



# WELCOME TO THE SKILLS ECONOMY

How to drive organizational change  
and thrive in this new world of work,  
where skills are the new currency



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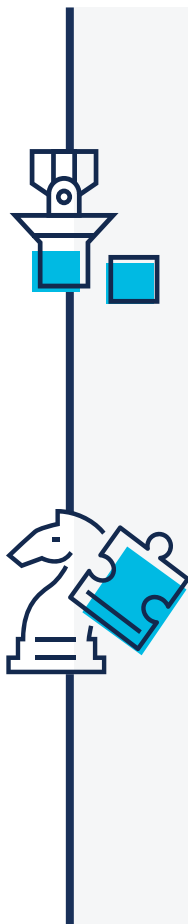
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# The Fourth Industrial Revolution

**We've entered the Fourth Industrial Revolution, where cars drive themselves, robots are more than a sci-fi storyline, and the line separating biology and technology is increasingly fuzzy.**

These are not unrealistic statements. LYFT's CEO projects no need for car ownership by 2025, and 3D DNA printing is already a reality.<sup>1</sup> According to the World Economic Forum (WEF), this revolution is happening at an exponential pace, and the "speed of current breakthroughs has no historical precedent."<sup>2</sup>

For industries, organizations and employees alike, the Fourth Industrial Revolution offers tremendous benefits. However, within these very benefits lie the revolution's most complicated – and sometimes frightening – challenges. While AI and robots aren't making the human workforce obsolete, they are forcing employee roles to change. And that means organizations must begin to modify departments, staffing, training and more to accommodate the new role of humans in the digital age.



## What Does This Mean for the Organization of Tomorrow?

**Organizations will still need human employees.** Automation and AI won't replace all human work. While AI tools will enable new levels of efficiency, developing, maintaining and using their capabilities will require human intelligence, analytical thinking and creativity.

### **Employee roles will be vastly different from what they are today.**

While the future workplace has room for humans, job roles will be radically different. As automation and AI capabilities eliminate repetitive, manual work, employees will take on new roles with more creative, analytical, innovative activities. In fact, many of the skills organizations hire for today didn't exist a mere 10 years ago, whether it's technical skills for roles like "automotive occupant engineers" or "culinary product developers," or soft skills such as "grit," "intuition" or "emotional intelligence." And for children currently in primary school, in the future, 65 percent will work in positions that haven't yet been created.<sup>3</sup>

**This need for new, often yet undefined, roles will transform the skills gap into a skills chasm.** Much has been made of the current skills gap. But this gap is miniscule compared to what's coming in the next decade. Skills have an inverse relationship to technology: the faster technology changes, the shorter a learned skill's shelf-life. Current research shows that the average shelf life of a skill is less than five years.<sup>4</sup> Employers are already feeling the pinch: 40 percent of those surveyed in Manpower Group's *2016/2017 Talent Shortage Survey* are finding it difficult to find the talent they need.<sup>5</sup>

According to the WEF, business model changes today result in "a near-simultaneous impact" on the adequacy of an employee's current skill sets — across all industries.<sup>6</sup> Plus, many of the skills that will be needed in the future haven't yet been identified as such. By 2020, the WEF estimates that more than "a third of the desired core skill sets...will be comprised of skills that are not yet considered crucial to the job today."

## The Skills Economy

**In this digital age, change is the new constant. Disruption is the new normal. And skills are the new currency.**

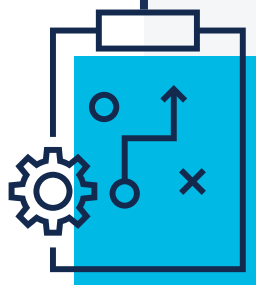
"Skills" used to be a section on a resume. Today, they're the new currency in a rapidly changing economy. No industry is immune. For organizations, they're the key to staying competitive, pivoting when markets change and driving continuous innovation. For employees, the ability to learn skills quickly and adapt to change drives both job security and career fulfillment.



**By 2020, the WEF estimates that more than "a third of the desired core skill sets... will be comprised of skills that are not yet considered crucial to the job today."**

At the core of the Skills Economy is the knowledge that business success today depends on a workforce that can quickly adapt and thrive in new business models, economies and environments. This ability to adapt and pivot depends on individual employees who demonstrate resilience in the face of constant change, bring curiosity and motivation to their workplace, and are eager to learn new skills as needed.

