



Unlocking human potential: Are we entering the era of skills?



“Finally, we can answer the question ‘*What if we knew what we know?*’ A skills-based approach creates transparency around workforce capabilities, empowering organizations to make smarter talent decisions and enable employees to navigate their career paths with clarity. This not only drives agility and innovation but also strengthens organizational resilience and future-readiness.”

– Anuschka Nafz

(Head of Learning & Organizational Development, LANXESS)

Since the end of the second world war up until the first decade of the 21st century, companies achieved their competitive advantage by putting a superior product, service or production process at the core of their strategy and organizational design. Yet, with increasing speed of technological advancements and automation, we observe a shift in the market: Companies that rapidly adapt to these changes by innovating and seizing on market opportunities continue to be the big winners of today.

Nowadays, many of the companies with the highest market capitalizations in the world such as Google, Nvidia, Microsoft, Amazon, or SAP base their competitive advantage on their ability to utilize the skills of their talents who drive innovative efforts that enable their organizations to remain competitive.



Organizations see skill gaps as the number one barrier to business transformation holding them back from becoming future-proof.

World Economic Forum, Future of Jobs Report 2025

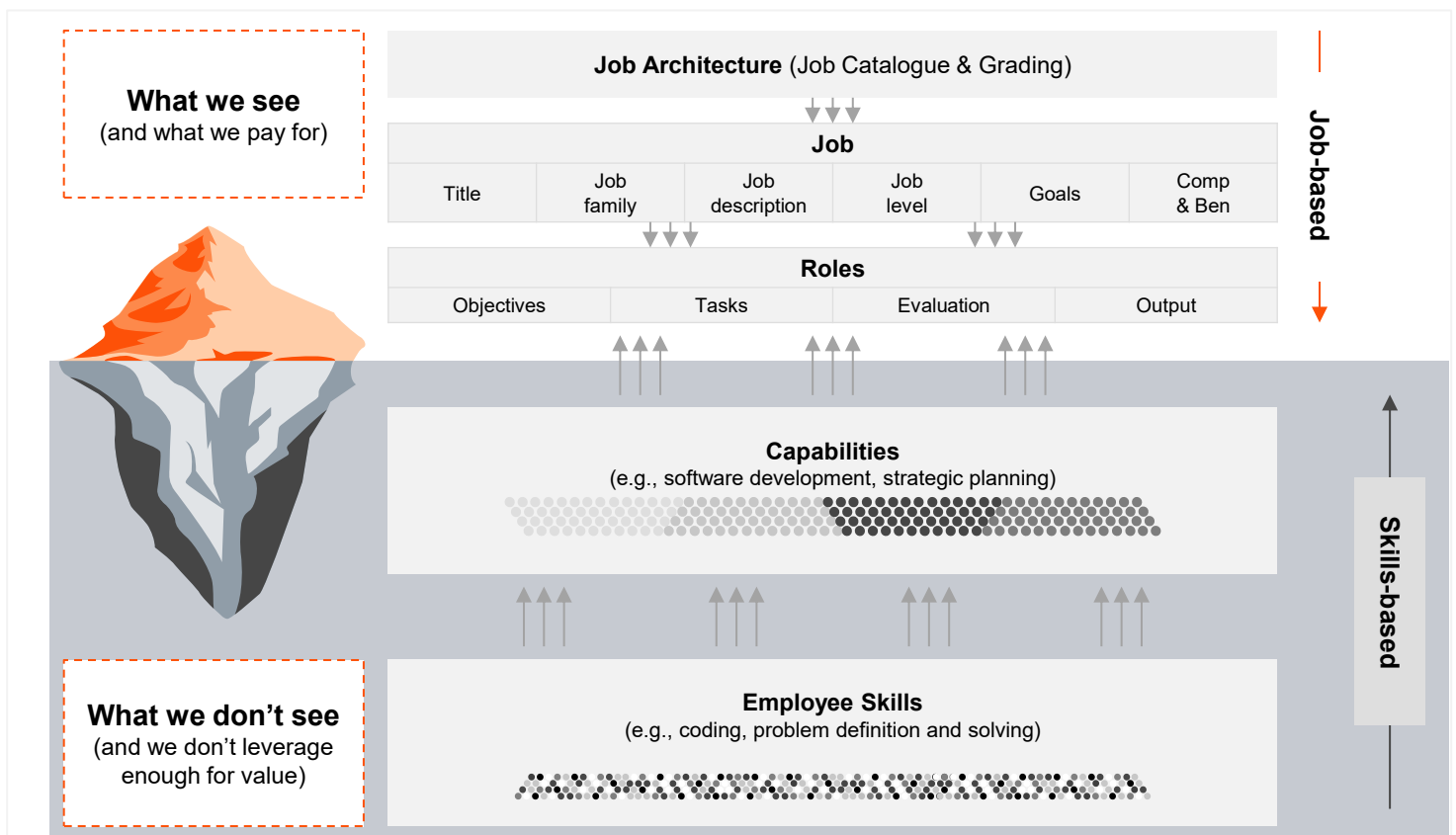
Such forward-thinking organizations have acted in reaction to this paradigm shift and are placing skills at the core of their organizational design and how they run their businesses. This proactive approach involves constantly scanning the environment to identify emerging skills crucial for future success. By doing so, these organizations are not just reacting to constant changes and disruptions in the environment but are strategically positioning themselves to attract, retain, and effectively develop and manage the skills necessary to thrive in a competitive marketplace. This skills-centric model empowers organizations to remain agile and responsive to industry changes, ensuring long-term sustainability and growth.

