

How to Adopt a Skills-Based Approach for Talent Management

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Initiatives: [Talent and Performance Management](#); [HR Technology Strategy, Transformation and Management](#)

Talent management built on skills, using AI, can add workforce flexibility and empower decision making. Yet, adoption of a skills-based approach remains challenging. Talent management leaders can use this research to make more informed decisions on if and how to progress their skills-based journey.

Overview

Key Findings

- Seventy-four percent of HR leaders believe that most organizations are moving to a skills-based talent management approach, according to Benchmark With Gartner, Prepping for 2024, Workforce Planning and Addressing Skills-Based Challenges. However, only 41% have adopted some skills-based processes, while 50% are thinking about adopting it but haven't started yet.
- Impediments to adopting skills-based talent management include competing interests across HR and business teams, unclear ROI and lack of stakeholder support.
- Readiness for using skills data to inform talent decisions varies widely across organizations. Lack of readiness leads many to start small.
- AI can help talent management leaders enable and maintain a skills-based approach, but only about half of organizations with a skills-based approach are investing in AI-enabled skills management.

Recommendations

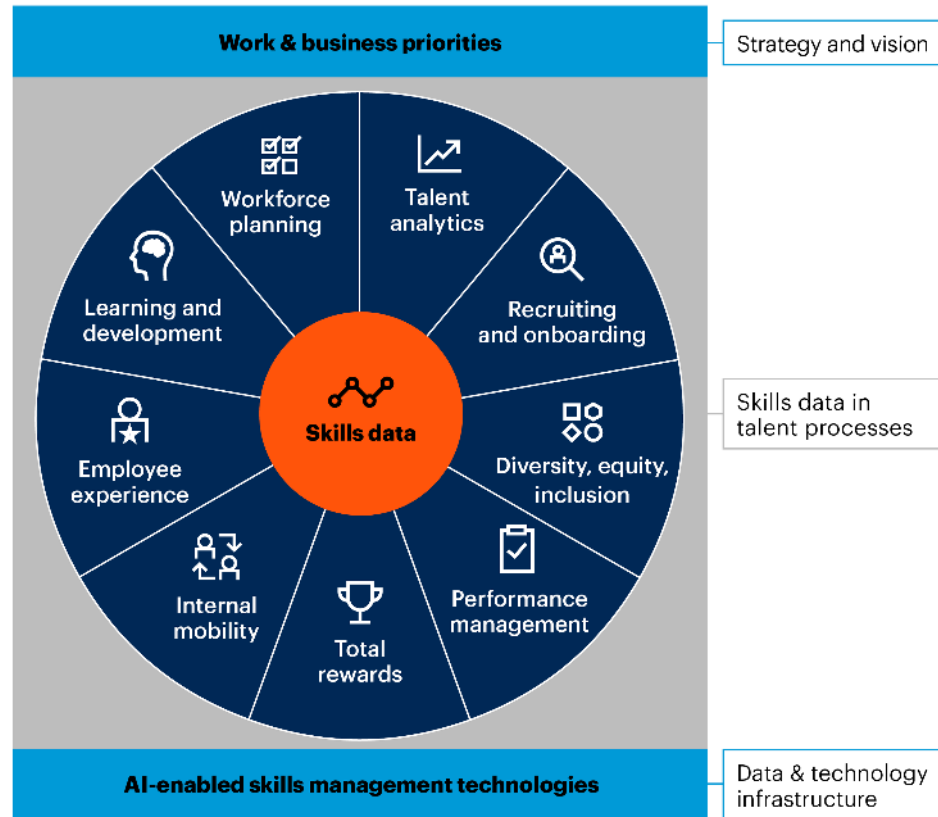
- Equip the organization for the move to a skills-based approach by defining a clear and concise vision for the future state of talent management.
- Ensure buy-in and consistency across processes by actively engaging and collaborating with relevant stakeholders to gain appreciation for the shift in talent management strategy and its alignment to business needs.
- Get started with a skills-based approach by conducting a manual evaluation of the organization's critical skills. Based on this general understanding, prioritize business units for implementation of skills-based strategies.
- Scale and sustain the new strategies by investing in AI for skills data. This enables effective skills-based talent management across multiple business units and, eventually, the organization at large.

