

Ravin Jesuthasan and Tanuj Kapilashrami

**THE
SKILLS-
POWERED
ORGANIZATION**

The title is presented in three lines of large, bold, sans-serif font. The first line contains the word 'THE' in light blue. The second line contains 'SKILLS-' in light blue, with the 'S' containing a globe, the 'I' containing a white chess knight, the 'L' containing a white chess king, and the 'S-' containing a blue magnifying glass. The third line contains 'POWERED' in white, with the 'P' containing a blue gear, the 'O' containing a blue gear and a hammer, the 'W' containing a blue gear and a hammer, the 'E' containing a magnifying glass over a globe, and the 'R' containing a blue microscope. The fourth line contains 'ORGANIZATION' in light blue, with the 'O' containing a lightbulb, the 'R' containing a gear, the 'G' containing a gear, the 'A' containing a gear, the 'N' containing a gear, the 'I' containing a gear, the 'Z' containing a gear, the 'A' containing a gear, and the 'T' containing a compass.

**The Journey to the
Next Generation Enterprise**

Introduction: Becoming a Skills-Powered Organization

We create boxes to make sense of the world. We compartmentalize news, risks, and emotions to process and understand them. We also talk about organizations and jobs as boxes as a means for allocating and structuring work. Employees sit inside jobs that sit inside organizations. This is how we think work gets done. In practice, it's never that cut and dried, but the simple mental model works—or at least it used to.

For the past 140 years, work has primarily been organized around jobs in functional hierarchies as the primary currency of work. This job centrality has been the primary mechanism governing how talent is connected to work, how work is deployed, and how organizations are structured. Jobs have been the currency of the operating system that underpins all organizational infrastructure, from human resources (HR) systems to finance and accounting to enabling technology systems. Now, we are seeing those comfortably familiar boxes begin to disintegrate. This book proposes that accelerated change, demands for organizational agility, artificial intelligence (AI) and work automation, efforts to increase diversity and equity, and emerging alternative work arrangements are rapidly revealing that the traditional work operating system based on jobs and jobholders is too cumbersome and ill-suited to the future. We are seeing the basic building blocks of work erode as jobs give way to skills as the currency of work.

The move to skills as the currency of work is gaining momentum as industry and policymakers deal with some of the most vital talent gaps. As early as 2017, Ginni Rometty, the former CEO of IBM, was an adamant proponent of this approach. Rometty suggested these are “new collar jobs,” neither traditionally blue- nor white-collar. In the United States alone,

there were more than five hundred thousand open jobs in tech-related sectors in 2022.¹ In a *USA Today* column, Rometty explained that not all tech jobs require a college degree. “At several IBM’s locations . . . as many as one-third of employees don’t have a four-year degree,” Rometty wrote. “What matters most is that these employees . . . have relevant skills, often obtained through vocational training.” As industries transform, she says, work is being created that “demands new skills—which in turn requires new approaches to education, training, and recruiting.”²

What are those new approaches? IBM intended to hire six thousand employees by the end of 2017, many of whom would have unconventional backgrounds. “About 15 percent of the people we hire in the US don’t have four-year degrees,” said IBM’s former vice president of talent, Joanna Daly. “There’s an opportunity to broaden the candidates to fill the skills gap.”³ IBM also announced that it would be partnering with community colleges across the United States to better prepare more Americans for “new collar career opportunities.”⁴ For those without a formal bachelor’s degree, Daly said she looks for hands-on experience and enrollment in relevant vocational classes. Today, more than 50 percent of positions at IBM do not have a degree requirement as the company increases its focus on skills.

A recent study by Deloitte revealed that 90 percent of executives say they are now experimenting with skills-powered approaches across various workforce practices.⁵ That same study showed that such organizations are 63 percent more likely to achieve results across eleven key business and workforce metrics, including being more likely to place talent effectively and being more likely to innovate.

At the height of the pandemic, companies as diverse as Verizon and Bank of America saw the benefits of having skills-powered architectures to redeploy talent at speed and scale. Verizon redirected nearly twenty thousand affected store-based employees to leverage their skills in other roles, such as telesales or online customer service. Bank of America redeployed thirty thousand employees to deal with the influx of calls and digital customer inquiries resulting from the passage of the Coronavirus Aid, Relief, and Economic Security Act, which provided emergency payments to individuals and small businesses to counter the economic fallout from the COVID-19 pandemic, in the United States.