Within these organizations we see that it is - in most of the cases - the People function that leads this transformation by reimagining their services from the ground up. This involves a comprehensive redesign of HR practices, starting with Strategic Workforce Planning and extending through Talent Acquisition, Talent Development & Learning, and Talent Management, with skills being the central focus. By doing so, the People function can ensure that they are not only meeting the current needs of the organization but also preparing for future challenges by fostering a culture of continuous skill development and adaptation.

This article explores the importance of skills and a skills-based approach for the future success of organizations, and how HR departments/ People functions can drive the transformation to become a skills-based organization, i.e., managing the workforce around skills. Besides the theoretical background, we provide practical use cases.

01 First things first: What does "skills-based" mean?

A skills-based approach to managing an organization's workforce involves focusing on the specific skills and competencies that employees possess, rather than just their job titles or roles. This approach emphasizes identifying, developing, and utilizing the skills of employees to meet organizational needs and objectives.



Graph 1: Difference between the traditional job-based and the skills-based approach

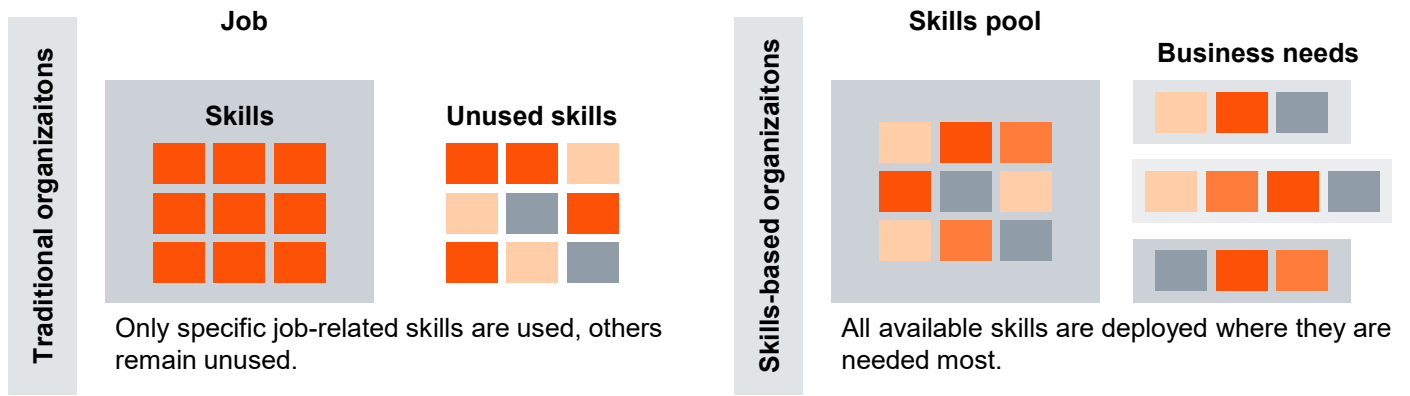
In an organizational context, we speak of capabilities that are the combination of skills, knowledge and resources to create a competitive advantage. Organizations that structure around the skills of the workforce, are often referred to as skills-based organizations.

Yet, the term covers more than simply putting skills at the center. Instead, it is an approach to talent management that emphasizes a person's skills and competencies – rather than degrees, job histories or job titles – when attracting, hiring, developing, and re-deploying talent

Skills are being transformed into a “currency” based on identified strategic business skills, which in turn leads to a fundamental transformation of functional approaches.

Advanced technologies like AI, big data, and machine learning are essential for this transformation.

The result: the future of work shifts from assigning individuals to specific job titles or roles to allocating them based on their unique skills and strengths. This promotes a dynamic, adaptable workforce, encouraging innovation, job satisfaction, resilience and personal growth by valuing contributions across various areas rather than following rigid career paths.