Qualities and abilities that may have been valued in the past – accurate data entry, the ability to follow instructions – are quickly being replaced by analytical, social and problem-solving skills. Even superb technical skills are not enough. Research by the WEF discovered that “soft skills,” such as persuasion, emotional intelligence, and the ability to teach others, were more sought after by hiring organizations than programming skills alone.<sup>7</sup>

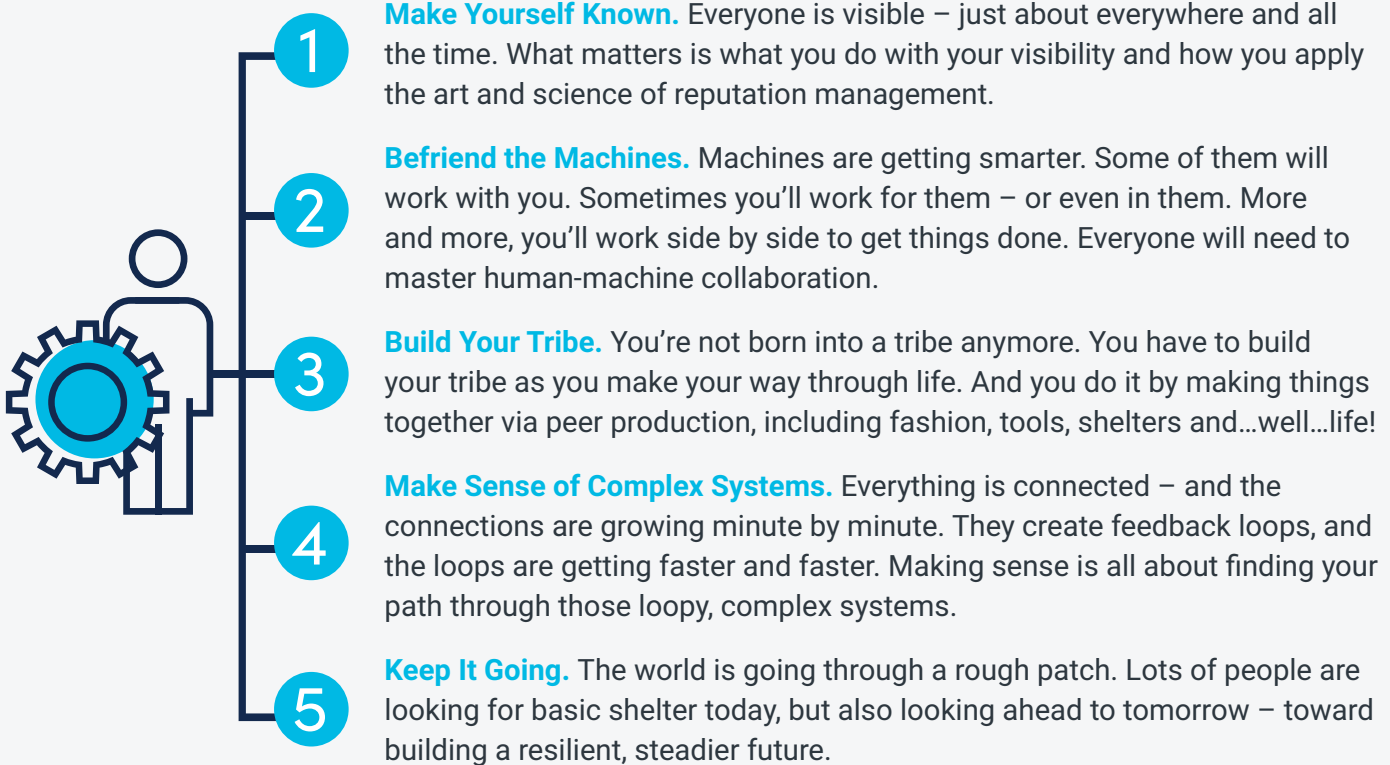


**Keeping pace in this Skills Economy and time of rapid advancement is challenging organizations to rethink and reimagine every element of people management and development. For example:**

