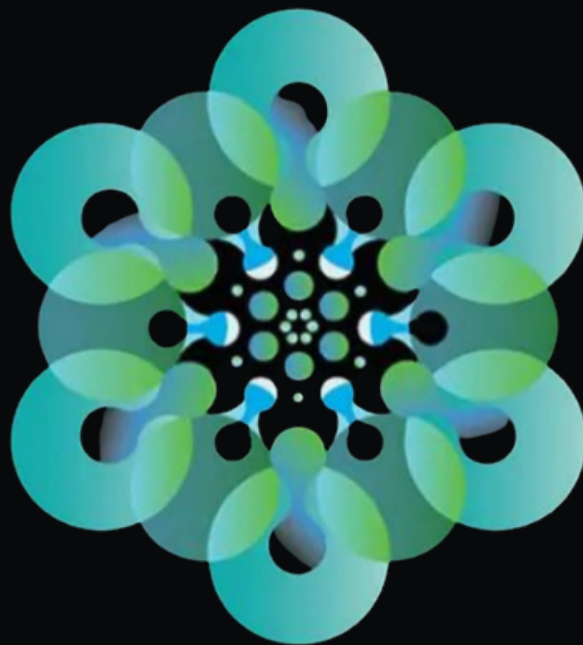


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# Skills-Based Organization – a new game with new rules

C-suite@Transformation Blog | January 2023

## Introduction

The last few years have undoubtedly seen dramatic changes to the business world.

Pandemic, technology, globalization, increase in personal expectation of the workforce and other social values disrupted the business landscape and model as we knew it, in a world that is more and more ruled by volatility, uncertainty, complexity, ambiguity.

Even though a switch to more Agile organizational format and an increase of hybrid and flexible work seems to be strategic imperatives for organizations to deal with such changes, it may not be enough.

One of Forbes reports predicts that by 2030, 25% of roles that will be performed do not exist yet today.<sup>1</sup> So how can organizations be ready and develop the employees, not knowing what roles might be needed in the future?

The answer could be based on adaptable organizations based on skills.

## What are adaptable organizations and how can they be based on skills?

Skills are largely defined as hard (coding, accounting, business writing), soft or human capabilities (critical thinking, problem solving), and potential (latent abilities or lateral skills that could be developed for the future).

Adaptable organizations are those whose internal structure enable them to be flexible, in response to internal and external change.

In short, skills-based organization (SBO) it's a new operating model where organizations define their workforce not by the job or role individuals held, but by the skills and capabilities that each individual has, so that they can respond to changes in their external environment.

Such skills can be ultimately deployed to work by matching the person's interest and business priorities, and by redefining how work is organized so that skills can be fluidly developed to keep pace with work as it evolves.

There are two identifiable sides worth to focus on:

- For organizations, transition to skills-based model means that the work is organized as a portfolio of fluid structures in which skills flow to the work, beyond the job. Skills, instead of jobs, would also be used to make decisions about the work, i.e. who perform the work, performance management, hiring decisions. That would make them more adaptable
- For individuals, it means the possibility of shining through their uniqueness as humans, with work tailored to their strengths, interests and ambitions, and leaves them in a better position to capitalize on new opportunities and grow horizontally, other than vertically.

