a skill or cluster of skills.<sup>19</sup>

### **SKILLS-BASED PERFORMANCE MANAGEMENT**

Workers can be rewarded and recognized as they continue to develop their skills. But should skills be considered in the performance management process? This can be a point of contention; performance management approaches typically evaluate worker outcomes or performance toward goals rather than skills themselves.

Google strives to balance skills and outcomes in its new performance management process. Googlers

are encouraged to work with their managers to identify and document what their "priorities" should be in terms of their own development, and identify specific learning opportunities based on these priorities to act on in subsequent quarters.<sup>20</sup>

There are additional ways organizations can foster skill development during performance management activities. One example is by clearly defining criteria that indicate that employees are qualified to move into a different role in another part of the same company, and communicating those criteria transparently. During talent reviews, HR and managers should discuss how employees are demonstrating the skills that are seen as critical for future leaders and "next-level" roles.

Individuals and their managers should have a shared understanding of what skills are important for the employee to develop, and actively discuss on a quarterly basis (or more frequently) how to get the exposure, experiences, and education that will help them develop and demonstrate those skills on the job, in the flow of work.

### **SKILLS-BASED LEADERSHIP AND MANAGEMENT**

With a skills-based approach, managers' and leaders' roles shift from managing employees to dynamically orchestrating work and skills through projects, tasks, or problems to be solved, with influence and empowerment of others becoming more important than hierarchy. Managers then share talent across business functions and teams for the greater organizational good rather than hoarding it for their own team.

Managers will still have a critical role to play in communicating the purpose and vision of the organization, defining the work and aligning skills to it, refining how the work is done in a constant cycle of agile experimentation, providing resources and support, and helping workers cultivate an ever-changing portfolio of in-demand skills. However, in



### MATCHING SKILLS TO TEAMS

**14%** of HR executives say they are matching skills to teams to create optimal team compositions to a significant extent, and **84%** say they are doing so at least to some extent.

**Case in point:** IBM built an AI tool to suggest optimal sales teams using skills and other attributes of people, predicting win probability based on team formation.<sup>21</sup>

some organizations, many of these critical capabilities are diffused through workers at all levels, or given to some workers as part of their temporary role at that time, with the result that few, if any, managers might be needed at all. In other cases, the traditional role of the manager may evolve to look more like a project manager.

## Build a “skills hub”: The engine of the skills-based organization

Organizations that opt for a skills-based model may wonder how to operationalize it. A crucial engine that powers this model is a centralized “skills hub,” with the following components:

### A SHARED SKILLS-BASED TALENT PHILOSOPHY

Moving from jobs to skills as the organizing principle of work and the workforce will require a shared approach across the organization regarding the value and prioritization of skills as the connecting thread of talent management, and how they will inform all workforce decisions. As one Dutch communications company embarked on its transformational journey to become a skills-based organization, for example, it first defined its skills-based talent philosophy.<sup>22</sup>

The good news? Sixty-three percent of business and HR executives already say their organization’s business and HR executives are aligned on the importance of skills in making decisions about work and the workforce.

### CLEAR AND ESTABLISHED GOVERNANCE

Who will own the transformation to a skills-based organization? Organizations will need a clear understanding of skills “ownership” across the enterprise, along with the structures and processes to enable adoption and drive change management efforts. Sixty-four percent of organizations say the HR function currently owns the transformation.

But transforming the very fabric of the way work is done goes beyond HR, requiring cross-functional governance and buy-in. For example, finance will need to change the way it values work so that HR can set compensation levels, procurement will need to assess and deploy skills when hiring freelancers, and strategy and operations will need to think differently about how to structure and organize work. Ninety percent of business and HR executives say moving to a skills-based organization will require a transformation for all functions and leaders, not just HR.

For HR in particular, this will be a massive transformation. Instead of managing employees in jobs, 72% of business and HR executives agree that the role of HR will move away from managing employment to orchestrating work.

### A COMMON LANGUAGE FOR SKILLS

If skills are to become the lingua franca of work and the workforce, then organizations need to create a common language and framework for skills. Yet only 10% of HR executives say they effectively classify and organize skills into a skills taxonomy or framework—although nearly all (85%) have some efforts underway.