Talent management leaders feel they need to do something, but are unsure of where to start or what to do. Plus, the scope of skills-based talent management is not well-established, leading to confusion.

Skills-based talent management is an approach that centers talent management on skills and uses AI-enabled skills management technologies to guide and empower decision making on talent processes (see Figure 1).

Figure 1: Skills-Based Talent Management

Skills-Based Talent Management



Source: Gartner
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Gartner.

We see evidence grounded in progressive practice and organizational performance indicators that a few early adopters of skills-based approaches have become more nimble, with an ability to respond more quickly and adeptly to volatile market conditions. This is part of what makes skills-based talent management attractive to many HR leaders. At the same time, the move to skills-based talent management takes time and effort, requiring planning, coordination, and the right data and technology to support it.

Talent management leaders interested in a skills-based approach should follow these steps to begin their shift:

- Define their vision of the future skills-based state
- Collaborate with stakeholders to build buy-in
- Collect skills data and prioritize areas for implementation

- Invest in technology to scale and maintain the new strategy

Introduction

Many HR leaders fear that they will be missing out by not implementing skills-based talent management. Seventy-four percent of respondents in the Benchmark With Gartner, Prepping for 2024, Workforce Planning and Addressing Skills-Based Challenges live polling webinar believe most organizations are moving to this approach. Yet, only 2% of HR leaders report that their organizations have adopted it in all of their talent processes. Forty-one percent of respondents have adopted skills-based talent management in some processes and an additional 50% are thinking about adopting it but have not started yet. ¹

Map Out Your Vision for a Skills-Based State

To succeed in today's evolving talent landscape, you need a clear vision to stay on track. This vision will drive the strategy, bolster stakeholder buy-in and guide the organization in the direction it needs to go to advance its talent processes.

The first step to formulating a vision for the new talent management approach is to decide why a skills-based approach can help solve current organizational challenges. The "why" will lead to either an optimization or a transformation approach:

- **Optimization** is mostly about adding skills data into existing talent processes to improve processes such as career development, internal mobility, hiring and upskilling initiatives. In an optimization approach, skills data is frequently closely aligned to a structured job architecture. Teams focus on metrics such as time to fill, relevance of career paths or internal hiring rates.
- **Transformation** uses skills data in existing talent processes but focuses more on having a shared skills infrastructure with the business. The business benefits from skills data to optimize capacity or utilization of their workforce. Talent leaders benefit from that same data to help inform job architectures, talent strategies and traditional talent management processes. Teams focus on metrics such as productivity, capacity, utilization and skills readiness.

When deciding upon the route, evaluate what will drive engagement, retention and growth.

Next, map out the vision for skills-based talent management, including defining goals and their relevance to the organization. You can articulate your vision effectively by applying these five principles:

1. **Describe the desired future state.** This should highlight the ideal outcome of the shift. What will the organization look like after the shift is complete? How will it be different? How will employees benefit?
2. **Focus on improvement.** The vision should express the positive change the new approach will bring. Include business outcomes such as increased efficiency or productivity, improved customer experience or a stronger market position. Also include talent outcomes such as employee engagement and retention.
3. **Incorporate inspiration and motivation.** An effective vision should be inspiring and motivating for those involved in the change. It should paint a picture of a future worth striving for across stakeholders. It should tell a story about where the organization is coming from, where it is going and why.
4. **Align the vision with values.** The vision should connect to the organization's core values. This ensures the shift does not veer from the organization's fundamental principles.
5. **Emphasize clarity.** A good vision is clear, concise and easy to understand. It should be something everyone in the organization can easily apply. Alternative language like "skills-informed," "skills-first" or "skills-enhanced" may help.