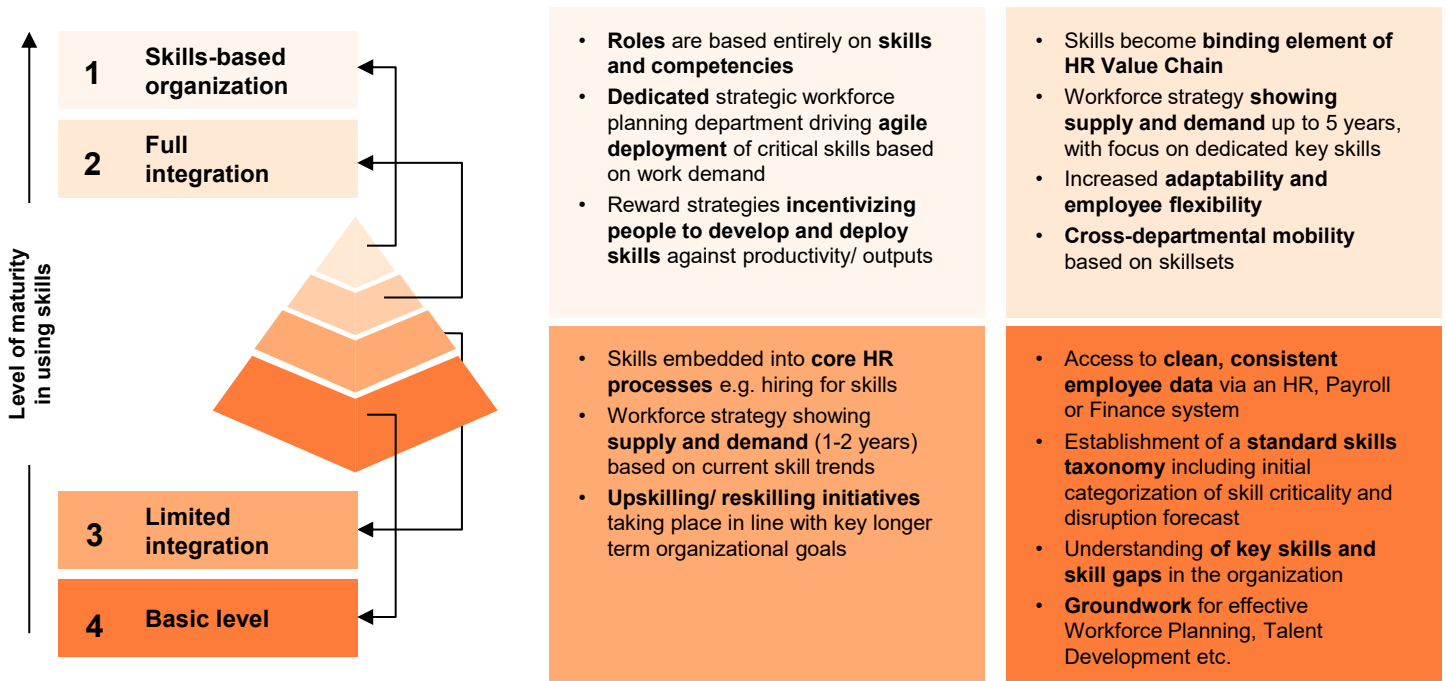


Graph 2. Moving from traditional organizations to skill-based organizations: using the full suite of skills.