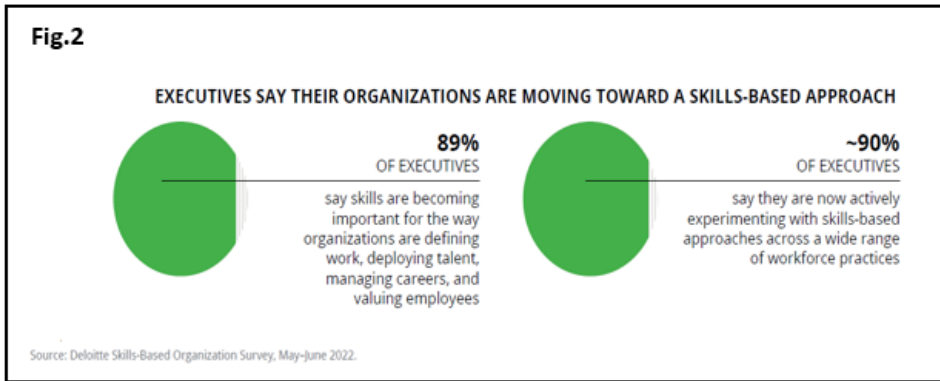
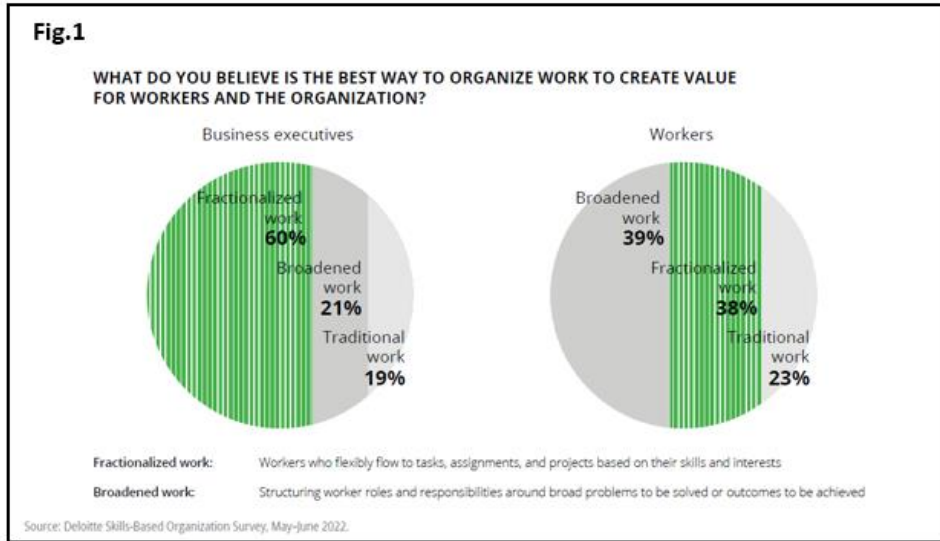
In fact, a recent Deloitte survey<sup>2</sup> on the matter asked executives and employees in 10 countries their view on adopting skills for organizing the work and where they are on the journey. We discovered a strong preference of both executives and workers for a skills-based model instead of the traditional one

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<sup>1</sup> [Jobs Of The Future Today: 20 Occupations That Will Change The Job Market And The World By 2025 \(forbes.com\)](https://www.forbes.com/sites/forbesrealitycheck/2021/03/22/jobs-of-the-future-today-20-occupations-that-will-change-the-job-market-and-the-world-by-2025/)

<sup>2</sup> Deloitte analysis of Deloitte skills-based organizations survey. May-June 2022

(Fig.1) based on jobs and roles, and an active experimentation from HR executives in walking the path (Fig.2).



Skills are critical because they address core business challenges, and a skills-based model can help tackling some of them:

- **employees increase demand for autonomy** as opposed to top-down leadership style, by allowing employees to perform on tasks and duties according to their capabilities and ambitions.
- **talent shortages**, as done in Cushman & Wakefield where executives worked to understand how the skills and capabilities of those that served in the military, such as leadership, project management, and strategic planning could be applied in different industries and roles.
- **Need for agility**, as 85% of executives identified, to quickly adapt to market changes as during COVID-19.
- **Ongoing digital transformation**, as opposed to traditional work, to enable the workforce to flex as needed.
- **Decreasing relevance of jobs**, as work is increasingly performed across functional boundaries and job descriptions and job titles become less relevant.

Focusing on skills means preparing executives, HR and the workforce for the changing work landscape of the future.