Table 1 offers a sample vision statement for making the shift to a skills-based talent management strategy.

Table 1: Sample Vision Statement for Skills-Based Talent Management

(Enlarged table in Appendix)

Written With Clarity and to Include...	Vision Statement for Optimization	Vision Statement for Transformation
The Desired Future State	Our vision is to use robust skills data to inform all of our talent management decisions.	Our vision is to transition to making all our talent management decisions based on a clear view of the skills needed for success.
Improvement	Doing this will help increase consistency and fairness in talent decisions, while increasing talent management process efficiency.	Doing this will help us double the speed and agility with which we staff key projects with the right talent.
Inspiration and Motivation	And we will provide more career development opportunities, increase employee engagement, build enterprise capability by enabling internal mobility and ensure we have the skills needed in the future.	And we will promote business performance and continuity by better engaging and retaining our best talent.
Call to Action	To achieve better, fairer and more consistent talent management decisions, we need to invest in technology to track and manage skills data and our job architecture. We need to include employees in the process to see how their skills can lead them to new opportunities.	To achieve a sustainable skills-based approach to talent management, we need to invest in technology to analyze and interpret our talent data at scale. We also need to change our mindsets toward thinking about skills and roles.

Source: Gartner

To ensure the vision becomes reality, **determine the business areas most suitable to prioritize for the shift to a skills-based approach.** These areas will serve as the initial focus of skills-based efforts. They should be areas that easily lend themselves to changes in talent processes.

For example, the initial focus might be on a talent process, such as:

- Recruitment for teams or organizations who hire many experts or specialists.
- Learning and development (L&D) support for teams or organizations with an understanding of critical skills and a desire to expand capabilities to automate learning and career paths.
- Career planning efforts for teams or organizations where internal hiring and mobility is a basis for growing engagement and breaking silos.

The priority can also be a team or function, such as a focus on:

- Digital or technology teams with many technical skills and fast-paced changes in areas of expertise or newly emerging technologies to support.
- R&D teams that can benefit from better understanding and planning of established and emerging skills aligned to prioritized areas of research and development.
- Services teams with a need to optimize capacity and transform roles following significant investments in automation.

Identify and Engage With Relevant Stakeholders

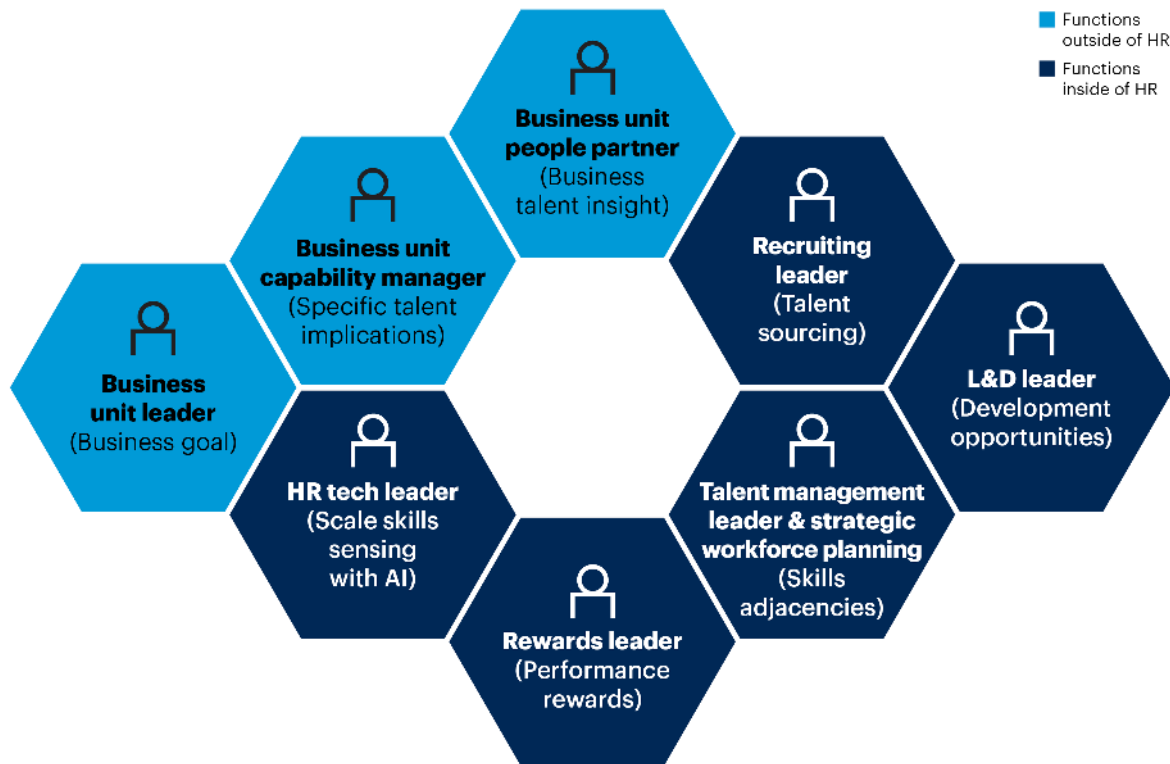
Many of the biggest barriers to adopting a skills-based approach involve stakeholder issues: ¹

