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Redefining Work and Talent: The Shift Toward Skills-Based Organizations Models

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Abstract

In the context of rapid technological advancement, economic uncertainty, and shifting workforce dynamics, traditional talent models based on job titles and educational credentials are no longer sufficient. This paper explores the transition toward a skills-based approach—an emerging paradigm that emphasizes verified capabilities over static roles. It defines key concepts such as skills development, validation, and skills-first hiring, and evaluates their growing relevance in today's labor market. Special attention is given to the financial services sector, where digital disruption and regulatory complexity demand agile, multi-skilled talent. The paper outlines the strategic benefits of skills-based models for both employers—such as improved workforce agility, innovation, and retention—and employees, including increased career mobility and more equitable access to opportunities. It also identifies the organizational, cultural, and technological barriers to adoption, offering step-by-step guidance for implementation. Supported by global case studies, survey data, and insights from leading institutions, the research demonstrates that a skills-based transformation is not just an HR initiative but a cross-functional imperative. When combined with AI-driven tools and supportive leadership, the skills-first model offers a future-proof framework for navigating workforce evolution and improving business performance. However, the integration of AI in skills-based systems must be approached with caution, ensuring data accuracy, fairness, and ethical use to maintain trust and transparency throughout the talent lifecycle. While some organizations explore fully skill-based models, many are trying to retain aspects of job-based structures for legal, administrative, or financial reasons. Striking the right balance between jobs and skills without creating confusion or fragmentation is a delicate task.

Keywords: skills-based organization, talent strategy, workforce transformation, financial services, skills-first model, upskilling and reskilling, AI in HR, job architecture, organizational agility, equitable hiring.

Introduction

In the age of accelerated digital transformation, economic uncertainty, and shifting workforce expectations, traditional talent management models are no longer efficient. Organizations have structured their workforce around job titles, formal education, years of experience, and hierarchical roles. However, this conventional approach is increasingly misaligned with the realities of modern work. As the nature of jobs evolves—becoming more project-based, cross-functional, and dynamic—there is a pressing need to rethink how talent is defined, developed, and deployed.

One of the most significant responses to this shift is the skills-based approach: a transformative framework that emphasizes individual capabilities and observable competencies over degrees and job titles. This model treats skills as the fundamental currency of work, enabling organizations to match people to tasks based on what they can do, rather than where they've been or what credentials they hold. It allows for greater agility, more precise talent deployment, and more equitable access to opportunities.

This transformation is particularly vital in industries experiencing rapid innovation and disruption similar to the financial services industry. As artificial intelligence (AI), automation, and digitization accelerate the pace of change, organizations face increasing pressure to adapt their workforce strategies. Skills gaps are widening, traditional hiring filters are proving inadequate, and talent shortages are growing more acute. In this context, adopting a skills-based approach may not be considered as a trend but as a strategic necessity.

Organizations that shift to a skills-first mindset as per the recent global reports stand to gain significant advantages: Enhanced innovation, improved workforce flexibility, increased employee engagement, and stronger alignment between talent and business goals. For employees, skills-based models promise more personalized career paths, recognition based on merit, and better access to upskilling and mobility. These benefits, however, do not come without challenges. Transitioning from job-based systems to skills-based frameworks involves complex organizational, cultural, and technological shifts.

Among the most promising enablers of this shift is artificial intelligence. AI technologies now offer organizations the ability to detect skill adjacencies, assess skill gaps, personalize learning paths, and make data-driven workforce decisions at scale. Yet, the use of AI in human capital processes must be approached with caution. Data integrity, ethical design, fairness, and explainability must be prioritized to avoid biasness and mistrust.

This paper explores the strategic relevance, benefits, challenges, and implementation frameworks of the skills-based approach, with special emphasis on its application in the financial services sector—a highly regulated, fast-evolving industry facing acute talent pressures. The paper also examines the critical role of AI in enabling scalable, ethical, and effective skills-based transformation.