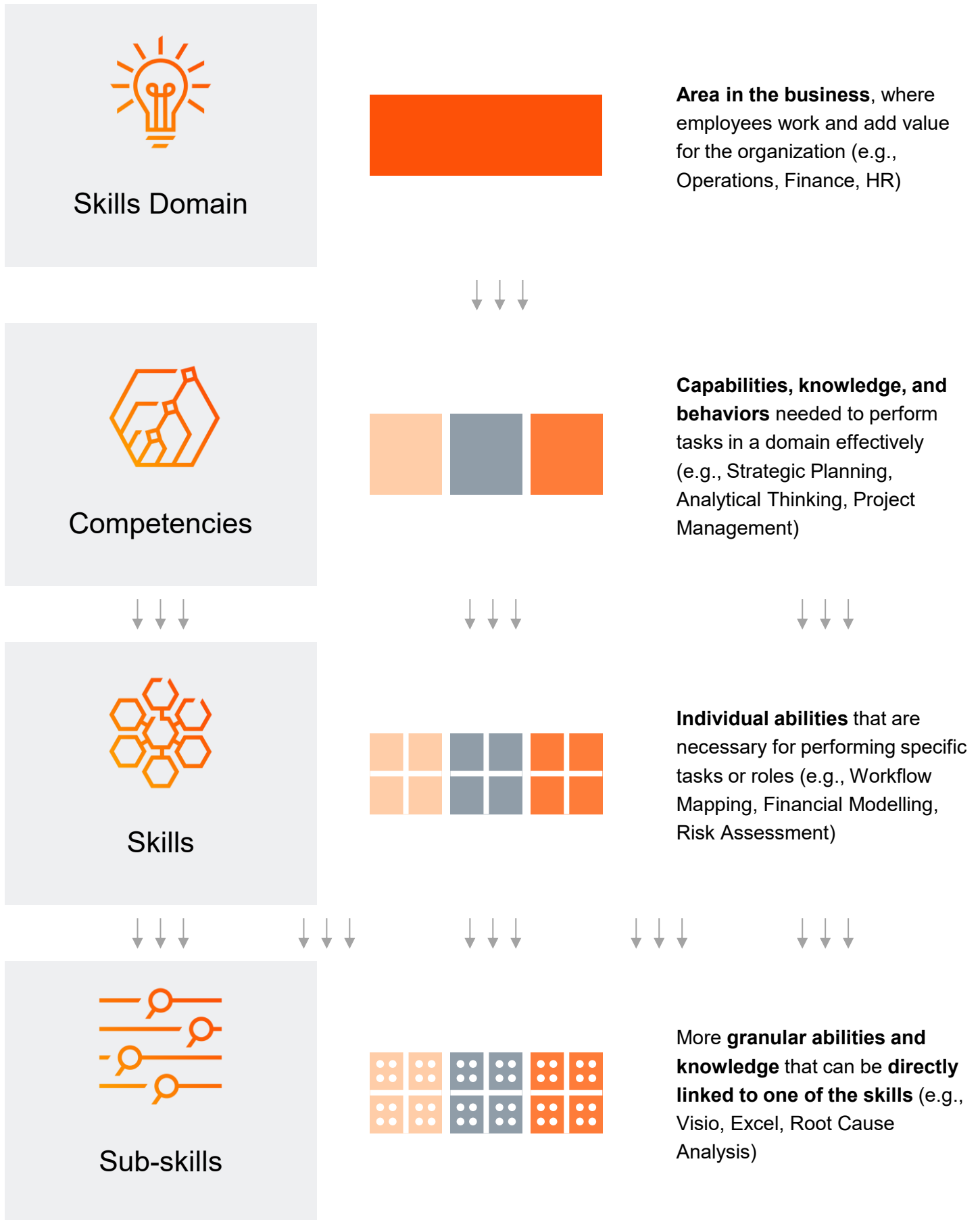
02 It's a journey: What are the main stages of building a skills-based organization?

While the traditional job-based organization is characterized by stable job descriptions that fit to a specific role, skills can be relevant for a variety of roles, making a skills approach more adaptable and consequently more valuable in a constantly changing workplace. **This means a key benefit of a skills-based organization is that it allows to quickly adapt to customer needs by flexibly allocating adequately skilled employees to projects/ tasks where they are needed the most.**

The transformation to become a skills-based organization can be viewed in terms of four key stages. Underpinned by technology and anchored in a strong business case, organizations need to first determine their target level of maturity, realizing that a transformation requires a fundamental shift in how value is created and delivered. A strong understanding of key skills and critical skill gaps in the organization as well as the establishment of a skills taxonomy within an organization is a logical starting point, with eventual integration of a “skills first approach” across the entire HR value chain.



Graph 3. Stages of building a skill-based organization: a progressive journey that highlights the increasing maturity levels of a skill-based organization.



Graph 4. Exemplary Skills Taxonomy

03 A more granular perspective: What does a skills-based organization look like across HR functions?

Setting up a skills-based organization, with skills as the central element of the HR value chain, involves a skills-centered redesign of HR services.

Talent Acquisition

Prioritizes skills over job titles or degrees. Talent Acquisition strategy needs to be adapted to attract and find highly demanded skills instead of job profiles. Candidates are proactively sourced and evaluated based on skill profiles and skill assessments.

Succession Management

Succession pools to address current and future skill needs. The focus is on collaborating with talent development and learning to determine leadership skills which ensure that leaders of the future have future-proof skill sets.

Internal Mobility

Skills-based internal mobility empowers employees to move vertically or horizontally, enhancing their skills while increasing retention. Talent marketplaces match employees' skills to opportunities, fostering upskilling, reskilling, and cross-skilling.

Total Rewards

The reward system is based on skills, not job titles, and adjusts dynamically to reflect changes in skill clusters. Project-driven incentives can be implemented for decentralized performance measurement as well as centrally managed rewards.

Career Paths

Career paths in a skills-based organization are flexible, focusing on skill development. AI-powered tools suggest career moves based on skills and interests, enabling employees to advance through personalized, skills-driven career lattices.

Performance Management

Agile, strength-based performance management culture in which regular coaching and performance dialogues aim to foster job satisfaction and professional advancement. Skills-based performance evaluations put skill development into the focus.