- Thinking differently about how to identify the right talent and the skills needed for specific roles today, as well as for those skills and roles that do not yet exist.
- Shifting from a transactional, top-down only learning culture to one of continuous, lifelong learning that empowers each and every employee to access knowledge anytime and anywhere to get their jobs done and advance in their careers.
- Providing coaching and continuous feedback in real time, validating the application of skills and offering guidance as part of the learning and development process.
- Leveraging massive data sets through machine learning and AI to further personalize the employee experience through tailored career paths, custom development plans and auto-curated learning playlists based on individual interests and aspirations.
- Reevaluating the roles of learning, HR and talent management executives and their teams, moving from more administrative functions to an organization that is more strategic, with impactful contributions that create value for the organization *and* employees.

# Future Skills: Get Fit for What's Next

With more than 50 years of research background, Palo Alto, Calif.-based think tank *Institute for the Future* recently mapped out the five Peak Performance Zones of skills that people will need to master to “get fit” for the decade ahead.<sup>8</sup>



## How Are Organizations Preparing for the Skills Economy?

The short answer is, many aren’t. Ninety percent of CEOs expect this new, disruptive environment—the perfect storm of rapidly evolving technology, skill shortages and increasing global business—to radically disrupt their companies.<sup>9</sup> But in the same study, only little more than a third thought their organization even had the talent that will be critical to achieving future business goals.

Companies fail to reinvent themselves because they wait too long. With other competing priorities, they focus on short-term needs and kick the “change” can further down the road, believing they have more time and flexibility than they actually do. Or, some organizations are simply afraid of change, preferring options that minimize loss versus options that offer potential benefits.

To keep pace and win in the Skills Economy, organizations must recognize the increasing blend of learning and work and embrace a new way of preparing the workforce.

# The Choice to Embrace the Skills Economy Is a “Change or Die” Moment for Every Organization

The reality is that we’re at a critical juncture. And for those organizations without a strong learning core, this is truly a “change or die” moment. Fostering a culture with learning and skills development at the core will grant strength and adaptability to meet whatever challenge comes next. Those that fail to adapt will not only lose the race, they will be DOA.

Staying competitive in an era of great and continuous transformation requires organizations and employees to make a choice: change in order to harness the power of the Skills Economy, or do nothing and rely on the status quo. This choice will determine who thrives – and who won’t survive.

## The Change Averse: At Risk

Awareness of the volatility and uncertainty of business in the future has not yet moved many organizations to change their recruiting, learning and people management strategies. Nearly half of respondents to Pandexio’s “Preparing for Workforce 2020” survey stated they had made no or very little gains in preparing employees for 2020.

The consequences for this slow response to change are tremendous. Today, the average lifespan of companies is now less than 20 years, down from 60 in 1958; by 2026, it’s estimated to shrink to 14 years.<sup>10</sup> Organizations that continue “business as usual” will struggle in the short-term to attract, engage and retain great talent. The long-term consequences are just as dire: without flexible, creative talent, organizations will lose the ability to innovate, reinvent themselves and compete, as more agile businesses adapt to – and begin to thrive in – this era of continual disruption.



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## The Change Agents: Thriving

While some businesses aren't yet preparing to use the Skills Economy to their advantage, a few vanguard organizations are.

For example, Nestle, one of the world's top five most respected food and beverage companies, moved from being a minor player in the healthcare nutrition segment to the world's number two player in the nutrition, health and wellness industry. This shift has demanded that Nestle rethink the talent and skills they need to transform their business.

Or Hitachi, an over 100 year-old company with more than 350,000 employees across nearly 1,000 group companies, has embraced a philosophy of continuous learning in order to recapture its innovative spirit and transform its company and culture into a digital-first organization.