In this context, the paper addresses the following research questions:

1. What are the organizational and workforce benefits of adopting a skills-based approach?
2. What challenges do employers face when transitioning from traditional role-based models to skills-based talent strategies?
3. How can artificial intelligence be applied effectively and ethically to support skills validation, workforce planning, and hiring in a skills-based environment?

1- Skills-Based Approach: Key Definitions and Concepts

In a world transformed by technological disruption, social change, and economic volatility, traditional talent models that rely on degrees, years of experience, or narrowly defined job roles are proving insufficient. Organizations face a paradox: While economic conditions slow hiring, many employers still struggle to fill roles due to a lack of candidates with the right skills. These pressures have prompted forward-looking organizations to reimagine talent through the lens of skills-first thinking—treating skills as the new currency of work. This evolution is not only about efficiency; it's about making talent systems more dynamic, inclusive, and future-proof (Udemy Business, 2024b). As work becomes more project-based, cross-functional, and dynamic, organizations need more fluid ways to deploy talent and unlock individual and organizational potential. Jobs are no longer the best way to organize work. Instead, skills—defined broadly to include technical skills, human capabilities, and talent potential—should form the foundation for how work is assigned, evaluated, and rewarded (Cantrell et al., 2022). In this context, skills-based organization and skills-based hiring practices gained a growing momentum in the workplace.

Udemy defines a skills-based organization (SBO) as an organization that leverages skills as the basis of talent processes to build an agile workforce, with skills development and validation as essential components of this approach. Skills are defined as the capacity to perform tasks, take observable actions, and demonstrate proficiency in specific areas of expertise.

Skills development is the process of learning in order to improve expertise in a particular area. For skills development to be successful, learning programs need to align with priority skills for the organization, incorporate ways for employees to practice and get feedback on newly developed skills, and connect with the core talent processes that are integral to the company's success.

Skills validation is the process of verifying and confirming that an individual has the specific skills and expertise they claim to have or should have as a result of skills development. Validation can take many forms, including pre- and post-assessments, activity-based assessments and knowledge checks. This approach is designed to assess whether an individual has internalized their learning, and more important, whether they are ready to apply that learning effectively in the work environment.

Traditionally, the recruitment process has been degree-focused. Job descriptions frequently list a bachelor's or master's degree as a prerequisite, which can immediately exclude a large pool of potentially competent candidates. However, the assumption that academic qualifications directly correlate with job performance is increasingly being questioned by leading employers. Skills-based hiring emphasizes the core competencies necessary for a particular job. It includes a hiring process that attempts to evaluate

candidates on their ability to perform tasks, solve problems, and adapt to new situations—critical factors that contribute to their potential success within a role (Talerico, n.d.).

In skills-based model, employees are seen as multidimensional contributors, whose skills can be deployed flexibly across projects, teams, and evolving business needs. The SBO model doesn't aim to fully replace traditional methods, but to complement and evolve them. For employers, this creates an opportunity to hire and promote more precisely and inclusively. For employees, it opens doors for career growth based on merit and potential, rather than background or privilege. This shift could level the playing field for non-traditional candidates and better address persistent skills shortages. While HR often leads the transformation, the shift to a skills-based organization requires cross-functional collaboration across finance, operations, procurement and strategy. This transformation is not just operational—it's cultural and strategic. It enables organizations to respond faster to market changes, build more inclusive workplaces, and deliver on broader human and social outcomes as per Deloitte (Cantrell et al., 2022).

Deloitte also admits that over 90% of leaders are acknowledging the growing importance of skills, however only about 20% of organizations are implementing significant, organization-wide skills-based changes. Skills-based pioneers are already seeing measurable success: They are 63% more likely to achieve business and workforce outcomes such as innovation, employee retention, customer satisfaction, and process efficiency.

Early adopters like IBM and Accenture have removed degree prerequisites, helping diversify their talent pools and enhance equity in hiring. A skills-first model is more predictive of job success and enables dynamic workforce planning. Skills-based organizations are significantly more agile, innovative, and prepared for change (Beamery Team, 2025).

