

Human Capital Center Insights Brief



The Long but Rewarding Journey to Becoming a Skills-Driven Organization

Becoming a skills-driven organization (SDO) can lead to greater workforce agility and resilience in the face of rapid change. A focus on skills advances precision in human capital management (HCM) and can lead to better hiring, more focused learning, robust internal talent marketplaces, and accurate workforce planning. Leaders must champion such efforts to achieve these benefits, and the organizational culture must support a new way of thinking about people and work.

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- **Becoming a skills-driven organization is not for every organization.** Before moving to a skills-driven approach, assess whether your organization would benefit from a focus on skills, the problems you hope to solve, and your readiness to begin the transition. Consider alignment between talent and business priorities, internal culture and mindsets, and digital maturity.
- **The skills-driven journey can take several years, so it is essential to proceed carefully and keep it simple.** Pioneering skills-driven organizations have identified several success factors including building a compelling case for change, taking an incremental approach, and keeping it simple. Leverage the experience of others by adopting these strategies for your own journey.
- **Automation is needed to reduce the administrative burden associated with becoming an SDO.** Technology can help identify, build, validate, and maintain skills profiles and taxonomies. Algorithms in learning experience platforms (LXPs), talent marketplaces, recruiting systems, and other platforms require the granular data provided by skills. Focus on building the skills data needed to take advantage of tech such as advanced analytics and artificial intelligence (AI).

Becoming a Skills-Driven Organization Is Not for Every Organization

Ultimately every organization must determine what it hopes to gain and what it is prepared to change in its key people-based activities. For some organizations, the time, effort, and costs associated with becoming an SDO may outweigh the potential benefits. For example, one of the main appeals of an SDO is to increase organizational agility. However, for organizations in a stable competitive environment, agility may not be among the highest priorities. When weighing the decision, also consider how using the same prioritized skills in recruitment and development creates a level playing field for DEI purposes and consistency of employee experience throughout the whole employment life cycle.

Even organizations that might benefit from becoming an SDO may not be ready to make the transition. Leaders should carefully evaluate whether a skills-driven approach would be beneficial and possible by assessing four key questions:

1. **Has the organization identified the key drivers motivating the change and assessed whether the desired benefits are worth the effort?** Understanding the rationale behind a change as substantial and complex as transitioning to being skills driven is crucial. What does the organization as a whole hope to gain, and what are the anticipated benefits to each stakeholder group? Should the initiative proceed, this case for change will prove critical in communications.
2. **How aligned are the organization's talent and business priorities?** It is vital to ensure that talent and business goals are aligned before the launch of a skills-driven initiative, and that the initiative's goals and potential benefits align with talent and business priorities.
3. **Will the organizational culture and/or people's mindsets hinder change?** Shifting the culture to overcome ingrained mindsets and counterproductive habits takes time and effort. Consider two examples: 1) An organization hopes to use skills to improve talent acquisition, but recruiters and hiring managers have long relied on formal credentials, job titles, role descriptions, and general competencies. 2) A company aims to build a robust internal marketplace for opportunities powered by a skills taxonomy, yet managers are in the habit of hoarding top talent.
4. **How prepared is the organization from a technology and data perspective?** For most organizations, becoming an SDO presents a steep learning curve, requiring adjustments to fully leverage the advanced AI that powers many aspects of the transition. Consider whether the organization's technology infrastructure will be able to support being skills driven, and the ability to access current and accurate workforce data. Both are foundational to becoming an SDO.