### How can it happen, in practice?

Moving to a skills-based organization is a significant shift from the work and the world as we know it, and involve big changes to how we lead, manage, contribute to work.

75% of organizations expect to source new skills and capabilities by reskilling current workforce and According to the WEF, more than a billion people will need to be reskilled by 2030. <sup>3</sup>

Organizations that decide to move towards SBO, move generally towards two opposite directions, that together build a spectrum of options. Work can be **fractionalized**, and it can be **broadened**.

Fractionalize the work means the deconstruction of jobs into important chunks such as tasks or projects, enabling employees to dynamically flow to the work that goes beyond job titles and departments, *similarly to how consulting firms work today, where consultants are rented out to other functions in the firm.* <sup>4</sup>

The opposite direction is to broaden the work, in a shift from small tasks to big outcomes to be achieved or problems to be solved, at individual or team level. That would help to free people to apply their capabilities to creative problem solving, while new technologies increasingly automate routine tasks.

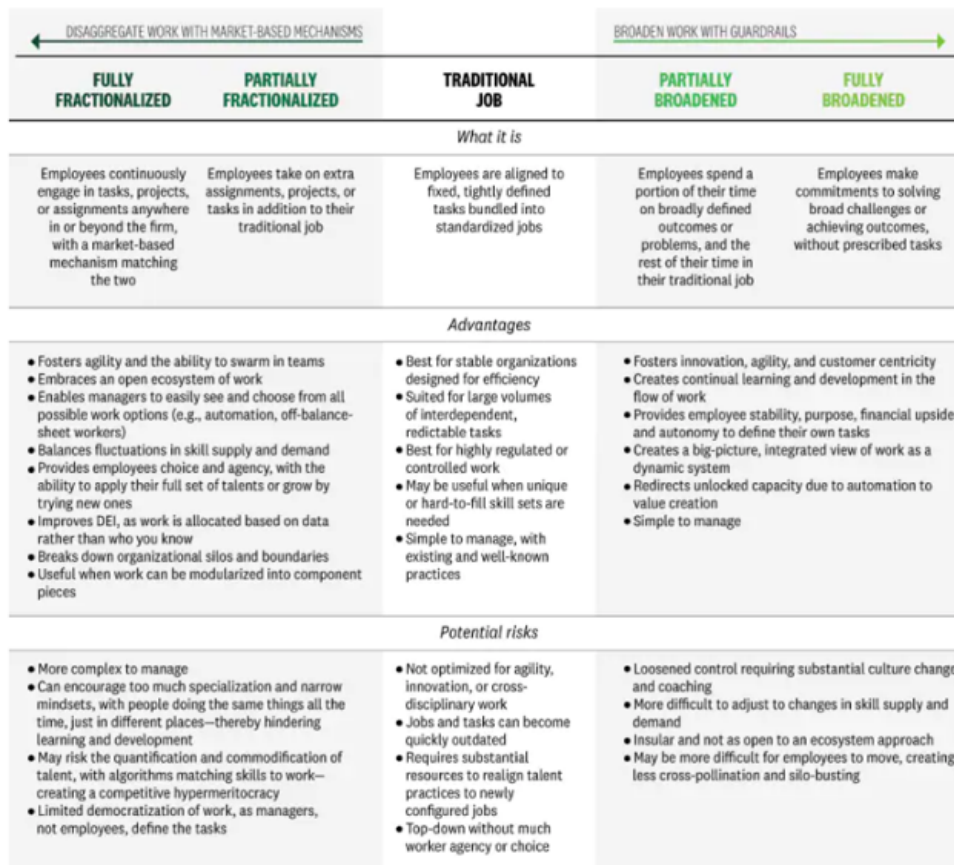
In both cases, the ultimate goal is to **untie** the one-to-one relationship between employees and jobs, replacing it by a many-to-many relationship between work and skills (Fig.3).