Despite the promising indicators, the shift towards this model need a coordination between all departments to plan for an effective skills-based talent strategy and to align this strategy with the business objectives. The core pillars of a skills-based talent strategy may include as per LinkedIn (2025):

1. **Dynamic Job Architectures:** Implementing dynamic job architectures allows organizations to adapt roles in real-time, fostering innovation and efficiency.
2. **AI-Powered Skills Intelligence:** Leveraging AI and labor market intelligence enables organizations to identify skill gaps, predict future needs, and make informed talent decisions.
3. **Leadership Buy-In:** Transitioning to a skills-based model requires commitment from top leadership. Aligning this strategy with business objectives ensures cohesive implementation and maximizes impact.

2- The Strategic Importance of a Skills-Based Approach in Financial Services

The financial services (FS) industry is undergoing unprecedented change driven by AI, automation, regulatory shifts and evolving customer expectations. Fintech disruptors and big tech companies are redefining the customers experiences, pushing traditional institutions to embrace rapid digital transformation to remain competitive. Additionally, the risks and regulations around finance are becoming more sophisticated. Finance workers are required to have a wider and more diverse skillset than ever before. Digital advancements and AI are not only changing service delivery but also influencing the needed capabilities and skills of the financial services sector workforce.

These challenges may seem like technical issues, but they are actually talent problems. The financial world cannot make technical advances unless it has the software developers and other tech talent needed to build new applications. Even more traditional fields, like adapting to anti-financial crime regulations, are forcing banks to reskill and upskill employees to keep up with change. Business leaders in Financial Services identify skills shortages as one of their biggest talent challenges (SkyHive, 2023).

This rapid change has widened skills gaps. FS sector is facing difficulties to source emerging technical skills. The shortage of qualified talent—surrounded by rigid hiring norms—has created significant barriers to innovation and market responsiveness.

Traditionally, hiring and career progression in FS has been based on experience, education, and job titles. However, this model often overlooks qualified candidates. The nature of work in FS especially is evolving rapidly—many tasks don't even require humans anymore. Accordingly, FS firms must rebuild job architectures based on skills rather than static job descriptions. AI can also play a pivotal role by identifying skill adjacencies, recommending upskilling paths, and matching people to emerging roles. In order to remain agile and future-ready, FS firms must shift from traditional job roles and degree-based hiring to a skills-based talent strategy (Beamery Team, 2025).

There's a long tail of jobs within the financial industry that are generic and not specific to the sector – roles such as project managers, salespeople, and software developers. This means that transferable skills are really relevant for this industry, and it makes sense for finance employers to hire for skills over experience. Employers see higher retention, fewer mis-hires, and a lower cost and time-to-hire when they use multiple measures during skills-based hiring (TestGorilla, 2024).

The Financial Services Skills Commission (FSSC) has flagged 13 future skills stating that finance roles are increasingly requiring a mix of tech related to be developed in combination with soft skills as follow:

Tech Skills	Soft Skills
1- Data Analysis and Insights	1- Adaptability
2- Digital Literacy	2- Coaching
3- Software Development	3- Relationship Management
4- Cybersecurity	4- Creativity
5- User Experience	5- Agility
6- Machine Learning/ AI	6- Teamwork
	7- Empathy

Source: Adapted from: TestGorilla (2024). The FinTech factor: How new skills sets are changing finance recruitment. <https://www.testgorilla.com/skills-based-hiring/the-fintech-factor-changing-skills-in-finance-recruitment.pdf>

Authored by the Financial Services Skills Commission (FSSC), along with PwC and EY, a research report found that a significant percentage of financial services managerial and professional jobs are now classified as highly skilled. The challenge is mainly that the required skills are becoming increasingly complex and evolving more rapidly. The industry is also expecting to lose highly skilled people through retirement and attrition. Additionally, there is a potential cost saving for the sector through improved retention and effective upskilling. However, the benefits of addressing skills gaps extend beyond the financial benefits of today; as closing the skills gap in the financial services industry isn't just about meeting immediate needs; it's about future-proofing the sector. By investing in upskilling and reskilling, FS firms are not only boosting economic output but also fostering a resilient, adaptable workforce ready to tackle the challenges of tomorrow (Davey, 2023).