- Sixty-five percent of HR leaders report that people managers are too busy to adopt new approaches.
- Fifty percent cite the challenge of measuring the ROI of a skills-based approach.
- Thirty-three percent say leaders do not support the business case for investment in the new approach.
- Twenty-four percent say managers do not see the value.

Ensure you put significant time and effort into setting up governance and change management to make a successful move to skills-based talent management. A first step is to **get the most relevant people on board as a team** to help build stakeholder support and consistency across the new talent management processes (see Figure 2).

Figure 2: Prepare a Team for the Move to a Skills-Based State

Prepare a Team for the Move to a Skills-Based State



Source: Gartner
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Organizations furthest along in their shift to skills-based talent management also often enlist a dedicated skills leader to guide the team. This leader connects all relevant stakeholder groups and organizes efforts for maximum impact. The leader also receives support from the team and obtains additional support through dynamic internal gigs (short-term assignments) with people from the business.

Successful skills leaders demonstrate strong ability in the following areas:

- Program management
- Results-driven
- Problem solving
- Strategic development
- Entrepreneurship

- Stakeholder management

Aside from the dedicated team, talent management leaders must also **identify influential cross-enterprise and external partners and engage them** to gain their buy-in for the transition to a skills-first mindset. Table 2 offers examples of such integral partnerships.

Table 2: Essential Partnerships for a Skills-Based Shift

Partner	Interest in Skills-Based Mindset	Why Talent Management Leaders Need Them
Functional Leaders	Concerned about capabilities needed to deliver current business goals and sufficiency of skills for future success	Knowledge of business urgency and which new skills are emerging
HR Business Partners	Accountable for enabling appropriate work design for business goals and aligning employee experience and employee value proposition	Knowledge of business priorities and problems that talent management processes aim to resolve
Recruiting, L&D and Other Talent Management Leaders	Interest in unlocking more development pathways for an increasingly diverse workforce, as well as equitable development and more proactive support for functional leader skills needs	Ability to enable greater consistency across multiple talent processes and experiences
HR Technology Team	Involvement in scaling skills data access and consistent reuse across processes and serving as a key partner for vendors providing AI-enabled skills management	Ability to reduce data silos and extend adoption of skills data

Source: Gartner

To encourage support for the shift to a skills-based mindset, talent management leaders should **address the interests of these influential stakeholders through open conversations**. Such an open-source style of communication, which allows for proactive management of the concerns, can help pave the way for increased buy-in (see [Bolster Your Change Initiative Success With Open-Source Change Management](#)).