## STRONG DATA AND TECHNOLOGY ENABLERS

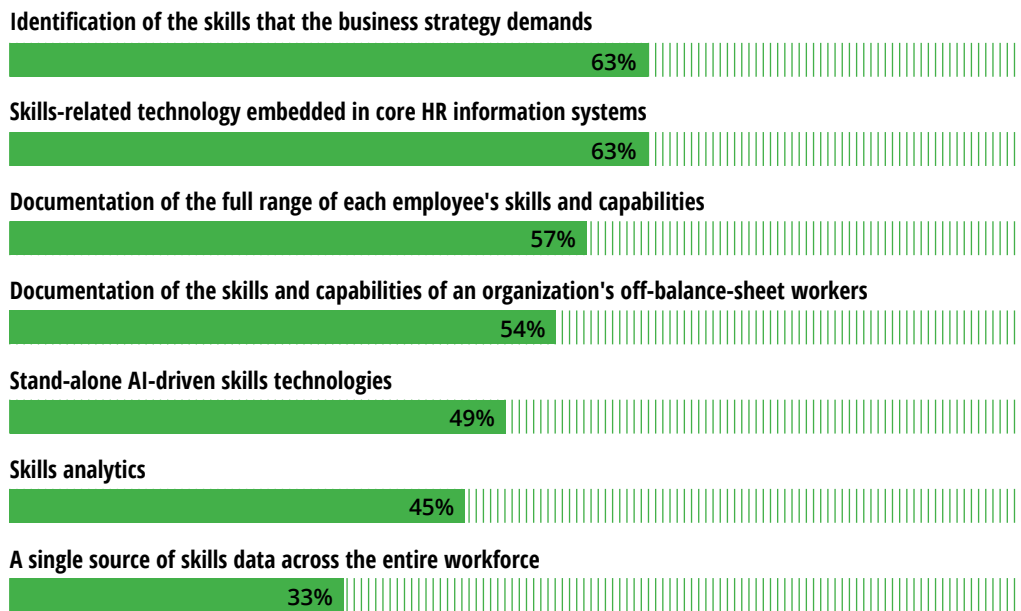
New developments in technology make the skills-based organization possible for the first time. Technologies span the gamut from AI-powered skills assessment and inference; matching of skills to work, career opportunities, teams, and learning; sensing of internal and external skills data to inform workforce planning or skills benchmarking; and managing skill badges, portable skills passports, or stackable credentials. On the work side, AI can now sense what work people really do to create dynamic “work” charts or organizational network analyses instead of “org charts” based on jobs.

Yet organizations still feel they have quite a bit of work to do to take full advantage of such technologies (figure 5). Some organizations don’t even know what skills their workforce possesses. And if you’re going to be making decisions about people as sensitive as promotions, pay, or deployment to work based on skills, then that skills data needs to be verified and valid. Many organizations continue to rely on workers self-reporting their skills and proficiency levels, in comparison with more valid ways of confirming skills (figure 6).

FIGURE 5

### How organizations use technology to power a skills-based organization

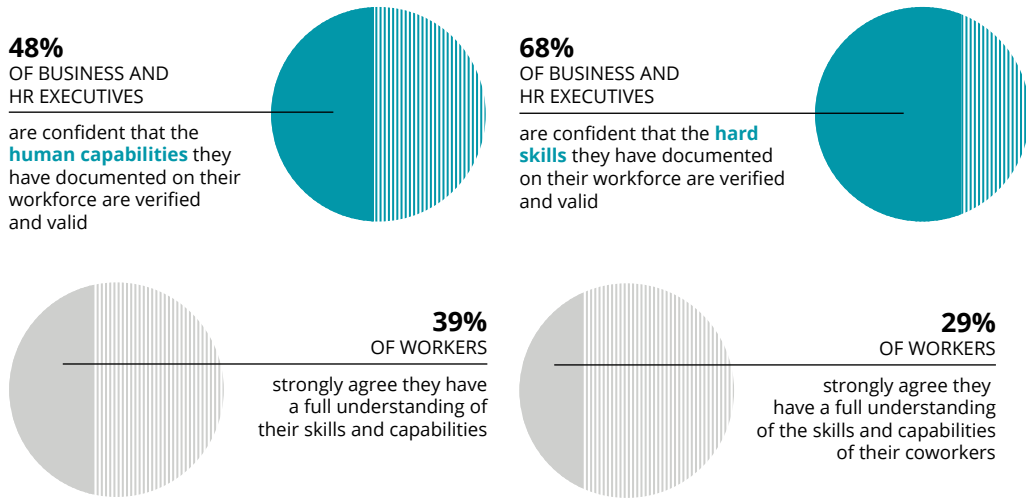
HR executives reporting how effectively they use technology in the service of skills



Source: Deloitte Skills-Based Organization Survey, May–June 2022.