Instead of waiting to see where the future leads, these organizations are embracing uncertainty and taking action now to nurture workforce agility, flexibility and learning capacity. In short, these organizations are becoming agents of change. And such boldness is already being rewarded in the form of:

- **Increased competitiveness and agility.** Preparing for constant change requires not prescience but flexibility and a readiness to adapt. Organizations that recruit and retain the right talent — those candidates demonstrating creativity, emotional intelligence and problem-solving skills — create a workforce that can innovate quickly and pivot to respond to market changes.
- **Improved ability to motivate and retain talent.** Modern employees want to learn, grow and create meaningful careers; according to Deloitte, 42 percent of millennials would likely leave a job if they weren't "learning fast enough."<sup>11</sup> Offering these employees opportunities to expand their skills and stay relevant in their jobs not only strengthens the organization through increased engagement, but also reduces talent flight.
- **Greater financial returns.** Adapting to the Skills Economy by providing ongoing opportunities for employees to learn the skills they need, as the work environment changes, results in tangible financial rewards. According to research by Deloitte, organizations that actively focus on learning and provide ongoing opportunities "achieve 23 percent greater financial returns...and endure business cycles far better than their contemporaries."<sup>12</sup>



## The Roadblocks to Change

**If the benefits to embracing the Skills Economy are so clear, why then isn't every organization becoming an agent of change?**

Change — even good change — can be foreboding in many ways. To the amygdala, the “fear center” of the human brain, change represents not a potential opportunity but a powerful threat to survival.

From a biological perspective, anything new or different requires rapid evaluation (e.g., is this friend or foe?) and either defensive action or some form of adaptation. In fact, human beings are so naturally averse to change that, in modern studies, participants will almost always select the option that minimizes loss, rather than one that offers potential benefits.

Resistance to change is universal and very human. Yet thriving in the 21st century, where the rapid pace of change will only continue to get faster, will depend on the ability to move through this resistance and act despite fear. For organizations and employees alike, this requires a new approach to change management, one that recognizes that the process of moving through change is akin to the process of moving through grief.

## Leading People through Change

Just as we experience grief in stages, so do we experience six codified emotional stages of change: loss, doubt, discomfort, discovery, understanding and integration.<sup>13</sup>

According to Jeff Miller, Ph.D., HR thought leader and Cornerstone OnDemand's associate vice president of learning and organizational effectiveness, this transformation across the first four stages can be made easier with the following steps:

1

**Don't “rationalize or sell change” to employees.** Instead, recognize when you first announce a change, people will be experiencing the first stage, loss. Give people time to reflect, process and absorb the news before providing explanations for the change.<sup>14</sup>

2

**Have a support plan in place.** During stage two, doubt, emotions such as resentment, anger and fear are normal and expected. Mitigate the effects of these emotions by listening to concerns and finding out what people want to know.<sup>15</sup>

3

**Rebuild confidence.** At the third stage, discomfort, people aren't happy about the change, but they're beginning to accept it, though perhaps still unwillingly. Leading people through this stage requires follow up to enable sharing of people's frustrations and challenges and building confidence by providing achievable goals and tasks.<sup>16</sup>

4

**Create a path forward.** The fourth stage, discovery, is an opportunity to engage people by nurturing creative thinking, such as brainstorming or discussion sessions. Involvement at this stage can help replace resentment with curiosity, foster collaboration and build commitment.<sup>17</sup>

# How to Be an Agent of Change in Your Organization

According to L. Rafael Reif, president at MIT and a 2018 Davos attendee, CEOs across the globe are already struggling with a challenge unique to the digital age.

“[CEOs] have said to me, in effect: ‘I have to lay off hundreds of people because their jobs have disappeared, and I do not need their skills — and I have hundreds of job openings I can’t fill because I can’t find people with the right training and skills,’” states Reif. “This mismatch is bad for everyone.”<sup>18</sup>

However, this “mismatch” can be mitigated by navigating change more effectively (i.e., with both empathy and planning) and by embracing the Skills Economy. For organizations everywhere, this means moving from a transaction-focused HR approach to a people-focused one.

Past HR methods were often highly systems-oriented, financially-motivated and siloed. Decisions were based on historical data and/or intuition, and a one-size-fits-all mindset. In contrast, the Digital Age requires a more modern, people-centric approach. Modern HR is focused on skills-based people management and relationship building. People and work solutions are more integrated, and decisions are made with real-time information and actionable insight.

