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How to ensure that your skills transformation journey leads to business success

The business value of adopting a skills-based talent strategy and how organizations of all sizes can navigate the journey there.

Introduction

Radical change! Disruption! Industry revolution! These are some of the terms used to describe the rise of the skills-based organization and its impact on organizational talent management initiatives. It sounds more than a little intimidating.

Adopting talent practices that embrace a skills-centric approach can have a positive impact on everything from employee experience to productivity. Navigating the change to becoming a skills-based organization requires time, commitment and executive support but if you follow the right steps, it does not have to be filled with heartache and pain.

Years of research combined with advances in technology now make it possible for organizations of all sizes and resource levels to follow a skills-based approach to talent management and realize the benefits that can be measured in things such as greater retention, higher productivity and improved business performance.

In this paper we consider why a skills-based approach is so critical, the foundational elements needed to launch skills-based practices in any organization, and the business impact of taking such an approach.

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A fresh perspective – jobs to skills

The historical view of work has been defined by jobs. With the start of the industrial revolution large groups of people started working together in factories for the first time. Rather than have workers randomly assigned to tasks each day, jobs were defined to group a set of tasks and workers were assigned to a job based on their capability. The result was an increase in efficiency and output. Career progression typically meant moving to a supervisory role and teaching and managing others to do the same job. This system worked well for the industrial economy and has remained relatively unchanged for decades.

However, things have changed. Today, our economy is no longer industrial. Instead, most of us are knowledge workers and knowledge work cannot be optimized through repetition and incremental improvement. Work today is driven by data, ideas and creativity. Cross-disciplinary teams come together for projects. Results are measured by impact on the business.

It has often been said that skills are the new currency of the knowledge economy. Here are some examples of the drivers for this:

o Employees need to develop new skills and improve existing ones to respond to the ever-increasing rate of job market changes.

o Organizations need to be agile and move quickly to address weaknesses, internal skills gaps and provide opportunities for growth.

o There is a "war for talent", businesses need to attract or retain talented employees by identifying key skills and offering prospective and existing employees the ability to develop such skills.

There is no magic wand to instantly launch skills-based practices in an organization. It takes time and effort. This paper explores seven elements on the journey to building a skills-based organization.

1. Start with the destination in mind

Is there a business challenge that you are trying to resolve? Are there several areas of the business that would benefit the organization starting the skills journey? The subject of skills is certainly trending at this time; however, it is critical to clearly identify the real business imperatives that such an approach will address.

Below are some examples of business challenges in which a skills-based approach can have a direct impact. They are expressed in the form of a problem that the business may be facing. The list is not exhaustive and the order of prioritization will change from business to business:

1. We do not have the skills to meet our business strategy and the business is in danger of not being competitive.

2. Our business is not keeping up with emerging technologies and we are in danger of missing out on new commercial opportunities.

3. We are struggling to implement a transformation program to re-design our organization and it is affecting our business performance.

4. We cannot prove that we have the right skills for regulatory compliance purposes and we are in danger of being non-compliant and not being able to operate.

5. We have a poor job retention rate and it is impacting our business/financial performance because we are losing people with key skills.

6. Our recruitment processes are poor and it is costing us in poor hires and recruitment fees.

7. We are not providing clear career development opportunities for our employees and they are leaving.

Even if the subject of skills has caught the attention of the leadership team and stirred their imagination, a skills-based strategy needs to be anchored in the real needs of the business and preferably ones that can be aligned with financial metrics. When the road gets a little tough on the skills journey, being able to refer to specific business benefits will be critical.
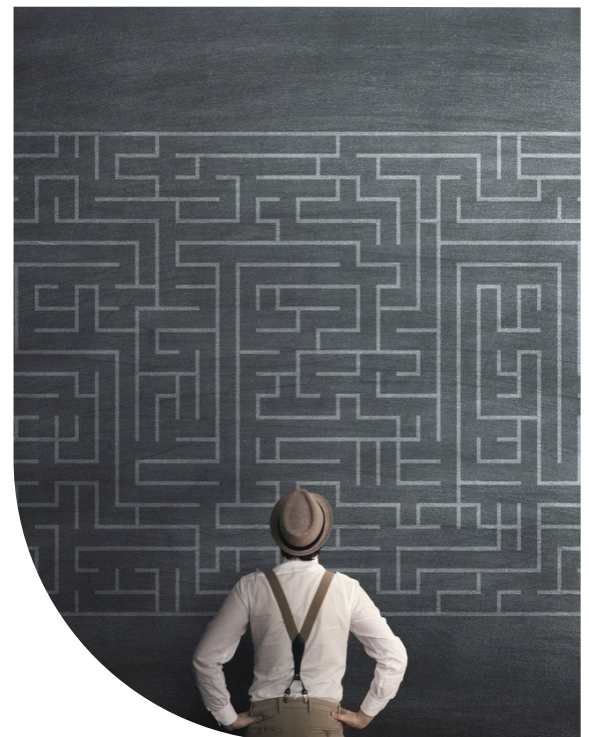
8.   We are wasting our training budget on the wrong type of learning and development activities.