FIGURE 6

## How organizations understand and verify the skills of their workforce



### HOW ORGANIZATIONS DOCUMENT AND VALIDATE THEIR WORKERS' SKILLS AND CAPABILITIES

Credentials (e.g., degrees, certificates, industry certifications, licenses, apprenticeships)



Peer or manager feedback, assessments, or endorsements of skills



Digital assessment tools (e.g., psychometric assessments, simulations, challenges, technical skill tests)



Training courses completed



Workers self-reporting their skills and/or proficiency levels



AI inferring skills by analyzing workers' daily behaviors and performance in the flow of work



Auto-populating skills from web portals such as LinkedIn



AI inferring skills from the worker's current job



Source: Deloitte Skills-Based Organization Survey, May-June 2022.

# Obstacles, challenges, and the future of skills-based organizations

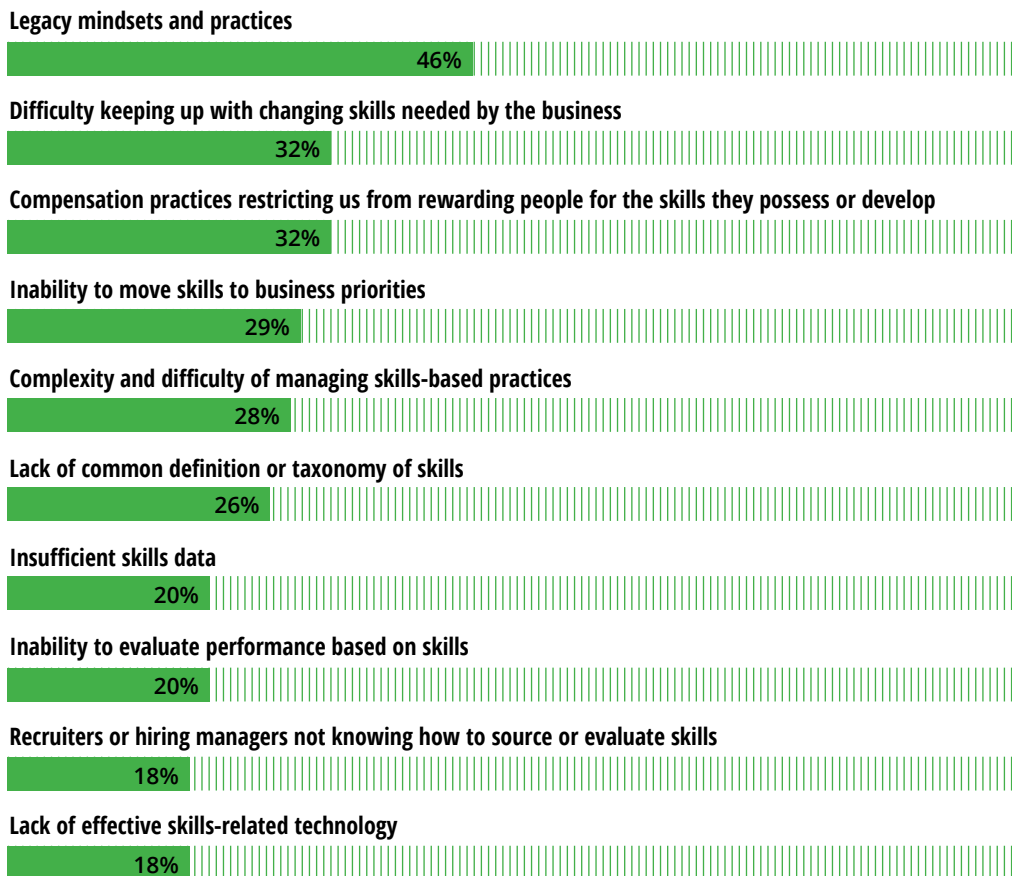
**T**ODAY, THE TECHNOLOGY to enable the transformation to a skills-based organization is there—or quickly catching up. It is organizations that are lagging behind, hindered by entrenched mindsets about what it means to

manage talent, work, and be a worker. When asked to name the top three barriers to transforming into a skills-based organization, business and HR executives cited technology last. By far the biggest barrier? Legacy mindsets and practices (figure 7).

