Your guide to

Building the foundations of a lasting skill-based organisation

TECHW●LF

The move towards a skill-based organisation

Foreword

Over the last few years, I have had countless conversations with business and people leaders on the topic of skills. In response to the ever-increasing pace of change, more and more organisations are turning towards skill-based approaches to managing talent. The common challenge these organisations are solving for is how to effectively source, deploy, and develop talent in a future-fit way.

While the concept of "skill-based organisations" may be the newest workplace buzzword, few organisations have truly succeeded in adopting this new operating model around work. Shifting to a skillbased approach is a significant transformation for a workforce to undergo. It runs at two speeds: a long-term transformation that shifts the way we think and go about work from jobs to skills; but also as a solution to near-term, urgent business issues like attrition and reskilling challenges.

At TechWolf, we have grown to understand, through our work with some of the world's leading enterprises, what makes organisations succeed or fail in their journey towards becoming skill-based.

That is why we have created this piece to help and guide you, as you, yourself, also embark on this journey. May you learn from their lessons and mistakes and imitate their successes.

For more advice, the team is available to discuss individual skill-based approaches in-depth and you can contact them at hello@techwolf.ai.

Andreas

Everyone's talking about skills

Skills are on everyone's minds. Almost three-quarters of CEOs are [questioning](1) if they have enough key skills to fulfil their business goals, while individuals are wondering if their skills will remain relevant in the future of work.

Some [85 million jobs](2) are predicted to be displaced by 2025 while 97 million new jobs will emerge. For those who can reskill and redeploy their workforces effectively, there is an unparalleled opportunity to meet the new expectations and opportunities offered by automation, AI, and other technologies. Moreover, reskilling an existing worker to fulfil a new role is estimated to save [£50,000 per role](3) ($62,000), compared to recruitment.

85M	jobs predicted to be displaced by 2025
97M	new jobs predicted to emerge by 2025
£50,000	Estimated cost saving for reskilling an existing worker to fulfil a new role compared to recruitment

1   https://www.pwc.com/gx/en/ceo-survey/2020/trends/pwc-talent-trends-2020.pdf
2   https://www.weforum.org/press/2020/10/recession-and-automation-changes-our-future-of-work-but-there-are-jobs-coming-report-says-52c5162fce/
3   https://www.peoplemanagement.co.uk/article/1745212/reskilling-could-save-firms-50k-compared-hiring-new-talent

The rise of the skill-based organisation

This has given rise to skill-based approaches in recruiting, performance management, learning and development, internal mobility, and more. Skills are front-and-centre in forward-thinking organisations like [Unilever](1), [General Motors, and IBM](2) — creating a new kind of talent model known as the skill-based organisation (SBO).

Yet, many of the use cases we see today are standalone. They cannot be easily scaled across the organisation, nor can they integrate with other workforce processes. One organisation might invest in a talent marketplace, but it is siloed to talent acquisition or HR and doesn't impact the L&D team. Likewise, another team might embrace a skill-based upskilling strategy, but this exists within learning or individual business units and doesn't influence the recruitment team.

In other words, no organisation today can lay claim to being a true SBO.

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1   https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring.html
2   https://fortune-com.cdn.ampproject.org/c/s/fortune.com/2022/11/23/skills-replacing-college-degrees-hiring-linkedin-ceo-ryan-roslansky/amp/
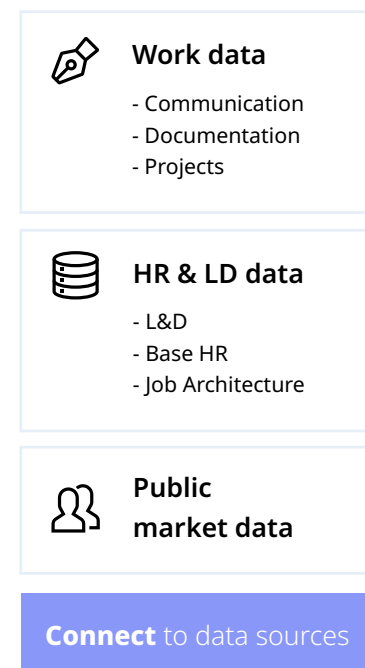
Understanding your point on the SBO journey