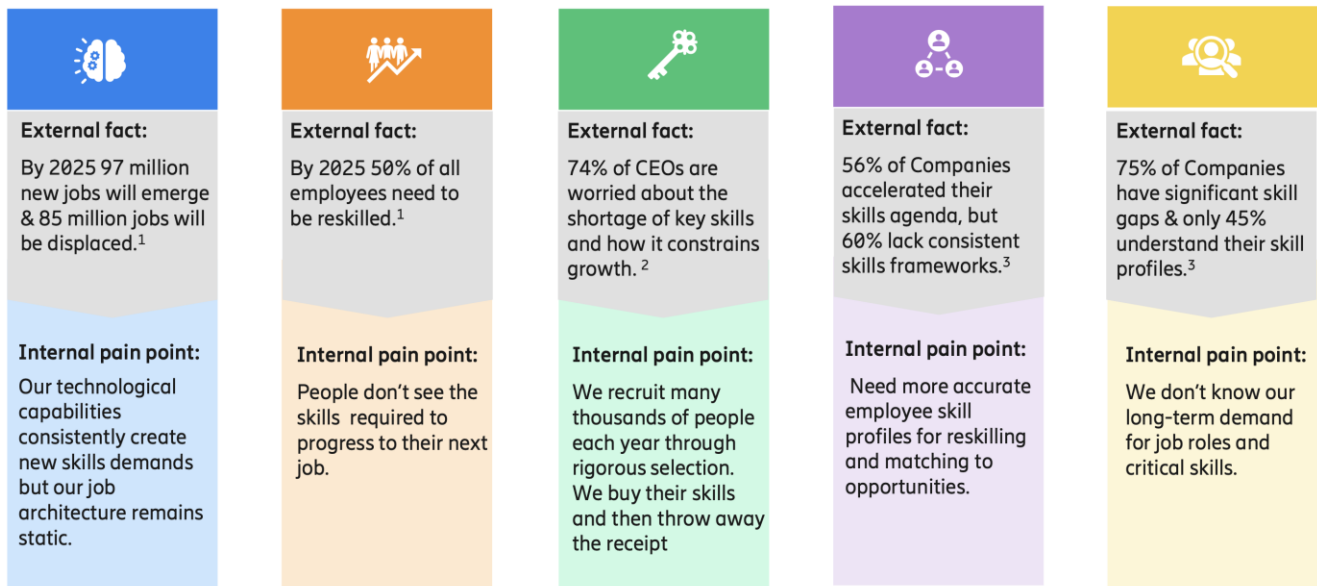
Circumstances change quickly in today's business environment, so even when an initial decision is made not to pursue a skills-driven approach, leaders should reevaluate regularly to determine whether the potential benefits or company readiness have changed.

The Skills-Driven Journey Can Take Several Years, So It Is Essential to Proceed Carefully and Keep It Simple

Once an organization has committed to becoming skills driven, it is important to communicate a compelling case for change that will resonate with all stakeholders, including leaders, managers, and employees. Ericsson, for example, took an innovative approach when starting its skills journey by highlighting external trends and relating these to internal pain points (Figure 1).

Figure 1

Make the case for change by highlighting trends and internal pain points



1. World Economic Forum Future of Jobs 2020
 2. PWC 2020 CEO Survey
 3. Fosway Skills Research 2021

Source: Ericsson, 2023

Next, Ericsson recognized that this was not about revolution but evolving its existing job architecture to bring skills into the heart of jobs. The program to deliver the necessary ecosystem for jobs and skills was based on delivering an architecture that was simple, dynamic, and automated. From day one, the emphasis was on delivering value for managers and employees. This meant that once the infrastructure was created, skills needed to be brought into as many people activities as possible. Ericsson started its journey with learning, recruitment, and talent mobility. As progress was made, keeping the language simple and emphasizing the potential benefits have been key to helping managers and employees appreciate the improved experience (Figure 2).

Figure 2

Communicate benefits and impact in simple language



Source: Ericsson, 2023

SDO pioneers have learned that key messages about the reasons for and benefits of the transition must be consistently repeated and reinforced. For example, a Fortune 500 firm used a series of town halls to help employees and managers understand the case for change, emphasizing “relentless communication” as a critical success factor. This company also employs campaigns to encourage employees to develop their skills and update their skills profile.

In addition to an emphasis on communication, take an incremental approach. Experimenting with skills-based approaches is key to understanding what will work in your own organization, as no single formula works for all. Start with a pilot in a single business unit where there is leader sponsorship, funding, credibility, and interest. Incubate a skills-driven approach within the unit and then create success stories that can be shared across the organization. Recruit leaders, employees, and managers from the pilot unit to serve as champions and advocates to other parts of the organization.

Once you are ready to expand beyond your pilot, focus first on the most critical skills for the business and on high-demand job roles. This approach helps build momentum and sets the organization up for future success. Rather than trying to address multiple people activities concurrently, choose one or two components of HCM to transition first. Ericsson, for example, began its journey with learning. Taking a skills-driven approach to learning can involve tagging learning content to identify associated skills, providing upskilling opportunities for global critical skills, and building skills-based learning pathways for high-demand job roles.

Career management and talent mobility are closely related. Assessments for new job roles can be created or modified using job role critical skills, and reskilling journeys can be developed to chart the path toward future careers. While still in early stages, hiring and strategic workforce planning can also benefit from a skills-based approach.