FIGURE 7

## Obstacles to skills-based models cited by business and HR executives

“What are the top three barriers you observe in transforming into a skills-based organization?”



Source: Deloitte Skills-Based Organization Survey, May–June 2022.

This is not an easy challenge to overcome. And as skills-based organizations mature, they will continue to raise many questions and challenges that still need to be solved, including the following.

## Managing a portfolio of different types of work arrangements with fairness and equity

When the traditional fixed job is no longer the sole organizing construct for work, and there is far greater variety in types of work, people's work and employment experiences will vary tremendously from person to person. Many organizations may establish a multipronged approach, with some workers in traditional narrowly defined jobs, others in more broadly defined roles oriented toward achieving outcomes, and still others performing work in talent marketplaces through projects and tasks, with potentially different ways to deploy, pay, and promote people. Not only can this add complexity to existing talent processes, it may also lead some workers to question fairness when one worker receives an altogether different experience than another.

In focusing on their worker experience, organizations will need to be careful not to confuse fairness with sameness. When people are treated the same, differences may be ignored. But when they are treated *equitably*—with transparent and consistent standards based on a particular type of work arrangement and set of skills-based talent practices—then differences are recognized, celebrated, and harnessed so that people are viewed as the humans they truly are. With this approach, equity is achieved by providing people with fair access, opportunity, resources, and the power to thrive. This essentially human view is critical to the new world of work.

With a consistent framework for varied types of work arrangements put in place, organizations can avoid making individual side deals, where only some workers get to experience varied work relationships beyond the job. The trouble with these individually negotiated arrangements between manager and employee is that they are difficult to control, scale, or manage consistently or fairly.

## Overindexing on skills

While we have seen why skills are important to make decisions about work and the workforce, organizations will be in danger if they focus solely on skills. Explains Julie Dervin, head of global learning and development at global food company Cargill, “I think it's important, as you evolve to being a skills-based organization, to make sure that other important aspects aren't lost. When all is said and done, we're talking about our people—humans with varying interests, motivations, mindsets, lived experiences—and skills are just one part of the human performance equation.”<sup>23</sup>

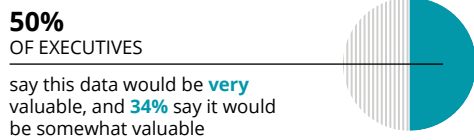
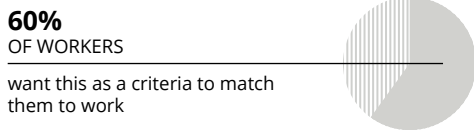
We see the shift to a skills-based organization as the first step of an evolutionary journey to making decisions based on individuals rather than jobs—with the word “skills” eventually becoming short-hand for more granularly defining workers with an array of skills, interests, passions, motivations, work or cultural styles, location preferences and needs, and more (see figure 8 for some of the types of data workers and executives would find valuable in matching workers to work).

Digital agency Forum One is one organization paving the way. As part of an effort to improve diversity, equity, and inclusion, the organization updated its skills matrix to go beyond skills to also include worker interests, preferences, and professional development goals. The goal? To provide a holistic understanding of a person's strengths and growth trajectory.<sup>24</sup>

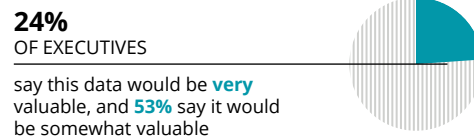
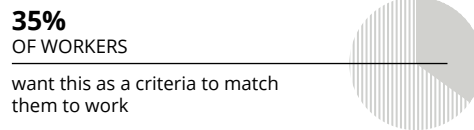
FIGURE 8