Wherever you are starting from, at some point you will need to set the foundations to becoming a SBO. This involves creating a skill framework that enables you to integrate your various use cases in your organisation and even further afield, with partners, across your industry, or even collaborating between the private and public sectors.
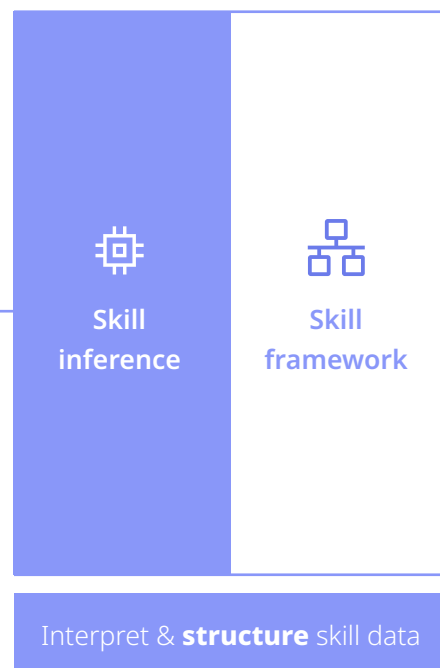
Ideally, you want to complete the foundational work first, before embarking on a use case. However, many organisations have already started becoming SBOs through their use cases. Currently, only 10% of organisations[1] have a skills database.

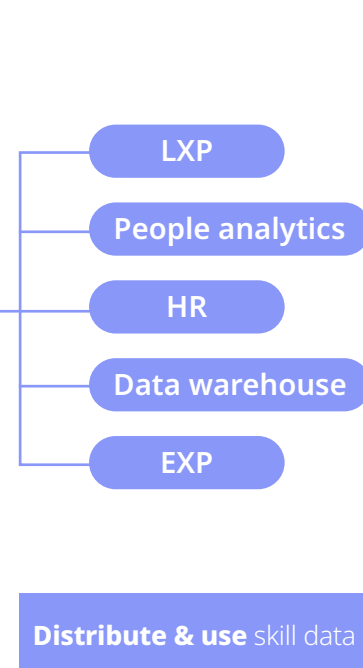If you have an existing use case, now is the time to go back and create a skill framework.

01

Work data
- Communication
- Documentation
- Projects

HR & LD data
- L&D
- Base HR
- Job Architecture

Public market data

Connect to data sources

02

Skill inference   **Skill framework**

Interpret & **structure** skill data

03

LXP

People analytics

HR

Data warehouse

EXP

Distribute & use skill data

telenet

Embracing the future at Telenet

CASE STUDY

Telenet is one of Belgium's largest telecommunication providers and specialises in the supply of broadband internet, fixed and mobile telephony services and cable television. Telenet is a leader in digital transformation, that the whole telco industry is going through. It has 3,500 employees and 3,000 contractors in its workforce.

Telenet was looking for a way to ensure its workforce reflected wider industry shifts. Leadership needed to understand what skills and competencies existed in-house and what future-orientated skills were lacking. Through TechWolf, it was able to implement a skill framework in just eight weeks, giving leadership and HR a better grasp of the talent present in their walls.

TechWolf used existing employee data from Telenet's software systems - including Oracle HCM Cloud, Confluence and Jira - to automatically track the skills and competencies of every single employee. No surveys or time-intensive workshops were needed. It combined this with a continuous analysis of the entire labour market to help Telenet identify skill trends, job changes, and potential future roles.

"With TechWolf we can find out at any time what skills and competencies are currently present at Telenet. We have also started an exercise to compare industries to try and predict how digital and data profiles will evolve to inform recruitment."

Kris Legroe, Director of Employee Services, Telenet

Skill frameworks in a nutshell

A skill framework consists of:

- 01 A skill taxonomy
- 02 A job architecture
- 03 Job to skill mapping

It is a formalised structure that serves to understand skills at scale and set current and future skill demand, serving three purposes:

01 It provides a structure for supporting various company operations including job levelling, compensation, and L&D.

02 It helps the organisation make sense of skills, grouping and structuring them in a meaningful way.

03 It enables organisations to set skill demand, both current (role clarity, understanding existing skill gaps) and future (for business transformation).