Defining and Assessing Skills

For the purposes of this book, we will use the term “skills” as a broad frame and means for capturing an individual’s skills (i.e., the theoretical ability to execute a task) *and* their expression of those skills in the form of capabilities that result in the proficient execution of work. The two broad categories of skills are technical (often called hard) skills and human (often called enabling or soft) skills. Technical skills include accounting, coding, welding, and UX design, while human skills include critical thinking, emotional intelligence, problem-solving, and communication. We are often asked about the differences between competencies and skills and find the definition by Degreed helpful in differentiating the two. A competency is defined as knowledge, behaviors, attitudes, and even skills that lead to the ability to do something successfully or efficiently. The ability to make business decisions would be a competency. A skill is defined as learned and applied abilities that use one’s knowledge effectively in execution or performance. Using the same example of making business decisions, to do so, you would have to maintain specific skills to perform well: budgeting, market research, and competitive strategy.

Skills are uncovered and measured in various ways, from traditional assessments and tests to feedback from peers and colleagues to, increasingly, inferences by machine learning. Think of skills as falling into two buckets: those verified through certifications and assessments and those unverified due to being inferred by AI or because someone tells you they have those skills. In a perfect world, we would all be unbiased judges of our particular skills. But we know through countless studies that we as a species regularly discount our skills. We often think because we can do something well, everyone else can too. For example, SkyHive, an award-winning Canadian technology company, has found that when people self-report their skills, they typically identify 11 skills, on average, for their particular role. However, when we use SkyHive’s technology to infer people’s skills from their current and previous roles, experiences, and education, that number jumps to 34.⁶ SkyHive and other tech companies are using the power of AI to exponentially advance what we know about skills and how we use them to power the next generation of enterprises. This is something we will explore in more detail in chapter 5.

When we talk about skills, it is important to distinguish between skill acquisition or possession versus expression. We are using the phrase “skills expression” to ensure a connection to work outcomes. We are often asked how experience plays into the expression of skills, and our response is that experience is merely a reflection of the passage of time and not a proxy for the proficiency with which a skill is expressed. Adopting and adapting a framework

developed by John Boudreau and Pete Ramstad in their book *Beyond HR*, we think of three ways in which to assess how a skill is expressed:⁷

1. Is the skill expressed efficiently (i.e., the outcome is achieved without wasted effort or “stress” to other individuals or parts of a process)?
2. Is the skill expressed effectively (i.e., the desired outcome is achieved)?
3. Is the skill expressed impactfully (i.e., it achieves the outcome, and the process of expression enhances the experience of others or the achievement of a broader goal)?

What This Book Is About

This book will give business leaders the tools to transform their outdated and traditional work frameworks and systems based on static “jobs” and “employees in jobs.” It will show how they can remake those systems and frameworks to make skills the currency of work—with talent and work flowing to each other based on the seamless matching of skills and tasks. The transition to a skills-powered organization will transform every aspect of planning, acquiring, deploying, developing, and managing their workforces.

In *Lead the Work*, Ravin Jesuthasan, John Boudreau, and David Creelman first highlighted the importance of “work deconstruction” and the emerging role of skills as the currency of work.⁸ They showed that engaging workers through avenues such as contracting, freelancing, project-based platforms, sharing talent across organizations, tours of duty, crowdsourcing, and volunteers all require optimizing the individual work elements of a traditional “job” and seeing workers in terms of their skills/capabilities rather than simply their qualifications as “employees” assigned to “jobs.”

Lead the Work showed how deconstructing work and focusing on skills was essential to uncovering new options for sourcing, rewarding, and engaging workers, with some work elements best done by regular full-time employees. In contrast, others are best done by freelancers, contractors, volunteers, gamers, or others. The framework and cases showed how work deconstruction was fundamental to optimizing worker engagement to revolutionize the cost, risk, and capability profiles of organizations.

