

State of the Business Case for Skills-First Talent Management



Foreword

Over the past few years, skills-first approaches to hiring and talent management have only grown in popularity. State leaders across the country have joined many of the biggest companies in the U.S. in dropping degree requirements. They are embracing skills as the currency of today's — and tomorrow's — labor market. But for the shift to skills-first to have real, lasting impact, businesses must meet their intention with action. Scaling the skills-first talent movement depends on recognizing that setting aspirational goals or offering compelling talking points are insufficient. Processes must be reformed or replaced and skills-first programs actively managed, rigorously measured, and regularly refined.

From the outset, developing a compelling “business case” has constituted one of the biggest challenges in advancing skills-first talent management. What, beyond noble intention, justified companies investing time and resources in making this transition? Do such investments yield a meaningful economic return? What outcomes can employers expect and how should they measure them?

Making a concrete business case for going skills-first is an understandable necessity. But the benefits resulting from such policy changes are not necessarily easy to quantify. Every business has a unique rationale for moving to a skills-first approach, whether it's to boost retention, expand the available pool of talent, or to reduce the cost of recruiting and hiring. And every business has its own way of collecting data about its hiring and HR practices and employee outcomes. The result is that employers and advocates of the skills-first movement often find themselves at an impasse: they desire irrefutable “smoking gun” proof of the efficacy of going skills-first, but come up short when it comes to hard metrics that are both relevant to their unique business needs and compelling to decision-makers.

In some ways, this interest in a bulletproof — and universal — business case has hampered the growth of the skills-first movement. It has also limited the conversation about what a skills-first transformation truly requires. Successfully executing a skills-first strategy requires full commitment from leadership that includes regularly communicating the value of a skills-first approach, publicizing their organizations' successes, and establishing clear metrics for assessing their programs. There are no shortcuts.

This report makes the case for a more refined approach to developing a skills-first business case. It argues that the most effective way to advance the movement is to recognize that employers are embracing different archetypes in their pursuit of skills-first talent management. It posits three categories of adopter: Foundation Setters, who are early in their skills-first efforts; Outcomes Seekers, who are beginning to measure impact; and Bottom Line Builders, who are rigorously quantifying the return on their investments. When it comes to measuring the impact of skills-first work, each of those archetypes relies on different metrics. Foundation Setters appear content with anecdotal evidence of effectiveness as they begin their skills-first journey. Outcomes Seekers seek but often struggle to find, collect, and contextualize more specific evidence that substantiates the benefits of a skills-first approach. Bottom Line Builders are those who have already identified their priority metrics and KPIs, and who are ready to take the next step in measuring and quantifying their strategy's impact.

It is important to note that not every organization needs to progress from one category to the other. Rather, defining those categories can help companies clarify their priorities and establish metrics that reflect their unique objectives. These categories can also help leaders in the skills-first movement understand what types of measurement are relevant in which industries and competitive circumstances and, thus, how to illustrate the value of skills-first talent practices compellingly.

It is unlikely that a universal metric for demonstrating the economic logic for adopting skills-based management practices will emerge. But, one may not be necessary.

This report provides a roadmap for companies navigating those complexities and provides a basis for catalyzing a more nuanced conversation about how to measure and communicate the business case for skills-first practices. For business leaders, researchers, and skills-first advocates alike, it provides a helpful framework to understand what arguments matter most to which audiences. It's a crucial contribution to the national conversation about skills-first talent management that will only become more robust and nuanced. We hope it serves as a helpful starting point for continued conversation about how best to make the case for skills-first talent management — and help employers measure what matters.

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State of the Business Case for Skills-First Talent Management

From the beginning of the skills-first movement — and before it was even referred to as such — champions and critics alike have raised questions about the “business case.” Why should businesses take on a skills-first transformation? How do those investments pay off in the long run? What outcomes can employers expect to see as a result of making these changes? Without clarity on these questions, people said, the skills-first movement would never last.

What Goes into a Skills-First Transformation?

Over time, evidence has grown to support the fact that skills-first talent management really does [benefit employers and employees alike](#). While many still raise the “business case” question, or view it as a barrier to the permanence of skills-first practices in the private sector, we believe the value of this approach has been demonstrated widely enough to warrant rethinking what “business case” needs employers truly have today. Rather than further proof of the broad value of skills-first, we believe employers need ways to quantify and communicate the impact of their unique skills-first strategies to build buy-in for scaling.