## Workers and executives want a variety of data on, and beyond, skills to make decisions on work and workforce

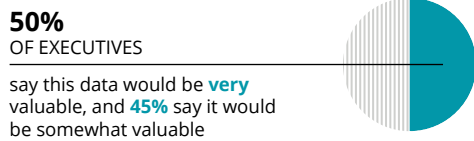
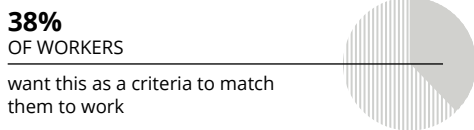
### DEMONSTRATED SKILLS AND CAPABILITIES



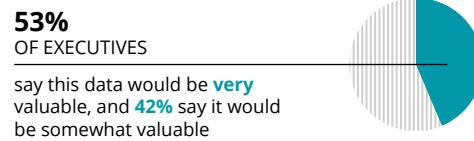
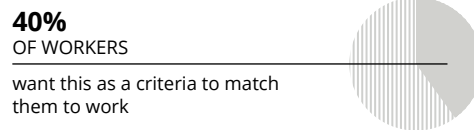
### INTERESTS AND PASSIONS



### TEAMING AND COLLABORATION STYLE AND PREFERENCES



### LOCATION, SCHEDULE, AND FLEXIBILITY PREFERENCES



Source: Deloitte Skills-Based Organization Survey, May-June 2022.

## Responsible use of workforce data and AI

When sophisticated technologies such as AI collect more and more data on workers, not only on skills but also other dimensions, do workers find it intrusive? Not necessarily: Our research suggests that workers embrace organizations using new sources of data and AI to better understand them as full human beings, and would prefer this way of understanding them than understanding them solely as jobholders.

For example, 79% of workers are completely open to their organizations collecting data on their demonstrated skills and capabilities, and as many as 70% are open to data collected on their *potential* abilities. Even the most sensitive ways of collecting

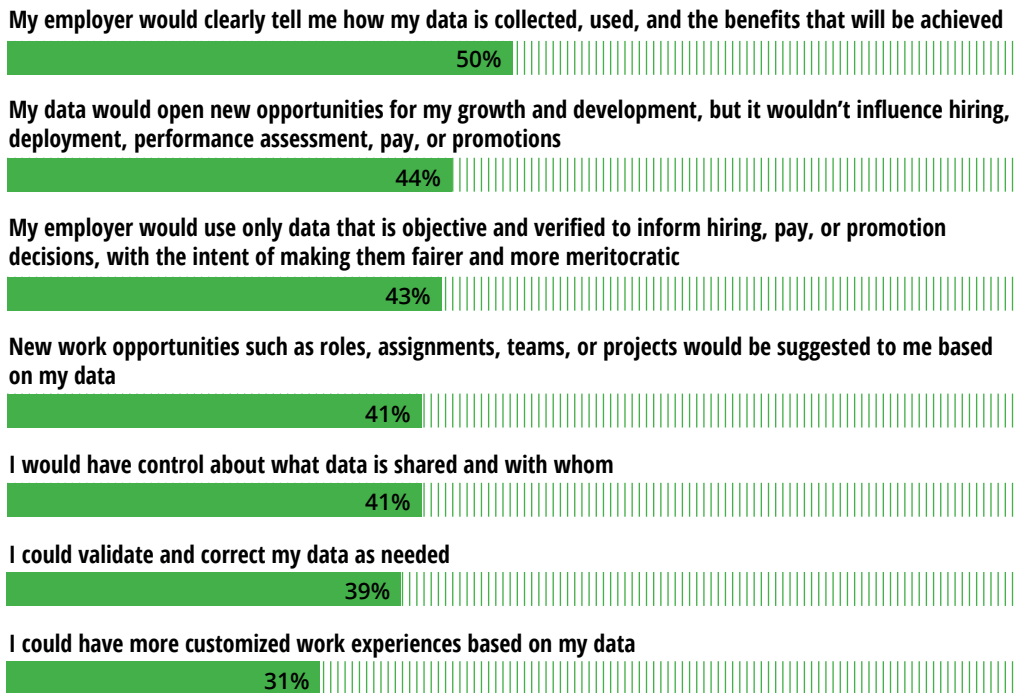
data—using AI to passively mine worker data as they do their tasks—are seen more positively than negatively, with 53% percent of workers and 44% of business and HR executives viewing these as a positive development, compared with only 20% of workers and 28% of executives viewing them as negative.