9.   We are not assigning the right people on our projects; our projects fail and it is costing us.

10. Our managers do not know how to coach their teams, we are not making the most of the investment we have made in our people.

11. We are in danger of losing legacy skills because we do not know who has them and we are not successfully meeting our client obligations.

12. We are unnecessarily paying for external contractors because we do not know which skills we already have.

## 2. Skill taxonomies, frameworks and ontologies – choose the right approach

The 'destination in mind' impacts the depth and breadth of the skill definition, the structural approach taken – skill taxonomy vs. skill ontology vs. skill cloud (or indeed any combination of the same), and the tools that will be used. The importance of using a common definition of taxonomy of skills and the difficulty of keeping up with the changing skills needed by the business were highlighted by a report from Deloitte white paper entitled 'Building tomorrow's skills-based organization', in which both were cited as key obstacles to taking a skills-based approach by business and HR executives who were surveyed.

It should be noted that the terms 'skill taxonomy' and 'skill ontology' have been interpreted and are being applied in different ways and very often according to a particular technology vendor's interest. When comparing various sources of information, it is important to check whether the information provided is objective and if it is sourced by a vendor, to understand what they specifically mean by that definition. The same scrutiny should be applied to the descriptions provided in this paper!

Why is it so important to invest the time and effort to identify and clearly articulate the business challenges that your skills-based approach will address? It is not just about getting executive sponsorship and getting the business to 'buy in' to a skills-based approach, although that is reason enough. Starting with "the destination in mind" will have an impact on the definition of the skills themselves and the approach that is taken.

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Typically, a skill taxonomy is akin to what have previously been known as skill or competency framework:
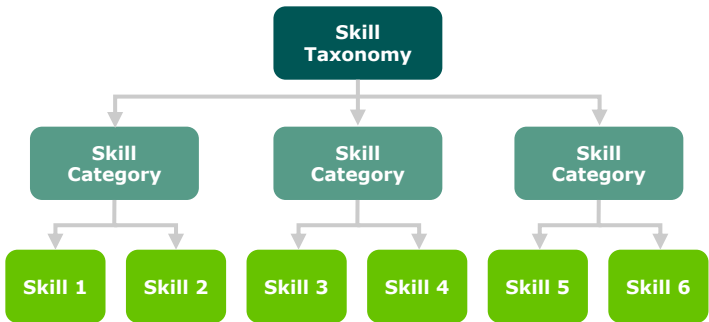
Skill taxonomies use a hierarchical structure to divide skills into categories and sub-categories. The skill categories or groups are based on simple similarities between skills. For example, the programming skill 'Python' may sit under a sub-category called 'Programming' which sits under a sub-category called 'Technology Skills'.

Most often, a skill ontology is represented as a map or a network showing the rich relationships between the skills:
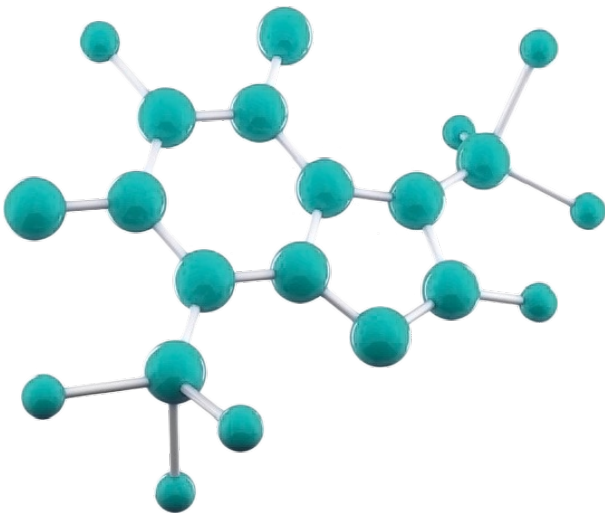
For example, Java is a programming language that is related to Object-oriented Programming, and both are related to Software Development.