These modern approaches to HR also provide a roadmap for using the Skills Economy to organizational advantage. Organizations committed to and ready for change can begin by:

- Creating lifelong learning experiences
- Making recruiting a competitive advantage
- Personalizing talent management processes
- Bringing context and intelligence to HR decisions



**Modern HR is focused on skills-based people management and relationship building.**

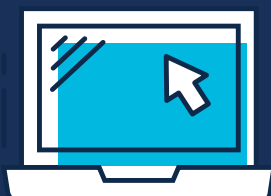
## Creating Lifelong Learning Experiences

It used to be that you'd learn through young adulthood and then enter the workforce. Now, learning and work are forever merged, and continuous, lifelong learning is the new imperative. As stated in the Deloitte Review "Navigating the Future of Work" issue, personal success for employees will depend on the ability to "shift from acquiring specific skills and credentials to pursuing enduring and essential skills for lifelong learning."<sup>19</sup> For organizations, this will necessitate reshaping work environments to enable employees to learn faster and continuously.<sup>20</sup>

The question is, how? Leading organizations are abandoning static training systems and top-down only driven learning in favor of continuous, individualized learning experiences that encourage and reward intellectual curiosity and empower employees to follow their own path and take control of their career development. Where traditional learning systems "pushed" content to employees and created a more transactional experience, new learning solutions make it easier for employees to "pull" relevant learning content at the specific time of need, as part of the natural flow of work.

These systems also use automation and AI to streamline and accelerate the curation, search and delivery of content. And, rather than struggle with stale, outdated content, these organizations are leveraging new content sources that make it easier to continuously refresh course libraries across a depth and breadth of topics. This content not only supports the development of hard and soft skills, but the formats also reflect modern learner needs, from mobile and video learning, to the increasing desire for micro-learning (shorter, easily consumable courses). And it creates a personalized experience, providing curated content and recommendations based on an individual's interests, preferences and activity.

Organizations are also transforming learning from solely an individual experience into a collaborative and community-oriented one. In a networked structure, employees are connected to a myriad of learning resources and to other employees, thus enabling authentic continuous learning. Employees learn from other employees through traditional measures, such as forums and team projects, but also through 360-degree reviews, job sharing and job sampling.



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## Making Recruiting a Competitive Advantage

Recruiting in the Skills Economy requires a monumental change in how organizations source and identify the right talent.

First, organizations must gain the ability to attract great candidates. Research shows that 48 percent of applicants won't finish applications that take too long to complete.<sup>21</sup> A streamlined hiring process, one that uses machine learning to automate rote tasks and create personalized career sites that convey both brand and culture, reduces HR labor and keeps candidates engaged.

How organizations identify the right talent must also evolve. The rapid pace of change means we can't always predict what skills are going to be needed and when. And while it may be easier to identify the skills and competencies required for entry-level or task-based roles, it can be more challenging for complex, less defined jobs. However, when critical skills and competencies become too defined, it can make it harder to identify candidates. It requires a balancing act that offers direction and flexibility.

Identifying the right talent also has typically involved evaluation of candidates based on credentials, such as a college or advanced degree. In the Skills Economy, employers must rethink this criteria. The rising demand for candidates with a bachelor degree vs. what exists in the talent pool is creating an "education-employment mismatch." However, studies show that employers require degrees for jobs that appear not to need them – meaning that by overlooking middle-skill workers, recruiters are missing out on a large pool of potentially viable talent. Research indicates that about 14 percent of all job ads (about 10 million jobs) ask for education beyond what would be needed, as implied by the job title.<sup>22</sup>

When it comes to evaluating candidates, employers should be seeking those who have potential. In a continuously disrupted world of work, what one will be doing in their next job may not be the same as what they did in their last one. Therefore, recruiters must look for signals that best indicate a candidate's potential future success. These qualities include adaptability, emotional intelligence (or EQ), critical thinking, and a curiosity and willingness to learning.

These skills aren't easy to evaluate during the hiring process. Ironically, these very human characteristics can be more rapidly identified using artificial intelligence. Recruiting platforms that enable social sourcing, behavioral assessments, talent scoring and employee referrals from an organization's top talent are fundamental to hiring the best talent – in the least amount of time – in the Skills Economy.

## Personalizing Talent Management Processes

Whether your organization has 50 or 5,000 employees today, we're getting closer than ever to being able to customize the employee experience for each individual in their organization — thanks to technology and innovative thinking.