Without AI, Start With Manual Skills Data Collection

A skills-based talent management approach, as defined above, includes the use of AI to manage and infer skills data. However, AI is not accessible to all HR leaders who want to get started in delivering on their skills-based talent management vision. While a manual approach is not sustainable long term, it can be a starting place for establishing baseline capability and understanding of skills within the organization.

In this case, talent management leaders **collect key skills data that is “good-enough.”** In other words, it is better to have baseline information about critical skills than to wait to have AI-enabled skills data.

By embracing this more basic level of data collection, talent management leaders can keep up with the most important changing skills and adjust approaches quickly and more frequently to better meet the organization’s needs. Talent management leaders can also use these more basic skills assessments to **decide which business areas to prioritize for skills investments** (see [Tool: Skill Investments Assessment](#)).

Work with business unit leaders of the prioritized areas to analyze your current skills supply and any changes needed to continue to meet business goals. One company – CoolDiamond (a pseudonym) – has even designed a streamlined process for working with functional leaders on skills planning.

Case in Point: Skills-Based Talent Management Mindset Shift (CoolDiamond*)

COOLDIAMOND

Consumer goods company CoolDiamond* established a process for identifying skills without getting overwhelmed and delayed in the process of defining most or all skills. Its process follows these steps:

1. Ask functional leaders for a list of all skills currently in use in their function.
2. Aggregate lists across functions.

3. Review aggregated list to determine the subset of skills that are:
 - Emerging (recent priorities compared with previous or “traditional” learning requests)
 - Mission-critical (linked to top priorities – either organizational or functional)
 - Overlapped across functions (skills with similar names or meanings but different nuances across functions)
4. Focus attention on only this subset of emerging, mission-critical and overlapped skills. Draft simple, jargon-free definitions to replace competing definitions.
5. Highlight pain points in past or pending cross-silo collaboration to sell functional leaders on common definitions.
6. Document agreed-upon definitions in a “skill library” for future reference.

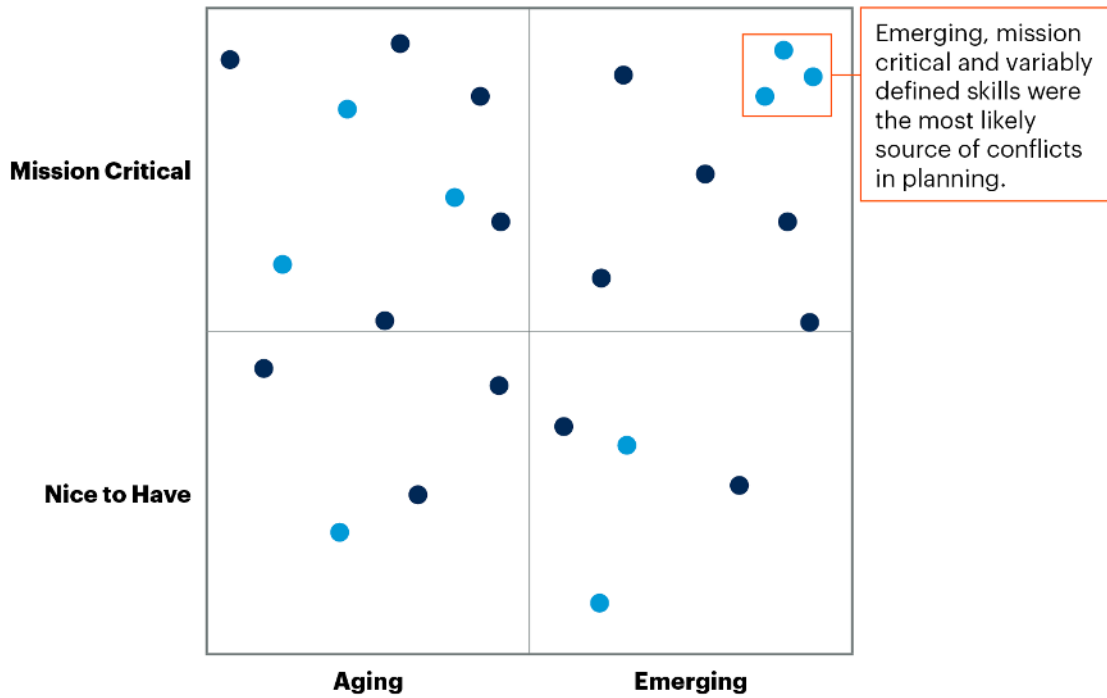
CoolDiamond* then uses a quadrant to assess the skills to pinpoint the most likely sources of conflict in planning (see Figure 3). For more, see [Case Study: Skills-Based Talent Management Mindset Shift \(CoolDiamond*\)](#), published in May 2023.