Reinventing Jobs, by Jesuthasan and Boudreau, extended these ideas to encompass work automation.⁹ It demonstrated that virtually every scientific

study of work automation shows that the result will rarely be “employees in jobs replaced by automation.” Instead, work automation can only be optimized by understanding how humans and automation will be combined, with humans doing some tasks and automation doing others. Again, work and worker deconstruction to get to the elemental tasks and skills underpinning work were essential to the framework that enables leaders to understand and anticipate how automation might replace, augment, or reinvent human work. Leaders trapped in the typical framework of “jobs” and “employees” will be unprepared to understand work automation, let alone optimize it. *Reinventing Jobs* provided a framework, toolkit, and over one hundred examples and cases illustrating how to deconstruct jobs, analyze the component tasks and skills, distribute those tasks between humans and automation, and then reconstruct them to reveal new and enhanced “reinvented” work.

In their *Wall Street Journal* bestseller, *Work without Jobs*, Jesuthasan and Boudreau further detailed a new work operating system based on deconstructed jobs, skills, and capabilities—which is essential to powering the agile enterprise.¹⁰ Using many examples, they illustrated the new work operating system in action and the implications for leadership, organizational design, and the HR processes required to thrive in an emerging world of perpetual work reinvention.

This book builds on these concepts and ideas to explore the potential for a game-changing evolution to skills-powered organizations—for more inclusive, equitable, and higher-performing enterprises. It also discusses why the conditions are ripe for this transition to a skills-powered organization given the advances in AI, the evolving demands of the workforce, and the changing organizational requirements for greater resilience and agility in a volatile world. Perhaps more importantly, this book will explore both the theory underpinning the skills-powered organization and the practical realities of bringing it to life. Tanuj’s unique perspectives as chief strategy and talent officer of Standard Chartered, and having steered the bank on this journey, will provide deep insight into the changes required in terms of mindset, skill set, and toolset.

After reading this book, leaders will understand and be more prepared to successfully build an enterprise with skills as its fundamental component. We will show how they can realize the power of skills as the currency of work using well-grounded and practical approaches that transform how

they plan for, acquire, deploy, develop, and manage their investment in their workforces and work. We will illustrate this with a deep dive into Standard Chartered's journey, dissecting various aspects in each chapter, along with numerous case studies from other industries.

So how did we get here? To truly understand the evolution of work and what led us to this point requires us to look back in time and understand how the core building blocks of work have changed. Figure 0.1 depicts the evolution of work over the course of the last three industrial revolutions and the journey to making skills the currency of work.

The Evolution to a Skills-Powered Organization: A Quick Retrospective

The work construct most of us have today is about 140 years old. It is at least as old as the Second Industrial Revolution (1870–1930), when employers aggregated disparate activities into jobs, jobs into job families, and job families into functions. With its relentless pursuit of efficiency, Frederick Taylor's scientific management method (his book, *The Principles of Scientific Management*¹¹ from 1909, was named the most influential book of the twentieth century by the Academy of Management) was widely embraced. His approach ensured that workers would know exactly what was expected of them and managers would know exactly how much should be produced in an era where capabilities were primarily built and owned by individual companies.

The "one-to-one" relationship between a person and a position was thus born with much of the organization's control systems: finance, HR, and technology, grounded in the notion of the job as the currency of work. Talent was attracted, engaged, and retained with one-size-fits-most approaches that only varied as one ascended the organizational hierarchy (i.e., moving from a "small job" to a "bigger job"). The technology of this era significantly reduced inequality as traditional "craft-based activities," which required high skill premiums and years of expertise and were increasingly automated. This resulted in the democratization of opportunity as skills premiums were reduced, enabling those with "lesser" skills to engage with well-paying work.