Learning Management

Skills-based learning targets skill gaps and connects employees to continuous learning and personalized training opportunities aligned with business- and market demands.



04 Making the move: How to shift your HR services to a skills-based level

Transitioning to a skills-based organization requires more than a conceptual shift — it calls for a clear vision of the target state and practical steps to get there. Defining this target picture is essential: it sets the direction for how skills will be embedded into HR processes and decision-making. Once the vision is clear, focus on the most relevant HR services — those that deliver quick wins and demonstrate value, such as workforce planning or internal mobility. To determine the priority areas, an initial skills maturity assessment can help identify your current state and highlight gaps. This insight enables you to prioritize initiatives and build a roadmap aligned with business objectives.

As organizations progress toward this model, technology becomes a critical enabler for making the transformation scalable and sustainable. Platforms such as Workday and SAP SuccessFactors provide the foundation to operationalize skills strategies, create transparency, and embed skills into core HR processes.

These solutions go beyond traditional HR systems by leveraging artificial intelligence to identify, manage, and develop skills at speed and scale.

Workday enables organizations to integrate skills across the entire talent lifecycle — from workforce planning and compensation to learning, career development, and talent acquisition. By embedding skills into these processes, Workday ensures decisions are based on capabilities rather than static job titles, while providing real-time insights and personalized recommendations for upskilling and internal mobility. SAP SuccessFactors offers similar capabilities through its Talent Intelligence Hub, connecting skills data to recruiting, learning, succession, and compensation processes. This integration supports dynamic job profiles, targeted development, and internal mobility, positioning HR as a strategic partner in building a skills-based organization.



However, technology alone is not enough. Its impact depends on the quality of underlying data. Without a clean and consistent skills data foundation, even advanced systems cannot deliver accurate insights or enable effective workforce planning. Establishing robust data governance and ensuring data integrity is therefore essential. By combining technology with a strong data strategy, organizations can accelerate adoption, enhance decision-making, and turn skills-based strategies into measurable, sustainable outcomes.

Driving a skills-based transformation is not just a process change — it’s a fundamental mindset shift. Change management is therefore critical. Success depends on engaging the business from the very beginning. It is key to involve leaders and managers early to co-create the vision, validate priorities, and embed skills thinking into day-to-day operations. Communicate the benefits clearly and provide practical guidance to build confidence in new ways of working. A phased approach — starting small, learning, and scaling — will help create momentum and ensure skills become part of the organizational DNA, positioning HR and the business as true partners in driving agility and growth.

Traditional	Accelerated	Skills-based	
Hire for jobs/filling jobs	Skills added as a hiring criterion	(Pro)Active sourcing for skills and targeting talent	Talent Acquisition
Predetermined learning curriculum based on job	Hybrid of self-directed and predefined learning	Continuous personalized learning experience	Learning Management
Annual performance review with fixed goals, foster individual performance	Annual review with focus on skill development extended with regular check-ins	Continuous skill development dialogue & team goals and performance	Performance Management
Mainly focus on external marketplace to fill job gaps (buy)	Considering internal movement as an option	Intensive use of internal talent marketplace to fill skill gaps (build)	Internal Mobility
Reactive career development based on function/leadership ambition	Implementing vertical and lateral career movements	Skills development as integral part of different career paths (skills t-shape)	Career Paths
Compensating for static jobs and rewarding achieved performance	Rewards are allocated more agile and grouped more flexibly	Compensating dynamic skills-based role and rewarding skill development and collaboration	Total Rewards



Graph 6. Shift from traditional to skills-based organization; maturity levels broken down along the parameters of the HR value chain.

05 Company spotlights: How other companies approach their transformation to become a skills-based organization?

A leading **information technology and digital communications** company based in Western Europe, with more than 100,000 employees and approx. \$30 billion in revenue focused on a digital transformation and workforce development.

Pain Points:	Journey:	Result:
<p>Challenges in recruitment, workforce planning, and skill development due to a lack of a unified skills framework. This was coupled with the need to adapt to rapid technological changes accelerated by the COVID-19 pandemic.</p>	<p>The company launched a Skills Transformation Program, creating a unified skills taxonomy and an interface tool for skills-based learning. This initiative integrates skills into talent management processes from hire to retire, enhances recruitment by focusing on specific skills over degrees, and promotes targeted upskilling across the organization.</p>	<p>Introduction of targeted learning upskilling initiative for account executives:</p> <ul style="list-style-type: none"> • Productivity Improvement: Account executives who participated saw a 55.5% increase in productivity compared to non-participants. • Increase in Deals Won: There was a 24% rise in deals won by those involved in the program.

A **global financial services** firm with nearly 25,000 employees across 65 countries and more than £7 billion in income, focused on enhancing internal career development and mobility.