In the past, HR was viewed, ironically, as a highly impersonal entity tasked with managing an amorphous “workforce.” In contrast, modern HR is now a strategic force committed to nurturing, engaging and retaining individuals. Innovative organizations have made this adjustment by personalizing processes for employees, just as they do for customers.

Personalizing learning and performance processes not only respects employee uniqueness, but also harnesses it for the good of the organization. Tailoring talent management to the employee's personal and career interests and skills (while still aligning these plans to organizational goals) stimulates curiosity and nurtures engagement and retention. Organizations, in turn, can then be more productive, innovative and profitable.

Technology enables organizations to focus on the skills and aspirations of thousands of unique employees all at once. AI tools empower employees to do their own career planning within the organization by generating relevant skill and development plans, as well as recommending courses and connections, based on the role they have today and the one they aspire to. And pulse engagement surveys help organizations to focus taking action on a granular level versus larger systematic changes.

This personalized experience also must include immediate, continuous employee feedback and assessments. While the death of the traditional performance review has been somewhat exaggerated, employee success in the Skills Economy relies on input and constructive criticism from peers and project leaders, as well as coaching and guidance from managers, to enrich the learning and development process in a direct and individualized way. While recruiting and learning initiatives help to identify and foster skills, performance management helps to validate these skills.



**Modern HR is now a strategic force committed to nurturing, engaging and retaining individuals.**

## Bringing Context and Intelligence to HR Decisions

Driving lifelong learning, making recruiting a competitive advantage, and personalizing talent management processes require time, energy and real-time insight. Yet these resources are in short supply for any HR team. An estimated 60 percent of HR practitioners spend their time on administrative maintenance tasks.<sup>23</sup> And, while organizations may have plenty of access to data, analyzing that data manually can take months, if not years, with little or no actionable insight.

Yet today's talent management technology is now designed to free HR from these time-consuming activities and enable them to focus on more strategic initiatives. By automating and streamlining manual tasks, this technology enables HR to focus on people, instead of rote processes. In recruiting, unfit candidates can be automatically rejected, while ideal hires are routed faster to decision makers. Learning content can be seamlessly delivered, tracked and reported on, including compliance training. In the context of performance and engagement, this technology enables organizations to capture and analyze real-time employee feedback and effortlessly track skills and competencies.

Talent management technology also solves the data challenge. High-performing organizations realize that while skills are the new currency, "data is the new oil." There's plenty of it, but using it effectively requires the rapid transformation of that data into real-time, actionable insights.

These high-performing organizations rely on modern technology capable of aggregating, analyzing and reporting on multiple aspects of the HR function. The right analytics technology provides increased workforce planning visibility, such as how current headcount aligns with proposed financial plans. It also enables predictive analytics to allow organizations to better plan for succession and identify high-performing employee flight risks. A variety of meaningful people metrics, from peer-company benchmarking to workforce diversity, help HR make wiser, more strategic decisions across the entire organization.



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# Thriving in the Digital Age

**The Skills Economy provides organizations and employees alike a powerful way to adapt to—and thrive—in a volatile, uncertain, increasingly complex future.** By emphasizing agility, flexibility and learning, organizations have the capacity to create a more innovative, creative workforce. That workforce, in turn, enables organizations to continually reinvent themselves, thus staying competitive in a global environment driven by exponential change.

**Effectively embracing the new Skills Economy takes more than a call to action.**

Organizations must not only guide employees through massive change, but also be able to hire the right talent faster than ever before, evaluate skills, facilitate learning, identify major role gaps and be able to predict how to fill them. These complexities can only be managed by creating a new infrastructure, one that uses unified technology to streamline, expand and personalize talent management. As the Fourth Industrial Revolution continues to disrupt every industry across the globe, organizations and employees will need to use talent management technology to make work more human.

Cornerstone was founded 20 years ago on a simple idea: to educate the world. Our vantage at the nexus of learning and talent management for more than 3,200 organizations, encompassing 35 million users across 192 countries and 43 languages, gives us deep insight into how these emerging needs are affecting both organizations and employees – and deep insight into what can be done. We can help you win in this new world of work, where skills are the new currency.

**For more resources and information on navigating the skills economy, please visit,  
[csod.com/skillseconomy](https://csod.com/skillseconomy)**

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