In the Third Industrial Revolution (1955–2005), this carefully constructed value chain started to unravel. The democratization of information enabled companies to understand the cost, capabilities, and risks of

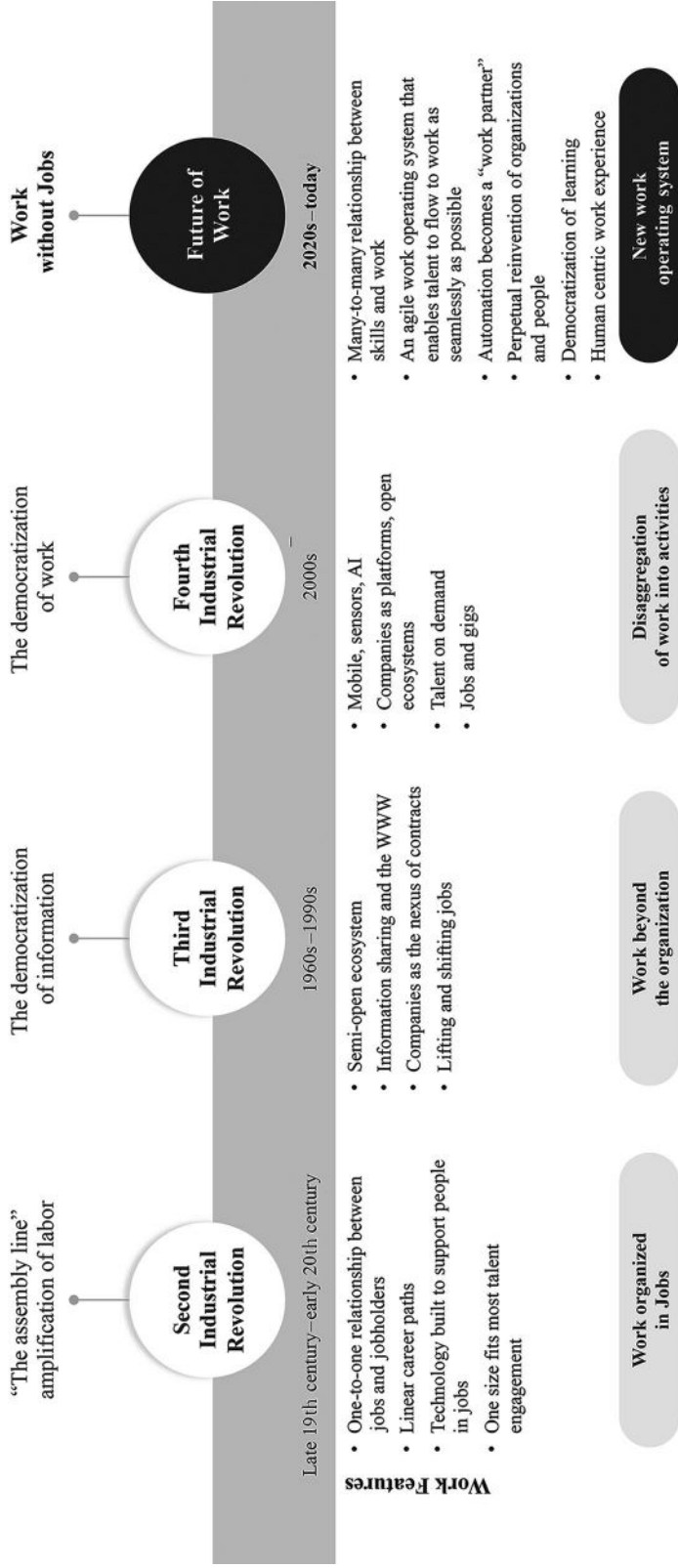


Figure 0.1
The journey to becoming a skills-based enterprise. *Source:* Ravin Jesuthasan.

working elsewhere. This led to the outsourcing movement as entire jobs and processes were “lifted and shifted” in pursuit of labor arbitrage and greater agility for an increasingly volatile world. In this era, as capabilities were increasingly shared at lower marginal costs, the job continued to serve as the primary currency for work. The end of this era saw significant advances in computers but also resulted in greater inequality. Research by David Autor and others observed significant “job polarization” during this time.¹² Computers increased wages and opportunities for high-income, college-educated workers—substituting a range of highly rules-based work in manufacturing and offices that had once provided solid opportunities for people without a college degree.

In the Fourth Industrial Revolution (2005–present), advances in cloud-based computing, mobile technology, and AI heralded the democratization of work—our growing ability to increasingly decouple work from its traditional confines of space, time, and structure. As companies increasingly turned to platform-based business models that allowed them to engage with talent on demand, the concept of gig work was born. This started the move toward skills serving as the currency of work instead of jobs.