But to maintain this trust, organizations need to harness the power of new sources of data and AI responsibly, including monitoring AI for bias. Workers are open to sharing their data, but many want to do so only if their employer clearly tells them how their data is collected and used, and the benefits that will ensue: new opportunities for growth and development; fairer and more meritocratic hiring, pay, or promotion decisions; and more customized work experiences (figure 9).

FIGURE 9

### Workers are willing to share their data if they get benefits in exchange

“What would make you more open to letting your employer collect your data?” \*



\* Asked of workers who said "it depends" when asked if they would be open to having their employer capture data on them.

Source: Deloitte Skills-Based Organization Survey, May–June 2022.

## Making skills data portable and interoperable beyond the boundary of the organization

When skills rather than jobs become the currency of work and the workforce, organizations may evolve to being ones in which the most highly skilled workers become more easily discovered and better rewarded. Sixty-one percent of workers and 60% of business and HR executives say this would be a positive development, with only 9% of workers and 11% of executives saying it would be negative.

But for the entire labor market to become one that rewards ability more than pedigree, verified skills data must be portable across organizations. Today, most data on the skills of workers, especially employer-verified data, sits inside a company. But when workers leave, all their verified records get left behind, hindering their ability to easily move between permanent roles, projects, or gigs across organizations. Organizations that hire these workers have to rely on self-reported skills, which may not be reliable, or reassess the worker's skills on their own.

Some organizations are trying to find a solution. For example, the Navy, a component of the US Department of Defense, recently launched a platform called MilGears, which enables service members and veterans to capture all the skills acquired through training, education, and on-the-job experience during their entire military career in a Learning and Experience Record. This record is linked to the O\*NET framework, which links to jobs across the US economy. Defense and Navy service members can identify which validated credentials gained through their military experience apply directly to a target civilian occupation, and determine what skill gaps still exist and how best to address them.<sup>25</sup>

What could help is combining a common language (taxonomy) of skills that spans organizations with portable and credible skills data, ultimately creating global skills passports for each worker. Organizations can also share their overall skills supply and demand data to help educational institutions, workers, and the government better understand at an industry level what skills should be developed.

**76% of workers say they want their employer-verified skills and work-related data to be portable, enabling them to share the data with others once they leave. 55% of executives are open to it.**

## Balancing worker autonomy and choice with organizational needs

If work is unbound from jobs, and workers are given more opportunities to exercise choice and autonomy in how they apply their skills, what happens if the work workers *want* to do no longer aligns with the work that organization *needs* them to do?

The rise of internal talent marketplaces so far has been primarily based on workers exercising discretion as to which projects and tasks in addition to their “day job” they want to take on, once they negotiate with the manager offering the work. Rarely is a person's performance on this type



of work ever formally evaluated, recognized, or rewarded; only 15% of business and HR executives say they capture this data.

If work becomes completely fractionalized into projects and tasks, will some organizations decide to match workers' skills without the workers' agreement, either via algorithms or at the discretion of managers? Surprisingly, 54% of workers say this would be a positive development—perhaps because they would prefer this to being confined to a job entirely—yet only 33% of business and HR executives agree.

Organizations will need to be careful that work doesn't get parceled out only in a top-down or

mechanistic fashion, driven by opaque and potentially biased algorithms. Leaders seem ready to cede this type of control: 70% of business and HR executives say providing workers with more autonomy, agency, and choice in the work to which they apply their skills, with subsequent less centralized control by the organization, would be a positive development, and only 4% say it would be a negative one. Ceding control like this can yield big gains in innovation and growth (think of Google's engineers who developed Gmail in their 20% time allotted to letting them apply their skills to solving problems they think are worth tackling)<sup>26</sup>, but, as with most organizational transformations, it's a massive culture shift that will require ongoing effort.

# Taking the first steps toward the skills-based organization

IN OUR EXPERIENCE working with organizations embarking on this journey, they typically take one of three different approaches.

1. Often, they'll **start with a particular talent practice and transform it** to be based more on skills and less on jobs, and then continue to either similarly transform another practice or determine that they have to create a skills “hub” before realizing the transformation.

