KORN FERRY

Valuing Skills in the Workplace: The Next Frontier in Talent Management

Thought Leadership

The talent landscape is shifting fast. More companies are pivoting to skills-based workforce planning, valuing what people do over what their job titles suggest. This change is fueled by a dynamic labor market marked by talent shortages and relentless technology disruption.
A new Korn Ferry survey found nearly half of companies want to evaluate at least 80% of their roles by skills, and not solely by generic job accountabilities and broad education and experience specifications. The problem? Most lack the infrastructure to make it happen. Still, the shift is gaining traction, especially in fast-evolving roles where skills outrank general credentials.

The takeaway: Skills are quickly becoming a new currency of talent.

To harness this momentum, HR leaders need to understand both the promise and the pitfalls of a skills-centric model. This means linking skills to role outcomes, rethinking reward structures, and laying out practical steps for CHROs, talent leaders, and total rewards executives. We offer a data-backed roadmap to help these leaders put skills at the center of talent strategy.

ORGANIZATIONS WANT TO MOVE TOWARD SKILLS-BASED STRUCTURES BUT FACE BARRIERS

Interest in skills-based talent management is at an all-time high. In fact, 42% of companies recently surveyed by Korn Ferry would prefer to evaluate most positions based on skills in addition to job descriptions. Another 21% said they would apply a skills-based approach to at least 40% of their roles. Only 3% believe this evaluation should be limited to a niche portion of the workforce—just 20% of roles or fewer.

From hiring to development, leaders see clear value in focusing on what employees do, not just the titles they hold. But translating that vision into reality has been challenging. While 74% of HR leaders see a shift toward skills-based hiring, fewer than 1 in 7 companies have put this model into practice, according to Society for Human Resource Management (SHRM) research.

What's standing in the way? In a word: infrastructure. Nearly 69% of organizations we surveyed say their current systems can't support a skills-based approach. Legacy HR tools and job architectures weren't built to track skills for workforce planning or pay.

What's more, 41% struggle with creating a culture of continuous learning, which is foundational to any skills-centric model. Employees may resist change, and managers may not know how to recognize or reward skills growth. Another 35% say they can't yet identify the skills they'll need next, making it hard to plan for the future. These barriers create a gap between aspiration and action.

The bottom line: most organizations are sold on the "why" of skills-based talent management but are stalled on the "how." To move forward, HR leaders will need to overcome infrastructure constraints and drive cultural change, as success depends on aligning processes and mindsets around skills.

Organizations that close this gap early will benefit from a more agile and capable workforce. And by prioritizing skills over credentials, they will have the edge to outpace change and outperform competitors.

LINKING SKILLS TO BUSINESS STRATEGY

To get real value from a skills-driven workforce, leading companies are aligning skills development with business strategy. They start with a simple question: What skills fuel our competitive advantage, and how do we measure their impact?

Tying skills to strategic goals turns training and hiring efforts into high-impact levers for metrics that matter—whether that's faster innovation, better customer service, or entering a new market.

The most resilient and successful organizations understand the skills they need and track how those skills impact outcomes. Take, for example, a financial services firm that prioritizes data analytics —it might measure how upskilling employees improves product personalization or cross-selling revenue. Leaders are now measuring these returns: 41% of companies we surveyed track retention of talent with critical skills as a proxy for ROI.

Another 28% measure revenue growth or efficiency gains from skill-building (think productivity improvements from automation training). These are smart, quantifiable approaches to connect learning to business value.

Yet, many still don't track ROI on skill investments, missing clear opportunities to prove their impact. Without measurable results, HR struggles to justify investments and focus. This is a call to action for HR leaders: close the ROI assessment gap. Modern HRIS and learning platforms now offer analytics dashboards that link development metrics to business indicators. Even simple measures—like tracking promotion rates of upskilled employees, internal fill rates, or project success after training—can reveal the value of your investment.

TRANSITIONING TO SKILLS-BASED REWARD

One of the boldest—and complex—shifts ahead is the move toward skills-based reward. For decades, pay has been tied to static notions of jobs—job titles slotted into salary bands based on market data and internal leveling processes. But as work becomes more fluid and project-based, and certain skills become real differentiators, companies are rethinking this model. The idea is simple: reward people not solely for their accountabilities, performance or tenure, but also for the skills that add real value to the organization.