Pain Points:	Journey:	Result:
<p>High employee attrition due to a perceived lack of career opportunities, with 50% of the workforce feeling they lacked relevant career prospects within the company.</p>	<p>The company launched a skills-based career framework supported by a talent marketplace. This initiative aimed to enhance transparency, improve internal mobility, and align individual career ambitions with development plans. It also streamlined 25,000 jobs into 1,100 distinct profiles to better match roles with required skills.</p>	<ul style="list-style-type: none"> • Internal Mobility Increase: The platform has improved employees' visibility into career opportunities (38% engagement rate) which is projected to lead to a 15% rise in internal mobility. • Reduction in Hiring Expenses: The initiative is expected to result in a 20% decrease in external hiring costs.

Global tech firm with over 200,000 employees and annual revenue exceeding \$300 billion, known for its innovation and extensive international operations.

Pain Points:	Journey:	Result:
<p>Relying on traditional qualifications led to missing skilled candidates and limited diversity in hiring.</p>	<p>The company revamped its recruitment strategy by shifting to a skills-based hiring model. It replaced traditional qualifications with practical assessments, projects, and quizzes to evaluate real-world skills. Job descriptions now emphasize skills over degrees, and hiring managers were retrained accordingly. This overhaul involved substantial investment in new tools and training.</p>	<ul style="list-style-type: none"> • Talent pool Expansion: Attraction of diverse candidates with relevant skills, improving hire quality, job performance, and employee satisfaction. • Hiring Efficiency: Hiring efficiency improved, resulting in reduced time-to-fill positions.

A major **financial services firm** in Northwestern Europe with more than 80,000 employees and more than \$15 billion in income, focusing on adapting to technological advancements and evolving client needs.

Pain Points:	Journey:	Result:
<p>Outdated roles due to technological advancements, shifting workforce structure, lack of continuous learning culture, and rising recruitment costs.</p>	<p>Transformed into a skills-based organization by deploying an AI-driven learning platform, establishing Future Skills Academies, and launching an AI-enabled Talent Marketplace. Emphasized reskilling and upskilling employees for emerging roles through targeted learning initiatives.</p>	<ul style="list-style-type: none"> • Reskilling & productivity: 86% of certified employees are now employed in other target positions. Achieved an increase in productivity valued at \$6 million. • Learning Engagement: Boosted engagement with learning platform by 54%. Increased the average learning days per employee from 2.8 to 4.7.

A leading **multinational consumer goods company** with over 150,000 employees and €50 billion in annual revenue dedicated to innovation, sustainability, and employee development.

Pain Points:	Journey:	Result:
<p>Traditional job titles limited internal mobility and underutilized employee capacity. There was a need for a consistent understanding of skills and proficiency levels across the organization, coupled with challenges in gaining organizational buy-in for a skills-based approach.</p>	<p>The company adopted a skills-first strategy by implementing a system that focuses on 600 endorsed skills, using a central learning hub to facilitate development. Employees self-assess their skills, which are then validated by managers, and hiring decisions are now based on matching these skills with job requirements.</p> <p>The company engaged senior leadership, addressed key stakeholder concerns, and consistently communicated the benefits of this approach.</p>	<ul style="list-style-type: none"> • Capacity Optimization: The skills-first approach is anticipated to unlock 50% of the workforce's trapped capacity. • Enhanced Internal Mobility: This strategy has improved internal mobility by ensuring processes are more equitable and transparent. • Business Impact Tracking: It has enabled better tracking of the business impact of learning and development initiatives.

Technology firm with nearly 300,000 employees and annual revenue surpassing \$60 billion. The company is renowned for its advanced technology solutions and extensive global reach.

Pain Points:	Journey:	Result:
<p>The firm faced challenges with outdated compensation methods, which were often based on static market benchmarks and historical data. This approach led to inefficiencies and discrepancies in compensation decisions, as it did not adequately account for real-time market demand, internal skill forecasts, and attrition data.</p>	<p>To address these issues, the company implemented an AI-powered system designed to enhance compensation decisions. This system analyzes various factors, including market demand for specific skills, internal forecasts, and attrition trends related to skill clusters. By integrating these dynamic data points, the company aimed to create a more responsive and accurate compensation strategy.</p>	<ul style="list-style-type: none"> • Improved Compensation Accuracy: Significant enhancement of accuracy and fairness of compensation decisions. • Market Alignment: It enabled the company to align salaries more effectively with current market conditions and internal skill requirements. • Increased Retention: Ensuring that pay scales reflected real-time market and skill demands contributed to higher employee retention.

06

What's in it for you: How a skills-based approach can benefit your organization

If the transformation to a skills-based organization involves a cultural shift and requires significant time and financial resources, **why should an organization move towards becoming more skills-based?**

Improved agility. The skills-based approach in contrast to a traditional job-based approach allows for quickly allocating specific skills to projects where they are needed the most instead of being limited to predefined roles or departmental boundaries. Consequently, organizations are able to react more quickly and flexible to changes in the market, the industry or customer demands.