Job to skill mapping

Skill Taxonomy		Job Architecture								
		Function				Function				
		Job family		Job family		Job family		Job family		
		Job	Job	Job	Job	Job	Job	Job	Job
Domain	Skill cluster	Skill 1	–	–	–	–	–	–	–	–
		Skill 2	–	–	–	–	●	●	●	●
		Skill 3	–	●	●	●	●	–	–	–
	Skill cluster	Skill 4	●	●	●	●	–	–	●	–
		Skill 5	●	●	●	●	–	–	●	–
Domain	Skill cluster	Skill 6	●	–	–	–	–	–	–	–
		Skill 7	●	–	●	●	–	●	●	●
		Skill 8	●	●	●	●	–	–	●	●
	Skill cluster	Skill 9	●	–	●	●	–	–	●	●
		Skill 10	–	–	–	–	–	●	●	●
	Skill cluster	Skill 11	–	–	●	●	●	●	●	●
		Skill 12	–	–	–	–	–	●	●	●
		Skill 13	●	●	●	●	●	●	–	–

L1   L2   L3

Job to skill Mapping

*NB: Skill taxonomy: a hierarchical structure of the skills that are relevant to your company. This hierarchy is needed to roll up and down in level of detail.

Job architecture: a structure that describes the jobs that exist in your company, usually grouped by families and subfamilies.

Cementing HR as the driver of skills

Why a skill framework matters

The skill framework supports every other skill-based approach you want to make now and in the future. It gives the overall picture that you need to become an effective SBO. Traditional approaches to building a skill inventory often give incomplete results as they start from a siloed data source such as a survey or a one-off exercise like a consulting engagement. A better approach is to begin with consolidating all of your available skill data, and then letting this data set the structure of your skill framework.

This will give you the right comprehensiveness needed to make your workforce truly fluid and agile. People will be able to move roles, projects, and departments, based on accurate, up-to-date skill data.

This comes at a timely moment for organisations. As Ryan Roslansky[1], CEO of LinkedIn explains, "... The labour market is moving much quicker, we really need to figure out something to focus on [and] that alternative, flexible, accessible path is really going to be based on skills."

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Ryan Roslansky,
LinkedIn CEO

Traditionally, HR was seen as a passive, service-oriented function. Yet, it now finds itself at the forefront of workforce changes[1] and CEOs are increasingly turning to their HR leaders to understand their workforce's skills. Major concerns are being voiced by CEOs about the availability of skills to fulfil today's needs and also embrace future opportunities.

A skill framework changes the discussions around skills, making them more informed and targeted. This shifts HR to become a proactive leader of skill-based approaches by offering their colleagues in the line of business, recruitment, and L&D the insights needed to build the SBO.

1   https://fortune-com.cdn.ampproject.org/c/s/fortune.com/2022/11/23/skills-replacing-college-degrees-hiring-linkedin-ceo-ryan-roslansky/amp/

1   https://www.pwc.com/ee/et/publications/pub/future-of-work-report.pdf

The three traits of a high-quality skill framework

Of course, to have the best foundation for your skill-based efforts, your skill framework needs to be fit for purpose. It's an emerging market, so confusion is rife. Plus, what works for one organisation will typically be lacking for another. It's important to understand for yourself what 'good' looks like so you can separate high-quality solutions from others that won't work long-term.

Traditional approaches to building a skill framework manually tend to be top-down, either driven by experts or using off-the-shelf frameworks. The former puts a heavy burden of maintenance on your organisation, while the latter results in a poorly fitting framework for your specific business as needs and the market evolve.

To deliver a good skill framework that can withstand the test of time, starting with the skill data itself is crucial -- creating a structure becomes much easier when you can simply observe the structure already there in the data.

The traits of a good skill framework are:

Tailored

It is specific to your organisation.

Dynamic

It can evolve continuously as jobs and the workforce change.

Comprehensive

It connects to the skill data you have in-house as well as the external market.

One skill framework to rule them all?

There have been many attempts to establish a single skill taxonomy or job architecture for all companies across all verticals. This includes public initiatives like ESCO, as well as several vendors developing universal taxonomies. However, for all their best efforts, business leaders are discovering that what works for one company won't work for another. Even if companies seem similar on the surface, and even within the same industry, companies will be very different from one another. One manufacturing company might use different software and processes that require different skills than another. An FMCG player using automation in its factories will have different skills relevant to the framework, compared to others that haven't yet undergone a digital transformation.