In this report, we will:

- Review the conversation on developing a “business case” for skills-first practices
- Propose a new way to consider the spectrum of employers’ actual business case needs
- Provide considerations and guidance for employers navigating the highly bespoke nature of capturing the ROI of their skills-first work

Skills-First Talent Management Roadmap

Roadmap Success Factors:

1. A fully **committed CEO**
2. **Mindset and culture shift**, with a focus on **hiring managers**
3. **Collaboration** across functional areas
4. **Change management** to facilitate adoption
5. Focus on **metrics** and measurement



Find Talent

- Remove four-year degree requirements from select roles and create skills-based job descriptions
- Launch or expand work-based learning experiences
- Build sourcing partnerships with diverse talent providers



Hire Talent

- Train hiring teams on skills-first hiring best practices
- Create and employ standard interview rubrics
- Leverage skills-first candidate assessments



Grow Talent

- Build and expand upskilling programs
- Develop clear career pathways grounded in skills
- Create mentorship and sponsorship opportunities

Defining “Business Case”

What do we mean by “business case?” We often hear the term being used to reference two distinctly different things.

1. The broad, general body of knowledge and evidence about the value of skills-first talent management
2. A company-specific justification for investing in and/or scaling skills-first talent management

At this point in the movement, the broad business case — the first of the definitions above — exists. There is abundant data to share with employers to help secure their initial buy-in by giving them a sense of the kinds of benefits they can expect by adopting a skills-first approach. Studies by [Deloitte](#), [McKinsey](#), and others have aggregated the self-reported value that employers are experiencing and have found that the impacts are compelling for both businesses and employees. Things like attracting, placing, and retaining talent effectively are more important than ever in today’s workforce landscape and the data linking these outcomes to skills-first practices has prompted more and more companies to make the switch.

Of course, not all employers have bought-in, but skills-first talent management is certainly [becoming mainstream](#), thanks in large part to the growing body of qualitative and quantitative data supporting its efficacy. As the success of early adopters continues to accumulate, we expect more and more organizations to jump on board. However, as these early adopters mature and demand specific data to scale their initial efforts, it is time to dedicate more attention to the second definition of “business case”. Equipped with what they need to assess and communicate their “company-specific justification” business cases, early adopters can become critical contributors to strengthening the “broad, general body of knowledge” business case over time.



Making “Business Case” Personal

Over the last few years, we have explored what types of information employers need to craft their unique business cases. Traditionally, the broad, publicly available “business case” data, touting the benefits of skills-first, has been enough to convince employers to take the first step. And this remains largely true today— employers that are early in their skills-first journey are not asking for much to justify their initial foray into skills-first strategies beyond the general benefits they can expect. However, as employers become more mature in their skills-first practice adoption, we have seen their demand for more sophisticated and unique information grow in order to support their case for internal scaling.

While every employer’s business case will contain a range of information to rationalize their investment, employers tend to fall into **three archetypes** based on their level of maturity and strongest motivations for engaging in skills-first talent management. These archetypes represent common experiences or milestones on a continuum and, as such, companies may progress from one to another overtime or find themselves situated somewhere in between two archetypes

Foundation Setters: Employers in this group are typically early in their skills-first journey or inherently committed to a skills-first approach and do not need much support in crafting a business case at their current stage. They are motivated by an understanding that skills-first talent management is the “right thing to do,” or a recognition that it is an inevitable shift, necessary to build a future-ready workforce. The publicly available data about the value of skills-first and seeing industry leaders or competitors adopt the approach has convinced them of its importance, and they are committed to at least taking their first steps toward becoming a skills-first organization.

Many small-to-medium sized companies start and stay at this stage, as they are more likely to incorporate foundational skills-first practices intuitively or organically and may or may not have the need, or the capacity and resources, to fully invest in measuring the impacts. For example, we heard from one medium-sized energy company that their skills-first practices became so quickly engrained in culture and strategy that leaders no longer question their value. They do not need a business case to justify continuing what has become a norm.