*Pseudonym

Figure 3: CoolDiamond's* Matrix for Identifying and Defining Skills That Enable Collaboration

CoolDiamond's* Matrix and Process for Identifying and Defining Skills That Enable Collaboration

- Skill Exists in Only One Functional Area
- Skill Exists in More Than One Functional Area



Source: Adapted From CoolDiamond*
 *Pseudonym
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Leverage AI to Scale Skills-Based Talent Management

Organizations know data collection is part of their shift to skills-based talent management, but they struggle with how to incorporate technology to support it. In particular, HR leaders report the following data and technology barriers: ¹

- Building a common skills taxonomy (65%)
- Reliably assessing skills proficiency (55%)
- Matching employees to skills development opportunities in a scalable way (50%)

Although talent management leaders can use AI to overcome some of the data-related impediments in a skills-based approach, 51% of organizations are not investing in AI-driven technology for this purpose. Those that do use AI often leverage it for identification of available skills and targeted matching of training or jobs.

Conversely, those who do not use AI often find that managing skills data without technology can become complicated. Even when talent management leaders limit themselves to assessing only “good enough” data, the datasets expand as more and more areas become prioritized and integrated into the new talent management approach. And these datasets need constant monitoring.

Evaluating some data manually can serve as a starting point in the shift to skills-based talent management. However, talent management leaders need to recognize that relevant AI technology has evolved and is capable of saving them significant time and effort in the long run.

The hardest part for many talent management leaders seeking to leverage AI is a shift in mindset. They need to embrace the chaos of more skills data around a stable core, where the stable core is a heavily structured set of predefined and carefully curated skills with proficiency levels.

Talent management leaders should keep the stable core of skills data as small as possible. For most organizations, it sits very close to the job architecture (see [How to Effectively Integrate Job Architecture Into Talent Management](#)). Some organizations will also include role-specific mandatory skills or certifications. The stable core requires significant governance, including assessing proficiency levels and ensuring consistency. It helps support career paths and monitor key skills.

Yet, talent management leaders should also engage with the chaos of AI-interpreted expansive, dynamic skills data stored in a complex, multidimensional graph with multiple relationships between skills and nodes. The chaos of this data is that insights about context, knowledge, experience, recency, frequency and other factors change constantly.