To work well for an organisation, the skill framework needs to be tailored: that includes getting the right concepts at the right level of detail, and avoiding clutter and overhead. A one-size-fits-all framework that tries to include every business very rapidly becomes bloated, and creates chaos in exactly those places where you should have clarity.

What good skill data looks like

If the basis of a good skill framework is skill data, then it makes sense that your framework is only as effective as the skill data feeding into it. So a critical step in building your framework and moving towards a skill-based organisation is to understand what 'good' skill data looks like.

Complete

To make effective workforce decisions across your company, you need a view of the skills of all employees rather than just a subset.

Accurate

Data-driven insights are only as accurate as the data feeding in.

Real-time

The skills of your workforce are evolving continuously. The best decisions are made based on today's data instead of last year's.

Unbiased

In this day and age, a responsible approach to data and AI is critical.

Approaches to obtain skill data are at risk of many different forms of bias, especially if they rely on manual input rather than evidence.

Recency bias   People tend to only document the skills that they've used in the last few weeks.

Gender bias   Men document more skills than women, and women consistently rate[1] their skills lower than men.

System bias   When your skill data relies on people going into a platform and manually inputting their skills, only active users will be reflected in it (typically less than half of your organisation).

Every person brings their own perspective, which only adds to the complexity when involving external parties to assess skills. To reduce the risk of bias in your data, it's crucial to leverage an evidence-based approach that puts different employees on equal footing.

How traditional approaches stack up

	Complete	Accurate	Real-time	Unbiased
Assessment centres	● - - -	● ● ● ●	- - - -	● ● ● -
Manual input (EXP)	● - - -	● ● ● -	● ● - -	● - - -
Manual input (surveys)	● ● - -	● ● - -	- - - -	● - - -
Consulting exercises	● ● - -	● ● ● -	● - - -	● ● - -

Traditional approaches cannot give the comprehensive view of all workforce skills needed to form a fit-for-purpose skill framework. Moreover, they tend to be highly time and resource intensive, so cannot keep up with rapidly changing skills.