Outcomes Seekers: Employers in this group have typically moved beyond their initial skills-first exploration and may have successfully planned and piloted skills-first initiatives in their organization. These companies, which include many of the leaders in the space today, are now looking to capture and communicate the tangible benefits their skills-first work has produced and extrapolate additional benefits to make the case for org-wide expansion. In crafting their business cases, Outcomes Seekers often leverage internal KPIs and success stories to demonstrate their skills-first success, and can reference publicly available data about the relationships between practices and outcomes to develop reliable assumptions about how further adoption will create value for their organizations.

At this stage, an employer’s definition of success is linked to their unique business priorities and challenges, and their business case is fundamentally built upon factors that intuitively impact revenue/ cost savings. For example, we heard from a large technology company that they want to gauge the outcomes of their skills-first work quickly, but recognize that impacts on cost or revenue will be lagging. To get a sense of if they are on the right track, they are prioritizing observed changes in things like employee sentiment, engagement, and performance as a proxy for financial ROI.

Bottom Line Builders: Employers in this group have typically been engaged with skills-first long enough to realize substantive benefits in key strategic areas, but aspire to use financial ROI data to drive decisions

around investing in, scaling, or communicating about their skills-first work. These companies are looking to build a rigorous business case that speaks directly to the bottom line. To craft their business cases, Bottom Line Builders must establish a robust approach to internal data collection and analysis to not only reliably measure the outcomes of their skills-first initiatives, but accurately quantify the associated monetary value of these outcomes through internal calculations.

Few companies currently exist at this stage due to the large-scale effort and resourcing requirements needed to cultivate a sophisticated org-wide data collection infrastructure. For example, we heard from a private equity firm that beginning to capture the ROI of skills-first talent management has required creating discrete categories to make impact measurement manageable (e.g. categories of jobs, skills-first practices, and/or areas of the business); defining detailed formulas to translate the financial impact of priority metrics; and building a standardized methodology for reasonable assumptions.

Each of these archetypes has specific needs as they craft their unique business case. Below we offer information each group can leverage.

A Deeper Look: Foundation Setters

Foundation Setter employers instinctually understand the value of skills-first talent management for their business, their employees, and their communities broadly and are not looking for much additional information beyond what is publicly available to secure buy-in and commitment. As these employers engage more deeply with skills-first practice implementation, they may find themselves becoming Outcomes Seekers, gathering specific evidence to build a more bespoke and formal business case to scale their efforts. At the outset however, they typically find the information they need via **flagship research about the core benefits of skills-first and its growth in the business community, and/or large employers' public testimonials.**

Flagship research

Source	Key Findings
Grads of Life, Harvard Business School, and Accenture Dismissed by Degrees	<ul style="list-style-type: none"> Voluntary turnover of those without a degree is lower than degree holders: 39% compared to 21% 49% of employers see recent college graduates and non-degree employees as equally productive
Opportunity@Work: Reach for the STARs: Realizing the Potential of America's Hidden Talent Pool	<ul style="list-style-type: none"> 30 million Americans without college degrees (STARs) have the skills and potential today to see wage gains of 70%.
US Census Bureau: Bachelor's Degree Attainment in the United States	<ul style="list-style-type: none"> 70% of people of color and rural workers face barriers to competing a four-year degree.
Test Gorilla: The State of Skills-Based Hiring 2024	<ul style="list-style-type: none"> 81% of employers are using skills-based hiring in 2024, up from 73% in 2023 81% of employees prefer skills-based hiring 95% of employers agree skills-based hiring is the dominant recruitment trend of the future
Burning Glass Institute: Skills-Based Hiring: The Long Road from Pronouncements to Practice	<ul style="list-style-type: none"> 81% of employers are using skills-based hiring in 2024, up from 73% in 2023 81% of employees prefer skills-based hiring 95% of employers agree skills-based hiring is the dominant recruitment trend of the future

Employer testimonials

Skills **Speak** Presented by **GRADS of LIFE**

Apple

"Our company, as you know, was founded by a college dropout, so we never really thought that a college degree was a thing that you had to have to do well."