Skill ontologies are important nowadays, because such a structure supports skills inferencing. For instance, in the use of skill clouds - a term originally coined by Workday - an ontology approach is utilized to support skill relationships that are inferred by AI using very large data points. The data points are derived from various unstructured data sources, including job descriptions, projects, performance reviews, Learning and Development interventions.

Therefore, the choice of approach that is taken, skill taxonomy/framework, skill ontology and/or skill cloud will have a great impact on the success or failure of the organization's skills initiative or at least on the desired outcome to the business challenges that have been identified. This is exemplified with point 8 from the list of business challenges itemized above. For instance, if the primary driver is targeted learning and development, then it may be possible to take a lighter approach. Some technology vendors propose that a skill cloud approach – which is lighter, quicker and ready-to-use – will do the job. However, the immediate disadvantage of using a skill cloud approach is that skill clouds provide names, nouns or titles of skills, no descriptions or levels of proficiency/expertise, which will not work for items 6, 7 or 9 from the list of destination objectives above. In these latter applications it is critical to understand the level of expertise required to recruit, develop and assign!

At Lexonis we provide a **skill and job framework library** and software tools that can help an organization to rapidly navigate the process of establishing their own skills and job taxonomy.

IBM Talent Framework library

Lexonis enjoys a unique partnership with IBM that enables Lexonis to resell the IBM Talent Frameworks. The IBM Talent Frameworks library includes 3,000+ industry-specific job profiles that will help you to recruit, hire, and develop your people with the skills they need today and in the future. The IBM Talent Frameworks include job descriptions, key responsibilities, over 2,000+ functional and technical skills, interview questions, coaching tips, and prescriptive learning suggestions critical to business success. IBM leverages AI alongside multiple data sources to mine, validate and determine the latest jobs and skills.

A skill and framework library – referred to from this point on as a talent framework library - is a library of skills and competencies that are mapped to job profiles to give an organization a robust starting point on their skills journey.

By leveraging a well vetted talent framework, with the help of generative AI and intuitive online tools to capture feedback from the business, an organization can implement and personalize a talent framework in a matter of weeks. The finalized talent framework is the foundation for the organization's skills transformation journey.

The organization's talent framework library may include:

- Job families, that can be adapted to support the organization's job architecture.

- Job roles, that include descriptions and responsibility statements.

- Skills and competency names, that include mapped levels and descriptions.

- Numbered proficiency levels, that define 'what good looks like' at each level.

- Skill-based questions, that can be used to build interview guides.

- Development and coaching tip suggestions for skill

A talent framework establishes a consistent language for skills and competencies across roles and with the help of AI they can be regularly reviewed and updated to keep pace with the dynamic needs of the modern workplace. Once completed, an effective talent framework creates a common language for skills and competencies across the organization.

It is also worth noting that a talent framework should include current as well as future job roles based on the company's strategy and market trends.

Build or buy?

The question arises, should the organization build their own skill and job framework library or buy an off-the-shelf library and customize it. There are advantages and disadvantages to both approaches. Experience has shown that buying an existing library and customizing it according to the organization's needs is generally the more successful approach – it is more resource efficient, provides greater consistency and enables the organization to begin its skills journey with greater momentum.

3. Identify future skills

If the last decade has taught us anything, it is that the pace of change in the workplace will only continue to accelerate. Digital transformation is still in early stages for most organizations and the rise of AI promises to increase the pace of change. AI will impact on how work gets done in ways we have not anticipated. A new skill mix will emerge that optimizes the task-level combination of human and automation (see Work Without Jobs).