Assessment centres   Are accurate but expensive to run and are typically only done for a select group of people and skills, therefore cannot scale easily.
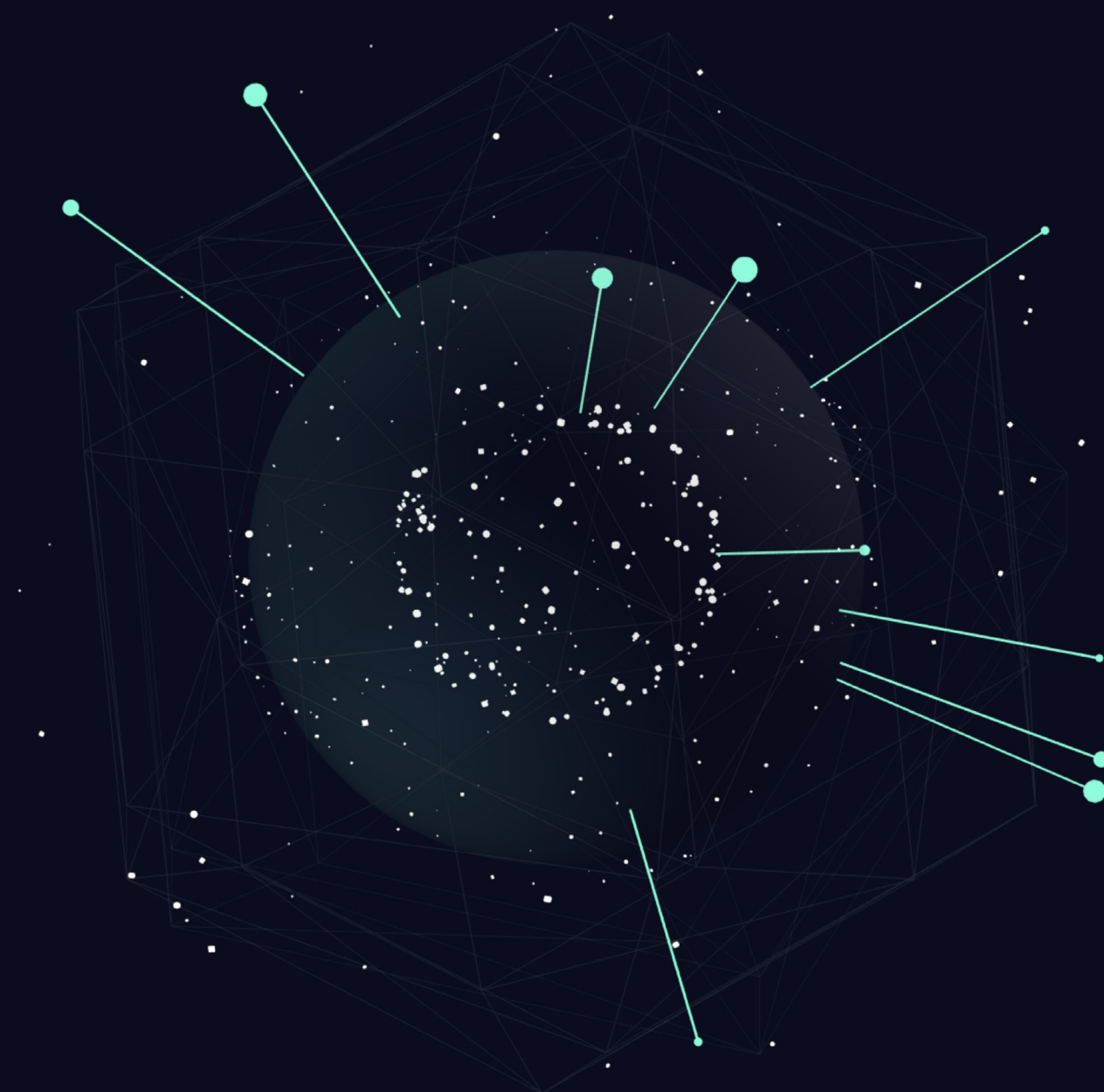
Manual input (EXP)   Relies heavily on user input and will often struggle to reach the necessary level of completion and adoption needed for a comprehensive data set.

Manual input (surveys)   Relies on people completing a survey with accuracy and timeliness, but which quickly becomes outdated.

Consulting exercises   Are only accurate whilst the consultants are working on the project, due to skill-data becoming quickly out of date.

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1   https://news.harvard.edu/gazette/story/2020/02/men-better-than-women-at-self-promotion-on-job-leading-to-inequities/

Why AI?

Until now, we've focused on the quality and role of a skill framework. But there is another crucial feature of a high-quality skill framework — AI.

Advances in AI mean that a lot of the work needed to consolidate and complete your skill data can be automated.

For your skill framework to be tailored, comprehensive, and dynamic…

And for your skill data to be complete, accurate, real-time, and unbiased…

You need AI to do much of the heavy lifting.

Keeping up with skills

Skills change all the time based on new hires, market and business changes, emerging roles, and more. AI works to automatically capture emerging skills and competencies within an organisation's workforce so HR and business leaders always have an up-to-date view of skills.

In fact, manual maintenance of a skill framework is impossible without AI.

Imagine trying to update the Webster's Dictionary consistently when 25% of the words change every year.

The skill data already exists in all organisations, it just needs AI to unlock it. Data is everywhere, throughout all of the HR and work systems your employees use. It's just not in a usable format — that's where AI comes in. Manually it is often too time-consuming and resource intensive for organisations to commit to, especially over time as the skill data evolves. With AI, this data finally becomes actionable. With little-to-no manual input needed.