Tim Cook
CEO

General Motors

"As companies have opened new skills-based pathways to employment and advancement, not only is the talent pool larger but, importantly, more diverse. As a result, companies are playing a vital role in broadening economic opportunity and upward mobility for all Americans."

Mary Barra
CEO

Merck

"With our skills-first talent efforts, we are not lowering the bar, we are widening the gate."

Ngozi Motilewa
Enterprise HR Lead Skills-First
Partnership and Pathway Initiatives

JPMorgan Chase

"The reality is the future of work is about skills, not just degrees."

Jamie Dimon
Chairman and CEO

A Deeper Look: Outcomes Seekers

Outcomes Seekers have reached a point in their skills-first journey where they need to present a formal business case for continuing or scaling their initial efforts. These business cases are commonly built upon positive outcomes in selected metrics, which range from increased retention to greater business agility. These benefits are understood to deliver business value, but do not have a direct or standardized impact on the bottom line. For employers in this group, the outcomes themselves (short of concrete financial numbers) offer enough implicit value to justify continued skills-first investment.

Many of the employers we have consulted fall into this group, but experience pain points around data collection or have trouble finding organized, accessible, and contextualized public data to inform their expectations around skills-first outcomes. Operationalizing data solutions often requires extensive internal exploration, but companies needing consolidated headlines with examples of skills-first outcomes can explore the resources below.



Frequently cited skills-first data

Outcomes Category	Data
Retention	<ul style="list-style-type: none"> • 89% of employers using skills-based hiring boosted retention • 91% of employers are seeing improved retention with skills-based practices compared to traditional hiring methods • 88% of employers agree that skills-based hires stay longer in the role • 10% higher retention rate among non-degree candidates (vs. degree-holders) • Skills-based organizations are 98% more likely to retain high performers
Representation	<ul style="list-style-type: none"> • 84% of employers using skills-based hiring improved workplace diversity • 90% of employers are seeing improved diversity with skills-based practices compared to traditional hiring methods • In jobs where women are underrepresented, a skills-first approach can increase the proportion of women in candidate pools by 24% more than it would for men
Recruiting & hiring efficiency	<ul style="list-style-type: none"> • 88% of employers using skills-based hiring reduced mis-hires • 82% of employers using skills-based hiring reduced their total time-to-hire • 74% of employers using skills-based hiring reduced their total hiring costs • 94% of employers agree that skills-based hiring is more predictive of on-the-job success than resumes • Skills-based organizations are 107% more likely to place talent effectively • Talent pools expand on average nearly 10x when using a skills-first approach • Hirers on LinkedIn finding talent using skills are 60% more likely to find a successful hire
Internal mobility	<ul style="list-style-type: none"> • Walmart: 88% of roles above entry-level filled internally in 2023
Business agility	<ul style="list-style-type: none"> • 77% of business and HR executives say flexibly moving skills to work is critical to navigating future disruptions • 85% of HR executives say they are planning or considering redesigning the way work is organized so that skills can be flexibly ported across work over the next three years. • 50% projected change in skill sets for jobs by 2027
Employer brand	<ul style="list-style-type: none"> • Skills-based organizations are 98% more likely to have a reputation as a great place to grow and develop

Employer stories

- [Cisco's Skills-First Success: A Powerful Playbook for the Private Sector](#)
- [Catalyzing Careers Through Skills-First Hiring: Insights from Cleveland Clinic](#)
- [Accenture Thrives Thanks to Skills-First Hiring](#)
- [How to Measure Skills-Based Practices: Insights From Vistra](#)
- [Embracing a Skills-First Approach to Career Mobility: A Verizon Communications Case Study](#)
- [Skills-First Hiring at IBM](#)

A Deeper Look: Bottom Line Builders

Bottom Line Builders represent the most advanced employers, those who are seeking hard evidence about the bottom-line impact of their skills-first investments. These companies have often already aligned on priority metrics and KPIs that coincide with their business strategy and are ready to take the next step in quantifying the economic value of these data points. There are many employers who may never become Bottom Line Builders so long as their outcomes-based business cases continue to suffice or data collection remains too large of a hurdle. But for certain employers looking to cement long-term organizational commitment to a skills-first approach or position themselves as leaders in the field, a comprehensive understanding of how their key outcomes translate to revenue or cost savings may be a critical piece of their business case.