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<sup>3</sup> [The Future of Jobs Report 2020 | World Economic Forum \(weforum.org\)](https://www.weforum.org/reports/the-future-of-jobs-report-2020)

<sup>4</sup> Jesuthasan, R., & Boudreau, J. W. (2022). *Work without Jobs. How to Reboot Your Organization's Work Operating System*. Cambridge, US. MIT Press.

Fig.3



Source: Deloitte analysis

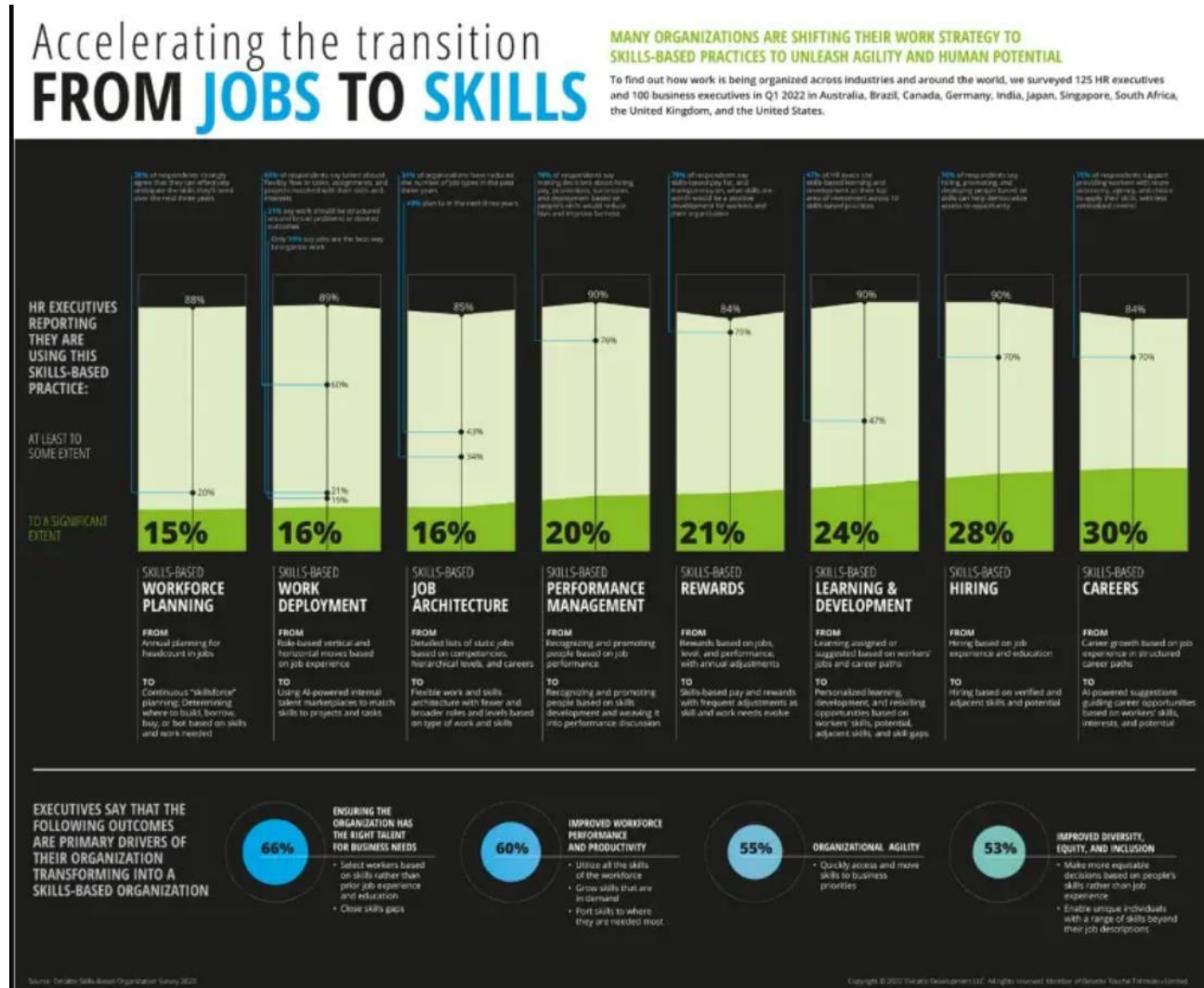
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Organizations moving towards SBO must relook at how the Talent function works, reimagining talent practices to be based less on jobs to operationalize the model:

- **Hiring and resourcing practices**, for example by setting up an internal marketplace that match skills to roles, projects, mentoring, and tasks.
- **Workforce planning**, replacing the classic headcount planning with skills planning, considering those already available in the organization, and those that can be developed easily with learning and talent investment.
- **Skills-based pay**, creating skills-based compensation policies as a combination of the work performed, the skills needed to perform it, the outcomes achieved supported by external benchmarking.
- **Performance management**, that can be redefined to include skills development and evaluation based on how skills are applied to create value.
- **Leadership and management**, a crucial area where classic managerial role switches to more strategic, naturally evolving towards a project manager role.
- **Talent philosophy**, as all HR and executives must understand and share the value of skills prioritization in taking decisions about the work and workforce.

- **Create a common language**, by aligning on taxonomy. If not well explained, capabilities skills and competency framework may be easily misunderstood as having the same meaning.
- **Technology enablers** to drive skills-based organization: AI-powered skills assessment, internal marketplace, skills verification and validation tool are just some of the solutions that can have a role in the transformation.

Many organizations are shifting their work strategy to skills-based practices to unleash agility and human potential.<sup>5</sup>



<sup>5</sup> Skills-based organization strategy | Deloitte Insights

While the steps required from the operational perspective can be clearly defined, skills are connected to humans, hence unpredictable.

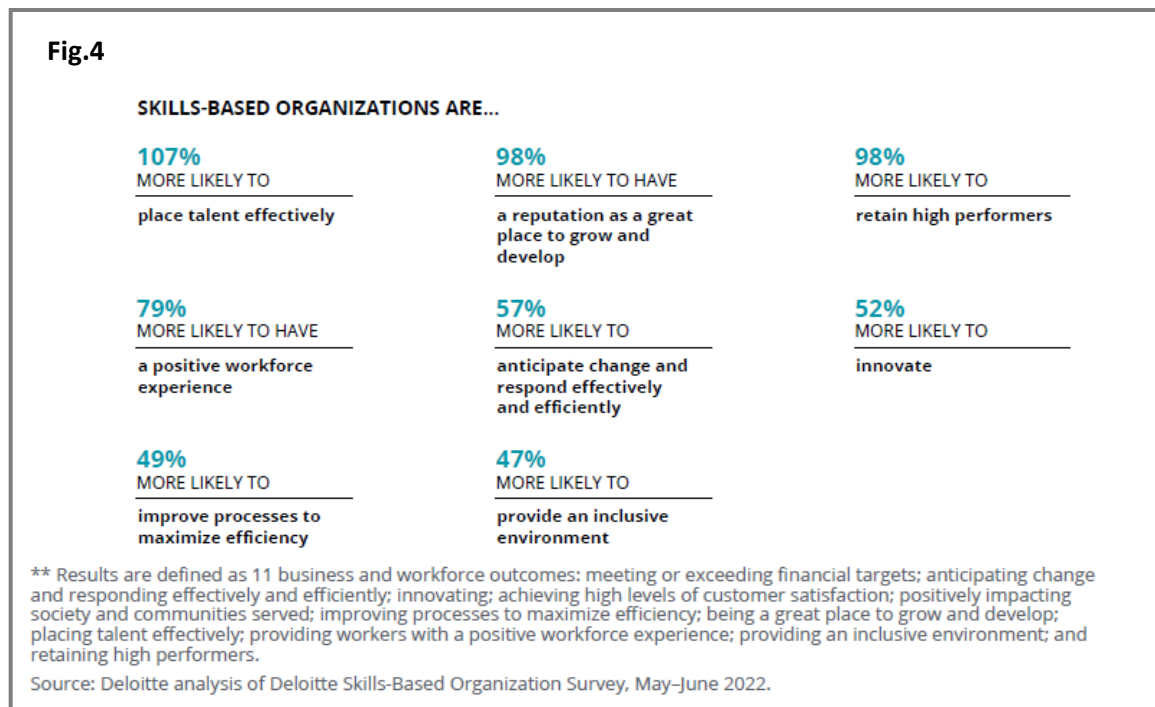
A parallel work on culture and human behaviors is also required to ensure the success:

- Work with your Learning functions to create a nimble workforce that can adapt to demand of work;
- Highlight the importance of soft skills in addition to hard skills. They will become more and more important in a world where routine tasks are meant to slowly disappear;
- Foster a culture of continuous development and long-term learning;
- Promote coaching, cultural change, and work to engage employees in solving unanticipated problems and freely working toward outcomes.

### Was it ever successful?

Even though majority of organizations' HR and executives interviewed in Deloitte Survey <sup>6</sup> are not adopting skills-based operating model to a significant extent, most of them confirmed a clear-cut preference for the model as opposed to jobs-based model, and most of them are already experimenting heavily to operationalize it.

Across the organizations that embed a skills-based approach, 63% are more likely to achieve better business results under many aspects from Talent to Inclusiveness and Innovation, compared to those that have not adopted any skills-based practice (Fig.4).



<sup>6</sup> Deloitte analysis of Deloitte skills-based organizations survey. May-June 2022

One firm that successfully embraced the skills-based operating model with broadened roles approach is ING Netherlands, organizationally structured into a system that creates multidisciplinary teams, focused on shared outcomes for specific domains or banking products. Every team, or squad, decide the purpose of what is working on, problems to be solved, expected outcomes, measurements, and daily activities.

These teams are part of 13 tribes in total, that meet on a regular basis to celebrate and share successes and lesson learnt, continuously aligning to the overall strategy. Job types and titles have been reduced of about 80%, and traditional full-time managerial role have been retired.

ING introduced performance management program and system that emphasize ongoing feedback and self-defined targets based on contribution to the team, to support the operating model, and highlighted the importance of some “stretch ambitions” to support innovation. <sup>7</sup>

### What challenges have been identified?

A significant problem in the workforce preparation journey towards SBO, as highlighted by Julia Dervin in Deloitte podcast “the Skills-based organization podcast” is giving skills too much importance and too much prominence in the whole transformation – what is defined as ‘over-indexing’ <sup>8</sup>. Because skills are easy to measure to support business goals and personal development goals, “they are often perceived as the ONLY factor to consider, although other aspects of the conversation are equally important: people preferences, their motivation, experience, mindset.” <sup>9</sup>

### A sneak peek into the Future

Changes used to take generations to happen. Today, a new phone is released every 45 days, the global technology industry reached \$5 trillions in 2021, and every other month new jobs are created (and others eliminated) due to the impact of AI on the business scene.

Jobs are at the center of the human experience to the extent that we are defined by it, and organizations have always organized the work and workforce around it. In a decreasing relevance of jobs on the work market, though, it’s crucial that we shift the focus to develop an agile workforce that is prepared for future changes.

Gradually moving to a different approach to develop human’s skills and capabilities and deploy them to the work required will transform organizations, so that they can build a range of different ways to organize the work that goes beyond the typical “job”, and free up promising added value for employees and for the business.

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<sup>7</sup> “Future Way of Working at ING,” by Maarten van Beek, *AGILE NXT Magazine*, October 5, 2020

<sup>8</sup> [Beyond the Job \(shrm.org\)](https://www.shrm.org)

<sup>9</sup> [The Skills-Based Organization | Deloitte US](https://www.deloitte.com/us/blog/skills-based-organization)



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