In this era, capabilities are increasingly rented when needed, at virtually zero fixed cost. The inequality in wages and opportunities that started in the 1990s has been exacerbated in this era. Repetitive, rules-based work has diminished, and with the augmentation of technology, an even greater premium has been placed on reasoning, decision-making, abstract thinking, problem-solving, and creativity.

As we approach a post-Fourth Industrial Revolution world, we see that the demands of the agile movement, the recent advances in generative AI, the need for greater flexibility in business models, and increased economic volatility further accelerate the need for skills as the currency of work to ensure the rapid (re)deployment of talent to changing demands for work. The World Economic Forum’s *Future of Jobs Report 2023* suggested that 60 percent of workers will require additional training by 2027—with the biggest priority being analytical thinking.¹³ Technology-related roles dominated the report’s list of fastest-growing jobs, with AI and machine learning specialists at the top. While there is undoubtedly a rapidly growing premium for all talent to become “AI-fluent,” the obsession with developing programming skills might not last given the dramatic advances we are seeing with generative AI and large language models. These advancements

are increasingly making English the dominant programming language, further democratizing knowledge and creativity by enabling more and more people to harness the power of AI. Interestingly, this democratization may have the benefit of reducing the rising inequality we have experienced over the last two Industrial Revolutions. This is because generative AI increases the productivity of talent with lesser skills, much as the automation of the Second Industrial Revolution did.

Even as it accelerates the need for skills, AI is proving to be a powerful resource in generating the insights and capabilities needed to enable upskilling, reskilling, and talent redeployment at scale and speed. AI algorithms can analyze the skills required for talent to perform various tasks, infer the workforce's skills, and identify skills adjacencies and interventions to close skill gaps. For example, data scientists are reskilling to perform machine learning work. By moving beyond jobs to skills, companies can redeploy talent more seamlessly.

The World Economic Forum's "Putting Skills First: A Framework for Action" suggests that a "skills-first" approach to hiring and developing people can transform labor markets, delivering significant benefits to business and society.¹⁴ It means businesses get the skills they actually need for a particular body of work (instead of relying on imprecise markers of capabilities like degrees.) Further, it democratizes access to work for those with those skills regardless of how they acquired them. The report suggests that across the eighteen economies analyzed, more than one hundred million people could be added to the global talent pool through a skills-first approach. The advances in Web3 are further accelerating new models for connecting talent to work in distributed autonomous organizations (DAOs), which will further democratize access to work and prioritize using skills as the currency of work.

Let's explore Standard Chartered's journey against this general context, using its story to illustrate how we have advanced to this precipice of the skills-powered organization.

Standard Chartered's Journey to Becoming a Skills-Powered Organization

Standard Chartered is a 170-year-old, leading international banking group, with more than eighty-five thousand employees across over fifty of the world's most dynamic markets and serving clients in a further sixty-four.

For Standard Chartered, the skills-powered journey started with transitioning the narrative from jobs to skills. It began with a very commercial business case based on its own strategic workforce planning analysis, highlighting the jobs within the organization that would soon no longer be relevant (which it refers to as “sunset” roles). This might be due to changing client expectations or the evolution of technology and automation of tasks. New jobs would also be created as a result (“sunrise” roles). The strategic workforce plan (SWP) also highlighted the broader impact of the changing demand for skills—the disproportionate displacement of junior roles and the resulting cost implications as the organization shifted from a pyramid to a diamond shape. Additionally, it highlighted the potential impact on gender diversity due to the higher number of women currently employed in sunset roles and with many sunrise roles being currently more male dominated. The tangible economics of “build” versus “buy,” and the far-reaching impact of decisions related to upskilling and reskilling, created a compelling foundation for the board and the global management team (i.e., the senior most executive team composed of the global CEO, CFO, business/function/region heads), and it continues to drive their sponsorship of the skills journey.