Optimized talent utilization. By concentrating on skills rather than rigid job descriptions, organizations can deploy talent where it can have the greatest impact for the business. Research by PwC reveals that 58% of workers feel they have valuable skills for the organization's success that are not reflected in their formal qualifications or job history¹. The skills-based organization approach broadens the perspective on employees' capabilities, rather than confining the talent pool to those with specific backgrounds and job histories. Furthermore, both the organization and employees can better respond to skills gaps by developing internal resources with the required skills, which is especially relevant for skills that are difficult to acquire on the external talent market.

Performance improvement. Aligning workers' skills, capabilities, preferences, and interests with job requirements through a skills-based approach enhances organizational effectiveness and efficiency². There is a strong link between productivity and the effective application of skills. By optimizing workforce performance to leverage technical and interpersonal skills, organizations improve talent-to-task alignment. This strategy not only enhances productivity and job satisfaction but also promotes continuous learning and adaptability, thereby improving competitiveness in dynamic markets.

Increased Diversity. Prioritizing skills over tenure, job history, or personal networks during hiring, promotion and development can help democratize access to opportunities and remove unintended bias from the recruitment and promotion processes. According to LinkedIn data, implementing a skills-based hiring approach can lead to a 24% increase in the proportion of women in the talent pool compared to men, especially in fields where women are typically underrepresented³. By embracing a skills-first mentality, companies can cultivate a more inclusive environment where diverse talent thrives, contributing to enhanced innovation and organizational success.

“A skills-based approach in recruiting leads to better selection decisions because skills can be more objectively measured and tested. Moreover, it allows organizations to recruit from a bigger talent pool when tapping into skills because these might not be revealed in traditional job titles and experience-based approaches.”

– Prof. Dr. Prisca Brosi

Associate Professor of Human Resource Management at Kühne Logistics University

¹ <https://www.pwc.com/gx/en/issues/upskilling/first-skills-report/report/wef-putting-skills-first-2024.pdf>

² Organisation for Economic Co-operation and Development (OECD), “Using people's skills more effectively to raise productivity in Tlaxcala, Mexico”, in OECD Skills Strategy Tlaxcala (Mexico): Assessment and Recommendations, OECD Press, 2023, <https://www.oecd-ilibrary.org/sites/5ac9bb58-en/index.html?itemId=/content/component/5ac9bb58-en>.

³ <https://economicgraph.linkedin.com/research/skills-first-report>.

07 Moving forward: How can I set my organization up for success?

The following three guiding principles should be followed to build the foundation for a successful skill -based organization: 1) determine key skills needed for your organization's success, 2) establish a detailed, yet pragmatic skills taxonomy, 3) establish an integrated skills ecosystem.

Determine key skills for your organization's success

- Establish an **understanding** of the **most important skills** that are necessary to retain your company's **competitive advantage** (start by focusing on approx. 5 key skills)
- **Analyze your workforce** with regards to the prevalence of these skills and determine which skills you need to **develop internally** and which ones to **acquire externally**
- Align skills with **business goals** and incorporate those into the annual planning cycle by linking skills-based KPIs to business metrics

Skills Taxonomy

- Structure key skills in a **comprehensive skills taxonomy** to assess current capabilities and identify gaps.
- Regularly **revisit the skill taxonomy** and **adapt it to changing business needs** and industry trends.
- **Utilize AI-tools** (e.g., Eightfold, HR Forecast) to keep your skills taxonomy up to date