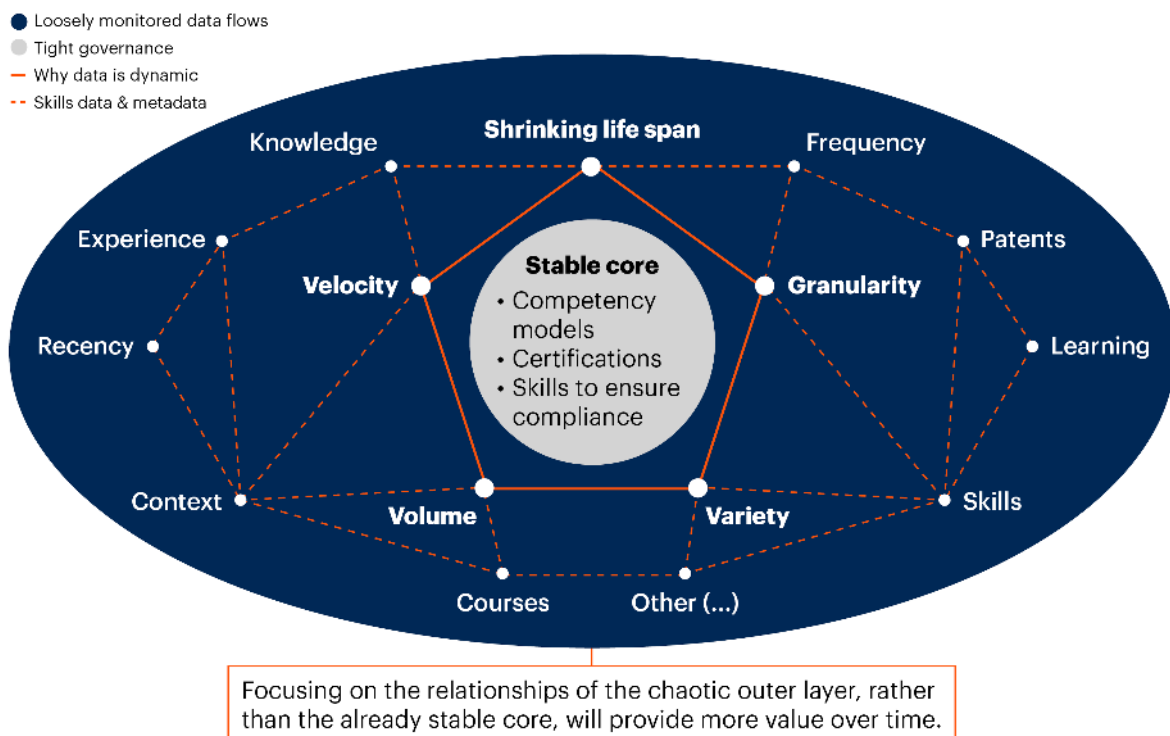
However, AI is able to handle the complexity of this data, whereas humans are not. Skills are inferred. Governance is less about control and proficiency validation and more about monitoring flows of data. Metadata about where, why and how skills are inferred is critical.

This more chaotic set of data is what drives improved experiences through better matching (for example, gig work, internal mobility, learning content, mentorship, other learning opportunities and hiring). It is especially useful in domains that require quickly evolving and specific expertise (see Figure 4).

Figure 4: Embrace the Chaos Around the Stable Core

Embrace the Chaos Around the Stable Core

Illustrative



Source: Gartner
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Gartner

Furthermore, talent manager leaders can achieve optimal advantages from AI in the skills-based approach when they **collaborate on designing pilots for their prioritized business areas**. When HR partners with the business to design a pilot, it can evaluate business challenges and employee development opportunities, ensuring customization to the area and more meaningful outcomes.

For example, one company (GSK) has shown how aligning business priorities, AI-enabled skills management, internal gigs and career mobility through an internal talent marketplace supports scaling a skills-first approach across multiple parts of the organization.

Case Study: Culture-Enabling HR Technology Engagement (GSK)



culture change.