AI can also augment internal skill data with public data on job descriptions and the labour market, further enriching the skill data you have available to base decisions on.
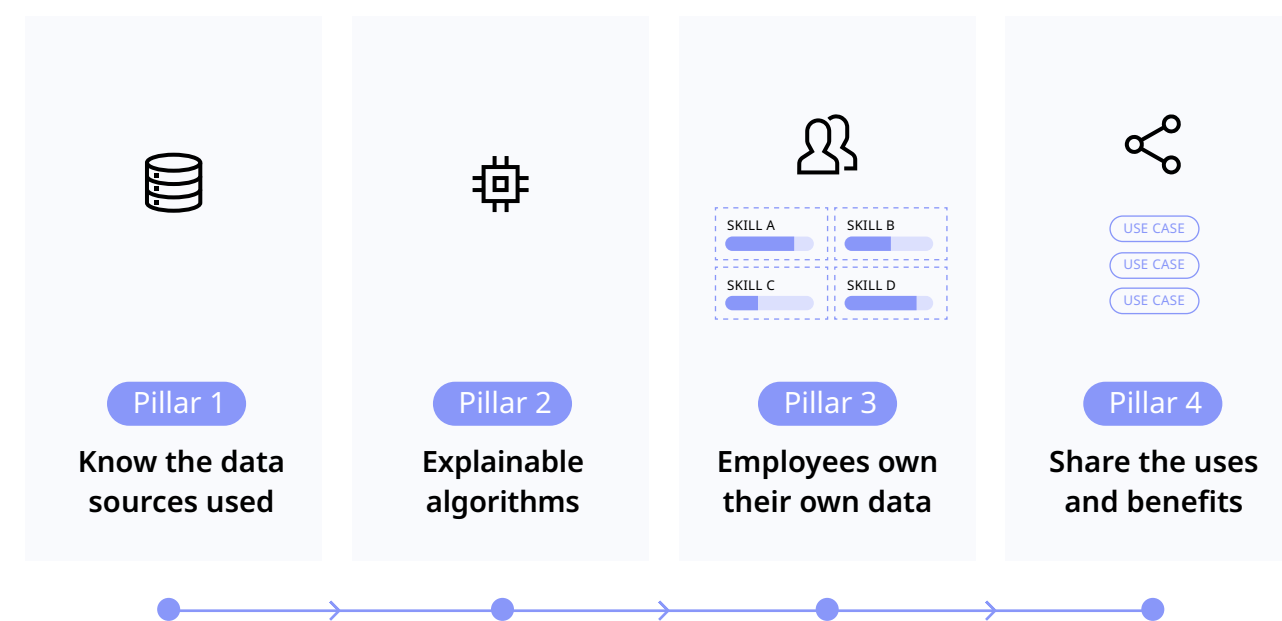
Building trust in AI

This builds trust in the skill data and the decisions it influences. Currently, [32%](#)[1] of business leaders don't trust the information they have on their workers' technical skills. This rises to 52% when looking at soft skills and human capabilities like emotional intelligence.

Another aspect of building trust in your skill framework and the AI powering it is to ensure your AI's decisions are fully explainable and that you can clearly state where your data is coming from.

This gives rise to [four key pillars](#)[2] for using AI responsibly:

01   Know your data sources

02   The AI's decisions are explainable

03   Employees own their data

04   The uses (and benefits) are shared with employees

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Know the data sources used	**Explainable algorithms**	**Employees own their own data**	**Share the uses and benefits**

1   https://action.deloitte.com/insight/2819/10percent-of-orgs-have-a-skills-database.-do-you

2   https://www.weforum.org/agenda/2023/01/4-pillars-for-using-ai-responsibly-in-a-skill-based-organization-davos23/

What happens without an AI-driven skill framework?

Two important components make your SBO a reality:

01   The use of a skill framework to make sense of your data.

02   AI powering it to populate and structure skill data and then keep it updated.

Without an AI-driven skill framework, your vision of becoming an SBO will be hindered.

01   **Data cannot be used**

Data will be collected by your HR platforms, learning solutions, and systems of work but won't be actionable.

02   **Too much time spent**

Even if you manage to find a dedicated resource initially to gather and consolidate data, the ongoing effort and cost of updating that data will ultimately outweigh the returns.

03   **Competing projects**

Skill-based projects will be siloed and will potentially compete against each other for resources. Nobody will have a complete view of workforce skill needs, gaps, or pipeline.