It is important to note that there is no one-size-fits-all approach to capturing the financial impact of skills-first practice adoption across individual companies. Proxy data, even for commonly sought after outcomes like retention, often lacks the appropriate nuance to account for variations in company size, industry, implementation maturity, or context. Additionally, the desired outcomes that make up a given company's business case, and how those impacts then translate to revenue or cost savings, are deeply custom and can even vary internally by department or role.

To truly capture the financial impacts of this work, employers must build their own robust ROI models and formulas, and establish associated processes. Of course, an ROI calculation is, at its core, simple: $(\text{Net return}/\text{total investment}) \times 100$

The challenge for Bottom Line Builders lies in creating a holistic strategy capturing the full breadth of their skills-first investment, isolating and measuring the associated outcomes, then translating those outcomes to financial impact.

At a high level, this requires:

- Identifying priority metrics aligned with business strategy
- Capturing strong and accurate baseline data
- Having a clear picture of historic HR costs and planned maintenance expenses to exclude from calculations
- Defining the investment
 - Documenting which skills-first practices the company has adopted and to what extent (e.g. in specific business units, for X amount of roles, etc.)
 - Evaluating implementation costs associated with a given practice
 - Quantifying the opportunity cost of maintaining current practices
- Defining the potential return
 - Identifying key outcomes associated with given practices
 - Tracking changes to outcomes as a result of practice adoption
 - Calculating relationship between outcomes and revenue or cost savings
- Creating reliable measurement conditions
 - Establishing baseline control data
 - Ensuring sufficient capacity and ability to track and analyze outcomes data over time
 - Isolating impacts of practice change by controlling for other variables that might affect outcomes
 - Drawing reliable correlations between individual practices and outcomes
 - Forming accurate assumptions about the financial impact of given outcomes

To supplement this report, we have created [The Business Case for Skills-First: Strategies for Calculating ROI](#) to support Bottom Line Builders in their efforts to capture the financial ROI of skills-first talent management. This resource builds upon the list above to offer employers a starting point when considering cost and revenue factors that are likely to be influenced by skills-first practices, and the correlations between the two.

Taking Action

Despite those employers today who are willing to invest in skills-first talent management without firm ROI data (Foundation Setters and Outcomes Seekers), we believe that publicizing meaningful evidence about the bottom-line ROI would further solidify a skills-first approach as the future of talent management for a critical mass. We encourage employers to get specific about what they need to build their business case and share what data, insights, and challenges they can to advance the conversation. Our hope is that the insights companies share can bring about clarity on which practices generate the greatest financial return to enable the field to prioritize best practices, establish reliable benchmarks and correlations between specific practices and outcomes, and influence lagging or skeptical employers to join the movement.

Very little public ROI data exists today due to the lack of standard methodologies and processes, as well as corporate privacy concerns. We will particularly need Bottom Line Builders to take a leading role, sharing their process learnings as they innovate and releasing anonymized findings as they refine their approaches (using our new resource) to build a deeper understanding of financial ROI for the field.

Further, funders and leading companies can make major strides in proving the ROI of skills-first by committing to long-term studies. By focusing an initial studies on one skills-first practice or program within a company that lends itself well to acting as a discrete control variable, such as a mentorship program, we can begin to standardize approaches and assumptions. Early examples of this kind of analysis from the [Lumina Foundation and Cigna](#) and [Guild](#) are promising, and we encourage other employers and funders to explore establishing similar studies more explicitly focused on skills-first strategies.

Finally, we encourage skills-first advocates and practitioners to help their clients and partners think critically about their business case needs, and leverage available resources.

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What business case resources do you need?

Are you committed to being a skills-first employer no matter what?

Yes

No

Would a better approach to measuring your progress help you stay committed?

No

Yes

Check out www.SkillsSpeak.org to hear from other committed employers!

Impact Measurement Playbook

What do you need to strengthen your commitment?

More info about how skills-first strategies work for others

Return to the [Outcomes Seeker](#) section of the report

Proof that skills-first is having a positive impact on my bottom line

[ROI Resource](#)

Better data about my own progress and outcomes

[Impact Measurement Playbook](#)
[Impact Measurement Metrics Guide](#)