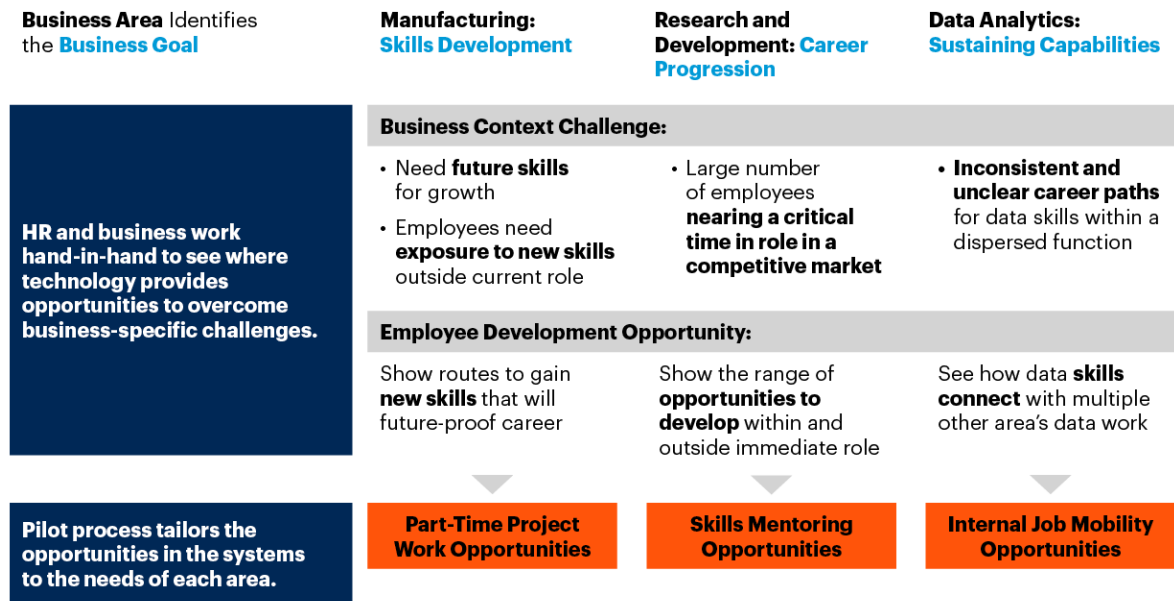
Many HR organizations limit the impact of their HR technology by applying the same approaches they have for automating HR processes. However, pharmaceutical company GSK maximized its HR technology investment in a talent marketplace by positioning it as an enabler of

GSK's HR and business leaders mapped each business area's needs with the capabilities of the talent marketplace technology to ensure it could meet these needs and support the organization's overall culture goals. Although they tailored the solution for each piloted area, leadership built the final pilot design around three main opportunities: part-time project work, skills mentoring and internal job mobility.

HR incorporated relevant features in the final talent marketplace design to best meet both business and employee goals, not just HR's own functional aims (see Figure 5). One result was that 48% of the talent marketplace pilot population updated their skills on their profiles within 13 weeks. For more, see [Case Study: Culture-Enabling HR Technology Engagement](#), published in August 2023.

Figure 5: Co-Creating Talent Marketplace Pilots With Business

Co-Creating Talent Marketplace Pilots With Business



Source: Adapted From GSK 797571_C



Analysis

Evidence

This research is drawn from a combination of vendor briefings, client inquiry, existing Gartner research, a survey and extensive qualitative interviews with talent management leaders implementing skills-first strategies.

¹ **Benchmark With Gartner, Prepping for 2024, Workforce Planning and Addressing Skills-Based Challenges.** This live polling webinar was conducted to enable HR leaders to discuss stands their peers are taking on timely critical concerns that impact key talent decisions HR leaders need to make. The main topics covered in this webinar include key labor market trends and metrics, cutting through the hype of skills-based talent management, and 2024 workforce planning and talent strategies. The webinar was conducted on 29 November 2023 with responses from over 80 HR leaders participating across a spectrum of industries with a focus on North America. The webinar questions were designed and developed by Gartner’s Rapid Response and HR practice research teams.

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

[Evaluate the Benefits and Risks of Skills-Based Talent Management](#)

[How to Effectively Integrate Job Architecture Into Talent Management](#)

[Innovation Insight for AI-Enabled Skills Management](#)

[Innovation Insight: AI-Enabled Skills Management for L&D Leaders](#)

[Market Guide for \(Internal\) Talent Marketplaces](#)

[Tool: Internal Talent Marketplace Collaboration Guide](#)

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