04   **Inaccurate skill data**

Your skill data will become unmanageable and inaccurate. This data will take up increasing space, with the risk of becoming a data swamp that delivers little to no value to your organisation.
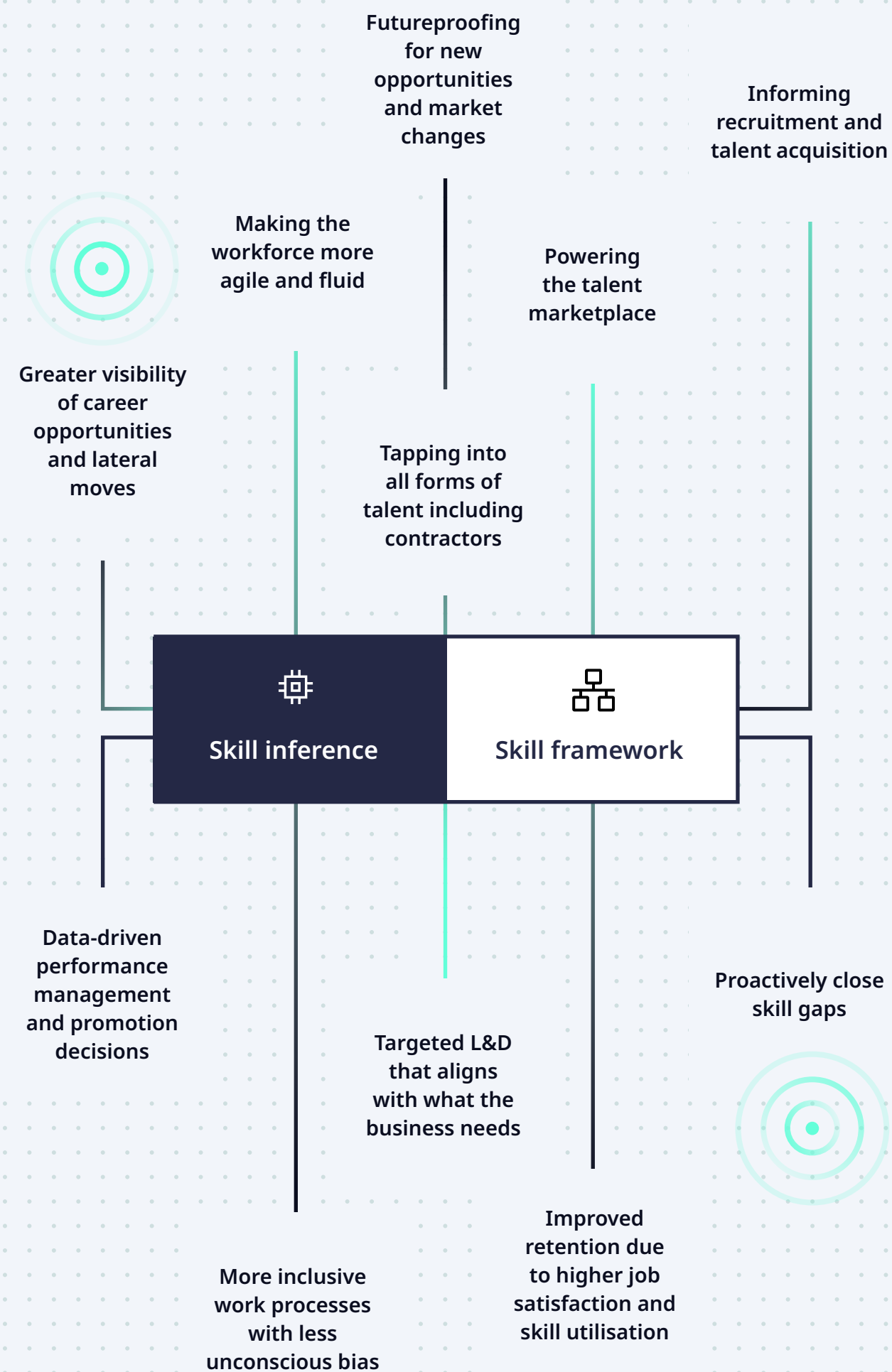
05   **Loss of trust**

With inaccurate data, you will get inaccurate results that cause stakeholders to lose trust in the quality of your insights and the decisions made based on them. Eventually, the entire SBO initiative will be shelved due to the loss of senior stakeholder confidence.

Worth the effort

Doing the groundwork today by building a skill framework and uncovering all of your skill data will pave the way for many different projects across your organisation. As more organisations embrace skill-based approaches to hiring, upskilling, performance, and more, your skill framework will give you a significant head start.