A first step at Standard Chartered has been the goal of “building a learning habit” and directing this focus toward priority skills and work of the future, as well as recognizing that this future lies in a combination of technical skills and human skills. Core to building the learning habit—across an eighty-five-thousand-strong workforce in over fifty markets worldwide—has been the ability to leverage technology to democratize access to skill development. That has meant access to rich, on-demand content and cross-functional, cross-geography developmental experiences that enable building, practicing, and honing skills through projects. As employees started to build this muscle (as evidenced by an increase in bank-wide average learning days from 2.8 in 2019 to 4.7 in 2022), a range of targeted proof-of-concept (POC) experiments were also launched to build talent pipelines for priority sunrise roles. This was done using a data-led approach to identify potential colleagues for reskilling and upskilling opportunities based on skills adjacency while targeting talent in the aforementioned sunset roles.

As further progress was made in building the skills of the future across its workforce, the organization became equally conscious of a need to deploy these skills in an accelerated manner to the areas of greatest demand and

opportunity. The AI-based internal talent marketplace it has implemented enables the identification of the top skills in demand and the talent possessing those skills, seamlessly matching and deploying skills across functional and geographic boundaries. As they continue to scale the use of this technology, the long-term vision is for the marketplace to become the “golden source” of skills information, development, and deployment. This will help it capture, track, and manage the supply and demand for skills on a real-time basis.

Labor shortages and other factors have increasingly shifted the balance of power from employers to employees over the past few years, and the journey to becoming a skills-powered organization has proven to be both a significant asset in future-proofing the Standard Chartered’s business model and a massive contributor to its employee value proposition (EVP). The “war for talent” is a war for future skills that will disproportionately impact business growth and client outcomes. Moreover, the workforce increasingly wants to have a voice in what work they do, where it is done, when it is done, how it is done, who it is done by (including automation), and why it is done. They want a variety of opportunities and want to work for organizations that allow them to grow their skills. This demands increasing agility—at the organizational and individual level—to allow the seamless flow of talent and skills to work and opportunity.

As the development and deployment of skills has become increasingly democratized across the firm, it is also mindful that its people and operational practices and processes also need to keep pace. These include embedding a skills mindset into talent decisions by increasing internal certifications and visibility of external accreditations to ensure a robust and reliable view of the skills attained by an individual, and eventually using the concept of a “skills passport” to drive greater internal mobility. These steps and others are all part of the journey toward making skills the currency of work across Standard Chartered.

The Journey to Becoming a Skills-Powered Organization, Its Foundational Elements, and Their Evolution

In the following chapters, we delve further into the journey at Standard Chartered and other organizations, discussing the critical elements of the skills-powered organization and how it will evolve. Chapter 1 explores the

foundational elements underpinning the skills-powered organization and the differentiated capabilities required to lead it. It also examines the key leadership mechanisms and the five new skills required of leaders. In chapter 2 we discuss how the organization is being reinvented with skills as the currency of work, exploring three alternative models for organizing work and their significant consequences for organizational performance and the human experience of work. We also explore why a skills-powered construct is essential to enabling an agile, team-driven organization.

Chapter 3 illustrates the changing work experience for talent that results from the evolution to the skills-powered organization. It also explores why a skills-powered foundation is essential to delivering an ethical, equitable, and inclusive work experience. Chapter 4 explores the three critical organizational capabilities underpinning the skills-powered organization. This chapter also illustrates the transformative changes required of legacy infrastructure and routines that have shaped 140 years of work being organized as jobs. Chapter 5 discusses how AI is accelerating and enabling this journey, exploring the evolution of multiple skills insights and marketplace platforms and their increasingly pivotal role in powering this journey, including the accelerative implications of generative AI.

We then shift our attention in chapter 6 to exploring the crucial role of the function formerly known as HR in powering and governing this journey as human work and AI become inextricably woven together. In chapter 7, we examine how the shift to skills as the currency of work is enabling a more seamless talent ecosystem comprising various types of employee and nonemployee labor. We also explore the evolving role of different stakeholders and the efforts by governments around the world to prepare their citizens for this next era of work. We conclude in chapter 8 with a call to action for leaders and talent at all levels, providing a detailed roadmap and examples to shape their path to building and leading the skills-powered organization and enabling them to thrive individually in a skills-powered world.

Notes

Introduction

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