Companies that thrive will continue to reinvent themselves by entering new markets, adding new services and eliminating non-productive ones. A good example was considered in a webinar with Donna Morris the CHRO at Wal-Mart. When the pandemic hit Wal-Mart, Donna shared how the organization created an entirely new job role - the digital shopper - to choose items off the shelves and prepare for them delivery or pick up. Today, Wal-Mart employs over 200,000 digital shoppers and have developed new processes and technology to support every step of the customer and employee journey for this new job role. While this is an extreme example, it shows how quickly an organization may need to create new job roles and map skills to that role. The act of forecasting skills is not a hard science. It starts with a clear understanding of the organization's business strategy, the skills required to execute that strategy and assessment of whether those skills exist in the organization today or not. Skills forecasting also needs to allow for market changes. Services such as Lightcast can provide market data that can help an organization forecast skills needs based on macro-trends in the market. It should also be noted skills forecasting is not a one-off event, it is an ongoing, dynamic process that will constantly change.

4. Assess current capability and identify skills gaps

Simply identifying which skills and competencies are needed for business success is not very useful if the organization does not know which ones their current employees possess and the degree to which they possess them. The next critical step in the skills journey is to assess and validate employee skills and competencies. Historically, organizations have captured their skills data in spreadsheets or not at all, but there is much new technology available that has made it possible to do it at scale much more easily.

There are several ways to assess and capture the assessment of employee skills. The following are some examples, but this is not an exhaustive list:

Objective vs. subjective assessments.

Objective and subjective assessment types both have value and should be chosen according to the intended application for which the assessment is being undertaken.

Objective assessments e.g. *multiple-choice exams and tests* (see description), rely on specific benchmarks and assign levels against those benchmarks according to well-defined, repeatable metrics. Objective assessments typically provide a high degree of transparency as to how a given level has been assigned, and their repeatability can open the way to processing large numbers of assessments over time.

Subjective assessments e.g. *360-feedback* (see description), work according to more flexible benchmarks and assign levels based on a range of different assessment criteria. Subjective assessments tend to be more adaptable than objective ones, capable of drawing on a broader palette of assessment inputs, better tailored to the individual.

The following provide examples of both types of assessment.

Multiple-choice exams and tests:

- Metrics: Well-defined - pre-set questions and answers with score-to-level mappings.

- Repeatability: Very good - same score returns same level

- Flexibility: Poor - only achieved by expanding range of questions asked.

- Type: Objective.

In-depth structured interviews:

- Metrics: Defined - interview has a defined structure and metrics for assigning assessment levels.

- Repeatability: Good - defined structure of interview ensures that the interviewees' experience will be largely similar.

- Flexibility: Good – interviews have scope for tailoring questions and assessment to interviewee responses.

- Type: Mostly objective, elements of subjectivity.

Self-assessment with manager validation:

- Metrics: Limited – only metrics in place are based on skill description interpretation.

- Repeatability: Average – limited number of assessors, plus capacity to have a detailed discussion of assessment allow the assessment to be repeated for individuals.

- Flexibility: Good – Self-assessor can draw on different evidence grounds based on their own experiences, but manager validation ensures that these grounds are quality-checked for accuracy.

- Type: Mostly subjective, elements of objectivity.

360-feedback

- Metrics: Limited – 360 feedback has defined assessment structure, but content of assessments are only constrained by assessor interpretations of skill definitions.

- Repeatability: Limited – each assessment is the result of a unique set of assessors, meaning that each assessment will be nearly unique.

- Flexibility: Very good – plurality of perspectives from different assessors ensure that the overall assessment will provide a very broad set of assessment inputs for the individual.

- Type: Subjective.

Special mention must be given to **skills inferencing**. Skills Inferencing is an AI-assisted methodology for reviewing work product, system data and communication using natural language processing to find evidence of skills. Data sources can also include activity-based applications such as JIRA, Salesforce and Github. While the innovation of skills inferencing is exciting, the jury is still out on the efficacy of this approach, for instance, will inferencing that an employee has a skill and at a certain level be sufficient for compliance purposes? Josh Bersin provides a balanced and realistic summary of this approach in the following post: Building A Skills-Based Organization: The Exciting But Sober Reality

Typically, an individual employee's skills gaps refer to the difference between the skills that are required for them to perform their job successfully and the skills and levels of proficiency that they possess. This is why the definition of job roles and skills with proficiency levels is so important – it is not possible to quantify a skill gap if no proficiency levelling is in place.

Very often the term 'skills gap' refers to the aggregated gaps of a team of people or the whole organization. At an organizational level, when there is a skills gap, it means that there is a mismatch between the skills that are needed for the organization to be successful and the skills that are currently available through its workforce.