Futureproofing for new opportunities and market changes

Informing recruitment and talent acquisition

Making the workforce more agile and fluid

Powering the talent marketplace

Greater visibility of career opportunities and lateral moves

Tapping into all forms of talent including contractors

Skill inference

Skill framework

Data-driven performance management and promotion decisions

Proactively close skill gaps

Targeted L&D that aligns with what the business needs

Improved retention due to higher job satisfaction and skill utilisation

More inclusive work processes with less unconscious bias

A better way to work

Roy is in his 60s and has worked in manufacturing for Unilever[1] for over four decades. He is nearing retirement, which traditionally meant the company would lose his valuable skills and experiences once he left the workforce.

With a skill-based approach, however, Roy is able to work two days a week and mentor younger colleagues to pass on his vital skills.

His semi-retirement is preparing Roy for the future while ensuring a smooth knowledge transfer for Unilever. It's a significant future-proofing move by the FMCG, given that a third of its UK workforce will be eligible for retirement by 2026. Dubbed 'U-Work' the initiative is on offer to all employees, manufacturing and office-based. So far, it has had equal take-up across the age groups it was designed for: half are over 55, a third are working parents and the rest are young millennials.

Organisations that embed a skills-based approach are 63% more likely to achieve results.[2]

"We're beginning to think about each role at Unilever as a collection of skills, rather than simply a job title," explained Anish Singh[3], Head of HR for Unilever in Australia and New Zealand.

"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," added Patrick Hull, Vice President of Future of Work at Unilever.[4]

Getting started

For some organisations, the prospect of creating a skill framework from scratch is daunting. There can be thousands of skills within one workforce. But you are not starting from scratch.

Your organisation has the right skill data already existing within your HR, learning, project management, and file storage systems. Every time a worker completes a task, sends a public message, finishes a course, or offers feedback on a peer, they generate skill data.

You just have to unlock it.

Your first step in creating a skill framework is to audit the data that already exists.

01 Where does skill data exist in your organisation? What tools are your people using? Do you know what jobs are being performed?

02 Where is it housed (in a platform or data lake)?

03 What format is it in (structured or unstructured).

This is your starting point. AI will then transform your existing unstructured data into structured skill data that is actionable.

1   https://www.forbes.com/sites/avivahwittenbergcox/2021/05/23/flexibility-for-all--unilevers-vision-of-the-future-of-work/?sh=772792f475c6
2   https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring/_jcr_content/root/responsivegrid_380572564/advanced_image0.
     coreimg.95.800.jpeg/1675150691585/us175310-figure2.jpeg
3   https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring.html
4   https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring.html

Ready for skill-based? — a checklist

☑ **You've audited your data - you know what your sources are (including those outside of HR and learning, in the line of business) and what format it is in.**

☑ **You have used existing data to create your framework - consolidate, clean, and store data in an accessible place for the skill framework.**

☑ **AI is keeping skill data updated.**

☑ **You have built trust in your data and AI - share with stakeholders how skill data benefits them and ensure AI's decisions are explainable.**

☑ **People are acting on your skill data - make sure everyone in your organisation feels empowered to use skill data in their decisions.**

☑ **You are regularly reporting back on progress - communicate any wins or project milestones with stakeholders.**

The journey begins now

The journey to becoming an SBO starts with a strong skill framework. With everyone working together, using the same language for skills, you will find initiatives like talent marketplaces and skill-based hiring go a lot more smoothly. Moreover, you will gain the visibility needed to understand what skills you have now and what you will need in the future. Your skill framework will pay off for decades to come, playing a leading role in every transformation you must make this year and next.

You don't have to go on the SBO journey alone. Discover how other companies like Booking.com, GSK, and United Airlines are pioneering the shift to Skill-Based Organizations (SBOs). Join experts Mikael Wornoo of TechWolf and Christophe Cabrera of UCB as they share key insights into the strategic implementation of SBOs by industry leaders and offer practical tips for starting your skill-based journey.

Watch the webinar

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Want to understand more about how your organisation can get started?

Get in touch today.

TechWolf puts organisations on the fast track to becoming skill-based. TechWolf's Skill Engine™ connects existing systems via an API-first approach to get an instant, up-to-date, and unbiased view of skills and skill gaps in an organisation.

Reach out to our team today at techwolf.com/contact