For example, Cargill started by transforming learning and development to be based more on skills, and less on suggesting learning and development opportunities based on people's jobs. As it proceeded to also adopt skills-based hiring and a skills-based talent marketplace, it realized it had core skills hub work to do to realize the vision; so it embarked on an initiative to develop an enterprisewide skills framework, using skills as a unit of measurement to better acquire, manage, and develop its people going forward.<sup>27</sup>

2. Others start with **creating a centralized “skills hub”** before expanding out to skills-based talent practices. To do this, they often start by inventorying or creating a language for skills or developing a skills-based talent philosophy.

One life sciences organization focused on designing a skills-based organizational philosophy and value proposition, and then developed a skill-mapping playbook that enabled it to tag its skills ontology and proficiency levels to learning objects. This

enabled the organization to start on transforming learning with a skills-based approach, with an ultimate goal of creating more personalized development opportunities for its employees. It also identified the “hot” skills (skills in high demand but short supply) upon which to focus its efforts. Ultimately, the organization hopes to incorporate skills into many aspects of the talent life cycle in the future, from talent sourcing to compensation.<sup>28</sup>

3. The third archetypal journey is to **start with the work**, either with an internal talent marketplace that lets some work live as projects and tasks outside of the job, or as broadened jobs.

Trane (formerly Ingersoll Rand) started with broadening the job: doing away with highly specialized jobs spread across 28 distinct job grades, and instead creating broader job “clusters” that share similar broadly defined work responsibilities and outcomes, spread across seven job grades, and narrowed down to only 800 job titles with a set of skills for each job. This allowed the organization to effectively build a skills-based development and career strategy, enabling employees to assess their career goals and current skills, find a future role, and create a development plan for growth. Using the platform Fuel50, the company now has a career assessment, matching, and development system—which the organization believes has increased employee engagement and retention by double digits.<sup>29</sup>

Whatever the archetypal journey chosen, the following practices can help organizations:

- **Think evolution, not revolution.**

Dismantling the paradigms and practices of jobs we've lived with for over a century is best thought of as a long-lasting evolution, not a revolution. Few organizations will be willing to abandon jobs and hierarchies entirely. But there might be certain spots in your organization where doing so, either fully or partially, will yield significant benefits. Consider places where skills are changing so fast that talent practices can't keep pace, where you could use diverse thinking and skill sets to solve problems or to innovate, or where you're spending time determining what automation or humans should do but never seem to be done. Most organizations start small and build out from there, with the majority starting with transformation of a single talent practice rather than starting with the bigger challenge of reorganizing work beyond the job.

- **Always lead with the why.** Explains Cargill's Julie Dervin, "Start by defining the why, which is your value proposition and your business case to support this multiyear journey. It involves a lot of change at a very systemic level in people processes and the way things are done." For Cargill, this "why" included the ability to:

- Create greater speed and agility, including speed to market
- Better respond to customers with the right skills accessible when the business needs them
- Provide more opportunities for workers to grow through unique career experiences by

applying their skills to different areas within Cargill

- Reduce variable costs by letting employees take on new projects and tasks instead of paying contractors or off-balance-sheet talent
- Better utilize the workforce by unlocking untapped capacity<sup>30</sup>

- **Find your pain point or lowest-hanging fruit.** When starting with a skills-based practice, pick an area where the business case is the biggest, based on your organization's specific needs and pain points. Many organizations, for example, are now emphasizing the value of skills, not just degrees or experience, when hiring—both in response to a tight labor market, and to improve equity, diversity and workplace culture.<sup>31</sup> Alternatively, start with those practices that have the clearest connection with skills today, such as learning and development or talent acquisition, or that can use mature technologies easily available as upgrades to existing HR information systems such as talent marketplaces.

For most organizations, the notion of the job won't go away entirely. Instead of being the *only* way to organize work and make decisions about workers, it will become just one of *many* ways, giving leaders the option to use a variety of approaches. By moving to a skills-based approach, leading organizations can pivot from a traditional model aimed at scalable efficiency that grew out of our industrial past to one that is far more suited to a world in which speed, agility, and innovation rule the day, and in which people expect more meaning, choice, growth, and autonomy at work.

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