Workforce analytics reports provided by technology platforms can be used to determine skills gaps.

There are many technology platforms which provide skill and competency assessment tools and methods, and in recent years the volume of solutions available has increased rapidly. Ultimately, it is critical to identify the platform that will support the type of skill taxonomy, ontology or other type of framework that will be required, that will deliver the views and outcomes that are business critical. This may not always be the enterprise-wide solution ordained by corporate HQ! It is important that the team involved carrying out R&D on the system requirements are knowledgeable in skills management or it may be advisable to seek advice from an objective, specialist consultancy or advisory group in this area.

Why are skill gaps a problem?

Skills gaps are a major challenge for organizations in the modern economy. As the pace of technological change continues to accelerate, businesses that fail to address skills gaps are likely to fall behind their competitors and struggle to keep up.

The Deloitte study 'Building tomorrow's skills-based organization' provides some interesting insights into the impact of skills gaps on businesses. According to the study which incorporates a survey of 1,021 workers and 225 business and HR executives, 73% of business leaders expected to experience talent shortages within 3 years.

5. Use skills to support talent applications

Skills intelligence data captured from an organizational assessment of skills will help to fuel talent applications. Below is an outline of how skills can be used to impact 5 key talent management applications.

Talent acquisition

In a skill-first hiring practice, skills, not education or experience in a prior similar role, become the primary evaluation criteria for hiring. Such an approach leads to a broader applicant pool and reduces the risk of bias in the hiring process. To implement skills-based hiring practices, an organization needs clarity on which skills they are hiring for and resources such as skills-based interview guides to surface the best-fit candidates.

Learning and development

According to Training Magazine, companies spend an average of just over $1,200 per employee on learning and development. That would mean that an organization of 5,000 employees invests approximately $6 million per year on learning and development.

Where does that money go? How are priorities set? How does the organization know that L&D investment has made a difference to business performance? These are examples of the types of questions that L&D leaders are constantly challenged with. The CEO of such an organization has a right to know where their $6m is going!

A skills-based approach provides the organization's L&D function the tools to answer such questions and to target learning based skill and competency gaps. Rather than responding to the loudest stakeholder or being pulled into an endless string of critical needs, L&D leaders can filter out opportunities and guide investment to the skills the organization has quantitatively identified as a gap and a priority.

For individual employees, the impact of a skills-based approach is potentially more impactful. While employees generally call for more resources and time for their development, they often do not know what they want or need. When organizations invest in learning and development in a top-down manner, it is often greeted with outright cynicism. Job-related skill gap analysis and clearly articulated career pathways provide the context employees are looking for on their personal development journey. Performance development dialogue and creation of personal development plans (PDP) again are driven by quantitative data and provide employees a sense of being cared for and invested in.

Talent mobility

One of the most powerful yet overlooked opportunities for companies is to develop employees through on-the-job experience. This includes assignment-based projects and temporary assignments that provide an opportunity to stretch their existing skills, develop new ones and gain exposure to different functions and aspects of the business. Using skills to define these opportunities can both help tap into unknown talent and open opportunities for employee development. By promoting a skills-based approach and using skills as a currency for mobility across the organization, it is possible to surface someone from a different part of the organization as a good fit for a new opportunity. Such an approach also encourages employees to volunteer for new opportunities that will help them to develop the skills that they need for their career development. Talent Marketplaces, fueled by skills data, are making these types of experience more commonplace.

Succession planning

As with hiring, by focusing on skills and not just education or experience in a prior role as the primary evaluation criteria to identify future leaders, a broader candidate pool emerges and the risk of bias is reduced. With skills data available, the development path and key milestones for progressing an employee as a leader become more visible and transparent. Workforce skills intelligence data can help the organization to make well-informed decisions on building or developing future leaders based on their skills.

Compensation and rewards

Skills-based compensation and rewards is an approach based on the skills of an employee and the value of those skills to the organization in contrast to typical criteria such their title, their place in the hierarchy and employment duration. Many organizations struggle to justify higher compensation for high-demand and low availability job roles; individuals are being compensated based on their skills. A skills-based compensation and rewards approach makes the criteria behind each decision fairer, more transparent and clearer to all employees. Such an approach also has the potential to make the organization more competitive in the labor marketplace because compensation reflects the value of that prospective employees' skills rather than trying to fit them into traditional pay grades.