Automation Is Needed to Reduce the Administrative Burden Associated with Becoming an SDO

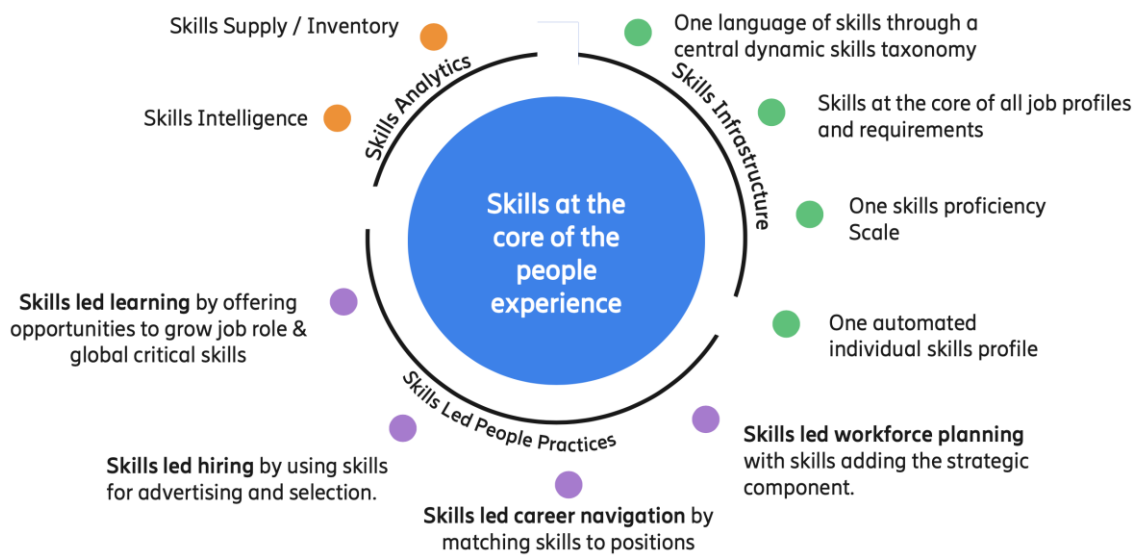
Advances in application programming interfaces (APIs) between systems enable organizations to have one language of skills across all systems and platforms. Yet the journey represents a profound change for those used to employing job descriptions, formal credentials, and broad competencies to direct hiring, assignments, learning, and promotions. Thus, organizations should address underlying process and behavior change before deploying technology in becoming an SDO.

Ericsson, for example, focused first on building a business case, and subsequently ran pilots and prototypes to address specific talent management pain points. It used these experiments to learn, and to convince leaders, managers, and employees of the benefits of becoming an SDO. Only after making the business case, running successful pilots, and building the infrastructure was Ericsson ready to officially launch its skills-driven initiative. At this stage, automation became essential.

The advanced algorithms and AI used to drive precision hiring, internal talent marketplaces, and personalized learning require the granular data provided by skills, which, according to Ericsson, become the “language” of HCM (Figure 3).

Figure 3

Skills are the “language” of the employee experience at Ericsson



Source: Ericsson, 2023

Today, the language of skills runs throughout Ericsson’s human capital systems. The company has found that skills data inform career mobility, hiring, learning, and workforce analytics. Ericsson’s skills-based approach has also fueled a talent marketplace platform for internal mobility, and its enhanced LXP has personalized learning for each employee.

Others have followed a similar path, starting with the business case and communications, and then with the deployment of technology to realize a skills-driven vision. Customized skill assessments allow workers to self-assess their proficiencies, enabling the curation of specific learning content from an LXP to address individual learning needs. This also gives managers valuable information concerning their teams' skills and developmental needs.

SDO pioneers have learned that persuading employees to create and update a skills profile poses a difficult challenge, in part because it is a process outside the normal flow of work. Technology, including AI, can help make the creation and maintenance of skills profiles more dynamic by automating the flow of skills to employee profiles based on worker achievements and learning, and by nudging workers with suggested updates to their profile.

Organizations considering the skills-driven journey should note that workforce skills data are consolidated internally to drive the algorithms and platforms of skills-driven HCM. It is impossible to take advantage of skills-driven technologies without good data.

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Becoming a skills-driven organization enhances organizational agility and precision in HCM, yet requires leader buy-in and cultural adaptation to new work and perspectives. The transition is complex and best suited for organizations ready to align their talent with business priorities and adopt data- and tech-driven approaches.

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