Interest is growing fast. About two-thirds (67%) of organizations surveyed by Korn Ferry expect to adopt a more direct skill-based reward framework within the next three years. So, how might this approach work?

More than half (56%) favor a centralized model of skills infrastructure development, where HR defines skill categories, sets proficiency levels, assigns value ranges, and ensures consistency and equity across the organization. Others (30%) would prefer a more flexible approach that gives managers a budget to reward in-demand skills on their teams.

Both ways share a common goal: to make reward more dynamic and more aligned with the skills that drive results.

We're still early in this journey. A few organizations have launched pilots, and these early signs are promising, especially as AI and analytics show their potential in skills identification and compensation management. Advanced platforms can now analyze salary data and internal performance metrics to set fair, data-driven premiums. With these tools, companies can move to hybrid pay models that combine base salaries with rewards for verified critical skills, promoting continuous learning and adaptability.

In other words, reward is changing. Rigid job-based grids are giving way to more dynamic, skill-centric systems. HR and reward leaders will have to balance innovation with pragmatism—that is, drive performance through skill-based reward while maintaining discipline and equity. Done right, this approach helps people grow, stay longer, and makes companies more attractive to top talent. After all, who wouldn't want to be paid more for growing their skills?

THE FUTURE OF SKILLS IS NOW

Deploying the right skills at the right time is what sets successful companies apart. It's the difference between those that adapt and innovate and those that get left behind. And the research is clear: the shift to skills-based talent management is inevitable.

Every facet of talent strategy is being reinvented around skills—hiring based on potential, developing employees in line with business needs, and paying people for the value they deliver.

HR executives don't need to wait for perfect conditions to shift to a skills-based organization. Those who take the first steps will attract better candidates, retain top performers through growth and recognition, and adapt faster to market changes. Why? Because they'll know the skills they have and how to use them.

The payoff? Better innovation, greater agility, and stronger resilience. Clinging to old models will only lead to widening skill gaps, a disengaged workforce, and missed opportunities to unleash potential.

Valuing skills in the workplace is a new frontier of talent management. It's not without its challenges—retooling HR systems, tracking new sets of information, revising reward models, and shifting mindsets require effort. But the cost of inaction is greater.

The only sustainable path is to rethink talent, not as static jobs but as dynamic skills needed for the work to be done to achieve the organization's strategy. HR leaders who act now will build workforces that are adaptable, engaged, and ready for whatever lies ahead. Those are the ones who will lead in 2025 and beyond.

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APPENDIX

Note on the Survey

Korn Ferry conducted a targeted survey of 97 compensation and benefits professionals within our marketing database. While the survey is not globally representative and responses are anonymous, its findings provide directional insights into current thinking and barriers related to skills-based talent models. This survey was supplemented by three in-person roundtable discussions with over 45 CHROs, whose real-world insights validate and deepen the survey themes, particularly on the rising importance of durable, human-centric skills.

Insight	Data Point
Organizations aiming to value most roles by skills	• **42%** would value 80%+ of roles by skills (if infrastructure allows) • Only **3%** think skills should apply to very few roles
Hard vs. soft skills (it depends on context)	• **64%** say the value of skills is context-dependent • **24%** still prioritize hard skills, • Only **12%** prioritize soft skills equally
In-demand hard skills	• **33%** emphasize technical skills (AI, cybersecurity, software engineering) • **30%** prioritize industry-specific expertise
In-demand soft skills	• **52%** prioritize leadership & interpersonal skills • **30%** focus on adaptability, resilience, communication
Key barriers to skills-based models	• **59%** struggle with infrastructure for skill-based rewards • **41%** find it hard to build a continuous learning culture • **35%** struggle to identify future skill needs
Measuring ROI on skill investments	• **41%** track retention of employees with critical skills • **28%** measure revenue/efficiency gains from skills • **21%** do not track ROI yet
Preference on skill-based pay structure	• **56%** favor HR-managed skill-based pay frameworks • **30%** prefer business-unit managed skill budgets
Likelihood of adopting skill-based pay	• **~33%** (13% somewhat + 20% very likely) see adoption in next 3 years • **47%** remain uncertain

ABOUT KORN FERRY

Korn Ferry is a global organizational consulting firm, bringing together strategy and talent to drive superior performance for our clients. We work with clients to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop and motivate their workforce. And we help professionals navigate and advance their careers.