Performance management

By integrating skills data into performance management, the entire process becomes clearer and more objective. Employees are eager for tangible feedback that they can act on. Skills data that provides a clear definition of a skill and the expected proficiency level for a current or desired role moves a performance conversation from abstract, subjective feedback to focused, tangible feedback that an employee and manager can act on together.

6. Why change management is essential for the journey

Experience has shown that the **biggest** factor in the success/failure of a skills project is not the technology or even the quality and relevancy of the skills frameworks that are used; the biggest factor is getting executive sponsorship based on good change management practice.

Very often good change management techniques are either overlooked or limited to some light touch communications. The result is that the project appears to have little alignment with the organization's business objectives and critically, no buy-in from the project's key stakeholders.

Sponsorship is not just about having a senior figurehead, someone who sends and signs off communication emails. Sponsorship management is a real business skill and needs to be visible right from the start of a project, then through and beyond implementation.

There are numerous change management models available. ADKAR is one such model and below are 5 key techniques that are included in this model:

1. Awareness of the need for change.

2. Desire to participate and support the change.

3. Knowledge of how to change.

4. Ability to implement the change on a day-to-day basis.

5. Reinforcement to keep the change in place / make it stick.

The following blog post elaborates on ADKAR and provides information on how Lexonis consultants support clients to implement this model: 5 Key Techniques to Successfully Implement Your Competency Management Programme

Developing the right change management strategy has many dependencies which will differ for each organization and for each specific project. It is critical to invest time in identifying the outcomes of any impact and readiness assessments, and the resistance that they are likely to encounter. It is also critical for the project team to consider how to get any change to stick, so that change adoption becomes habitual as the celebration of project successes occur. It should be considered a continuous programme of work within an effective change management strategy.

7. Take the first step

How do you take the next step on your skills journey?
Start with a plan.

Build executive support

The first step is to engage your organization's executive team. The good news is that with well-respected consulting firms like McKinsey and BCG putting such a focus on the skills agenda, your executive team are likely in tune with the subject of skills.

Pick your lane

A skills-based approach can fuel change in many areas of the organization, but just because you can do it all, it does not mean that you should, from day one. Pick a focus area or two from the business challenges outlined in this white paper to convince your executive team to move the organization in the right direction.

Analyze the overheads

No matter which area you choose to focus on, there will likely be some investment involved to acquire and integrate technology, reengineer processes and documentation and training. Research or get help to research what the cost and resource implications are of what you are recommending.

Get IT onboard

There will likely be some investment in technology and integration required. Make friends with your IT team, you will need their support, so get them on board as an ally as early as possible in the process. They will need to allocate resources and want a hand in vetting any vendors so getting into their strategic plan is critical to success.

Understand the prize

The value you create for the organization will depend on which lane you choose. Identify the metrics you plan to impact, benchmark data and lay the groundwork to measure the impact. This may include engagement scores, recruiting costs, turnover rates, productivity or other metrics.

Find quick wins and celebrate them

Like any large initiative, it is almost always better to start small. Pick a division, location, function or even a role to experiment and run a pilot, prove the concept. Share your results across the organization and you will be sure to gain strong advocates.

Need help planning your skills strategy?

Lexonis helps organizations world-wide implement successful talent management. With over 20 years' experience, Lexonis delivers skills frameworks, consulting services and technology that help organizations understand the skills they have and how best to develop and deploy them. Typical outcomes include identifying skill gaps and learning needs, creating career development paths and reporting on workforce capability analytics.

Lexonis skills platform

Lexonis Essentials helps you build, customize, and manage all the elements of your skills frameworks and job role profiles while leveraging the power of AI.

Lexonis TalentScape includes all the capability of Lexonis Essentials but adds powerful assessment and analytics capability to quantify and act on individual and organizational skills gaps.

Lexonis is an IBM Business Partner and supplies the IBM Talent Framework Library and is also a SFIA Accredited Partner.

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Contact Lexonis to start understanding, developing and better deploying the skills in your organization.

Contact us

Lexonis

United Kingdom

+44 (0) 208 089 6899

info@lexonis.com

North America

+1 (302) 273 5257

info@lexonis.com

Reach out to a member of our team

Contact us