Skills Ecosystem

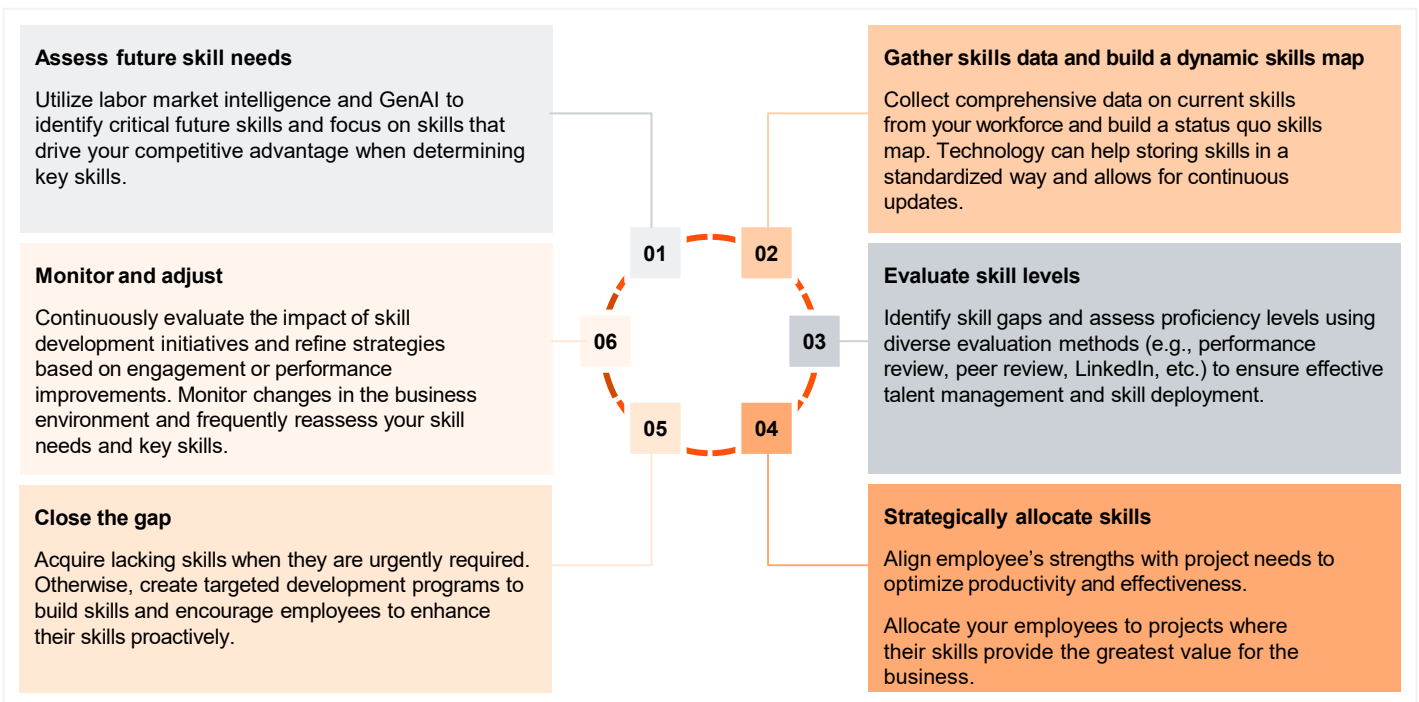
- Build a **seamless technology ecosystem** that supports all aspects of skill management using AI supported tools that allow for **data driven insights and facilitate decision making**
- Enable the people in your organization to **build skill portfolios** and **increase transparency** and visibility of skills within the organization e.g., through the use of Learning Experience Platforms, Talent Market places etc.
- Use **contingent workforce** and **external skills** to address **short term and immediate skill measures**



Graph 7. Fundamental principles for building a successful skills-based organization.

08 Institutionalizing: Build a skills-based process in your organization

Once the foundation has been built, designing and implementing an ongoing strategic review process of key skills helps organizations to flexibly adapt and react to changes in the environment. Consequently, this ensures continuous organizational development, enables the organizational scalability and supports sustainable growth strategies.



Graph 8. High level process to continuously evaluate key skills within the organization



Why wait? The time to act is now!

Are we entering an era of skills? In today's rapidly shifting employment landscape, the journey from an employer-driven market to an employee-centric one has evolved into a complex hybrid scenario. As technology advances and the demand for new skills intensifies, organizations are confronted with a pivotal choice: embrace a skills-based approach or risk falling behind. Those who fail to adopt this strategy will struggle to attract top talent, drive innovation, and maintain profitability.

Organizations must develop a keen understanding of which skills are scarce, and which are abundant. Without this insight, they remain reactive, missing out on securing talent with highly sought-after capabilities. The quickened pace of job role evolution, spurred by artificial intelligence and other technological advancements, complicates long-term demand forecasting.

Yet, focusing on skills—which tend to be more stable and adaptable—enables more effective strategic planning. The increasing reliance on project-based work further highlights the necessity of a skills-based framework. Without it, organizations may falter in balancing project demands with their ongoing business operations. Moreover, market trends reveal a stark warning: organizations that do not continuously innovate and reinvent themselves risk obsolescence. Sustained success hinges on innovation, achievable through a skills-based methodology.

Whether you are a global corporate or a small or medium sized entity, adopting a skills-based framework is a pathway to unlocking the full potential of your workforce. This approach empowers organizations to better align talent with business needs, adapt to market shifts, and cultivate a more diverse, agile, and resilient organizational structure.

09 Get in touch!

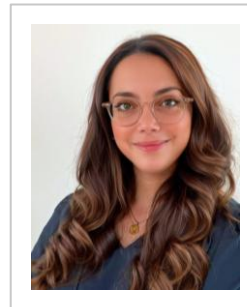
We are happy to support you in identifying opportunities and optimally implementing the necessary actions. Please feel free to contact our experts for further information and insights.



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