



Moving your organizational strategy from jobs to skills

Unleashing agility and human potential with the skills-based organization

Ever since Adam Smith wrote about the division of labor over a century ago, jobs have been the dominating structure for organizing work and making decisions about the workforce. Managers give feedback, hire, promote, and organize their teams around people in “jobs.” Workers think of work as their “job.” And the entire human-resource function has been built on the concept of the functional job with a fixed set of responsibilities, with HR writing job descriptions, setting compensation levels, creating organizational charts, assigning training, and giving performance reviews all for predefined jobs.

But do jobs really define what we do? Increasingly, as work evolves to be more about nimbly responding to rapid changes in our environment, than about standardized work designed for scalable efficiency, the answer is no. Jobs are quickly giving way to more fluid work: In a recent Deloitte survey, 63% of executives say work in their organizations is currently being performed in teams or projects outside of people’s core job descriptions, 81% say work is increasingly performed across functional boundaries, and 36% say work is increasingly being performed by workers outside of the organization who don’t have defined jobs in the organization at all. Fewer than half (42%) of respondents say

their organization’s job descriptions do an “excellent job” of specifying the work that needs to be done. Looking forward, only 19% say traditional jobs are the best way to organize work to fulfill business goals.

As work becomes far more variable, bundling all that people do into a “job” means that there are untapped skills and capabilities in our people, leading to trapped value in our organizations. Only 18% of executives strongly agree they that their workforce is using their skills and capabilities to their fullest potential, and fewer than half of executives report that they can quickly and easily move skills to where they are needed most as

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work evolves. Eighty-five percent of HR and business executives say organizations should create more agile ways of organizing work to improve speed and swiftly adapt to market changes.

If jobs are no longer the fundamental building block that guides us in making decisions about work and the workforce to execute our organizational strategy, then what is? The answer could be skills—broadly defined as hard skills (such as coding, data analysis, and accounting), human capabilities (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). The skills-based organization is a new operating model for work and the workforce that turns talent management on its head, redefining and reimagining every talent practice to be based more on skills than on jobs, and redefining how work is organized so that skills can be fluidly developed to keep pace with work as it evolves—all in a state of perpetual reinvention.

To gauge the transformational journey toward skills-based organizations, Deloitte asked executives in 10 countries what types of skills-based practices they are adopting, and to what extent. Our finding? Although organizations are still largely valuing degrees and job experience over demonstrated skills and potential in making decisions about work and the workforce (with only 17% of HR and business executives saying their organization values demonstrated skills and potential over degrees and job experience), more organizations than we expected are using skills-based practices now. And there's significant interest from HR and business executives across the globe in continuing the trend.

Nearly nine in 10 executives (89%) say skills are becoming more important for the way organizations are defining work, deploying talent, managing careers, and valuing employees. Nearly the same number (about 90%) are using skills-based practices at least to some extent, often experimenting with using skills to make decisions about work and the workforce,

or employing them for only some workforces or segments of the business. But only a few—somewhere between 15 and 30%, depending on the practice—are truly adopting skills-based approaches to a significant extent: across the organization, and in a clear and repeatable way that truly values skills over jobs.

Transforming into a skills-based organization is a fundamental shift from work as we know it—a continuing journey that redefines the very core of what we consider work to be—requiring significant and often difficult changes to how we lead, manage, or contribute to work, and how HR supports the workforce across practices. Although it certainly is not an easy journey, those that embark on it can be rewarded with greater agility, greater realization of every worker's true potential, and the confidence that the organization has the right talent to meet ever-evolving business needs and outperform the competition.

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