The FSCC declared some recommendations supporting the shift towards skills-based organizations stating that skills should be integral into the FS firms' business strategies and transformation plans. In order to have greater clarity on skills needs, firms should build a robust data-led evidence base of existing capabilities and future skills needs through reskilling and upskilling. This is in addition to regularly monitoring how skills requirements are changing - both at an organizational and an industry levels (Davey, 2023).

According to Mercer's 2024 Global Talent Trends, a staggering 50% of HR professionals in the Middle East see skills shortages as a top threat to their businesses in the coming year. Banks are trying to understand, define, grow and attract the talent they need to realize their commercial ambitions and the need to find the right skills poses a consistent hurdle. The banking sector is transitioning from traditional financial modeling to data-driven insights, increasing the demand for professionals skilled in machine learning, artificial intelligence (AI), big data analytics, and cybersecurity. Accordingly, employers are shifting towards skills-based hiring especially in a field like AI valuing specific skills over formal degrees. It is also worth noting that young employees value purpose, flexibility, and continuous development more than traditional job structures. In order to bridge the workforce generational gap and retain young talent, banks should adopt a skills-powered approach, creating transparent career paths based on skills progression rather than tenure or hierarchy, offering continuous learning and upskilling opportunities to keep employees engaged, fostering a culture of lifelong learning and mobility, allowing younger employees to grow and shift roles based on evolving skills and interests (Richter, 2024).

3- Employer Advantages: Skills-Based Practices and Organizational Performance

Several global organizations highlighted the advantages of shifting towards skills-based approaches. According to Deloitte and Udemy the following benefits are considered as beneficial outcomes as per Udemy Business (2024a) and Cantrell et al. (2022):

1. Adopting a skills-based organizational model yields wide-ranging and transformative benefits. By shifting the focus from traditional job roles to individual skills, organizations unlock a higher degree of flexibility, adaptability, and productivity. One of the most immediate advantages is **improved talent deployment**. Skills-based organizations can rapidly match the right talent to the right work, regardless of job titles, leading to better alignment between people and business needs. This fluid deployment enables companies to respond more effectively to disruptions, emerging priorities, and market shifts—greatly enhancing organizational agility.
2. Another major benefit is **increased innovation and problem-solving capacity**. When organizations remove the barriers of rigid job structures and empower employees to contribute based on their full range of skills, they unleash untapped potential. Teams can be composed based on the right mix of diverse skills, leading to more creative, cross-functional solutions. According to Deloitte’s findings, skills-based organizations are 57% more likely to innovate and 47% more likely to improve process efficiency compared to their job-based counterparts.
3. Skills-based approaches also contribute significantly to **employee engagement, growth, and retention**. Workers who feel their skills are recognized and utilized report higher satisfaction and are more likely to stay with the organization. By offering personalized career paths, targeted learning opportunities, and internal mobility options, skills-based models foster a sense of ownership and agency. Unilever’s experience illustrates this well: through its internal talent marketplace, it not only saved on hiring but also increased productivity by 41% and improved employee experience.
4. A further advantage lies in equity and inclusion. By basing hiring, promotions, and rewards on verified skills rather than educational background, job history, or tenure, organizations can reduce systemic bias and provide more equitable access to opportunities. This approach supports **diversity, equity, and inclusion (DEI)** goals and helps ensure that individuals are valued for what they can do, not just their formal credentials. Deloitte notes that 80% of both workers and leaders believe skills-based practices would enhance fairness in workforce decisions.
5. Skills-based organizations are better positioned to practice **human sustainability**—delivering long-term value not just to shareholders, but also to employees and society. Workers increasingly want employers who view them as whole individuals with unique strengths, motivations, and goals. A skills-based

approach supports this holistic view, enabling companies to foster environments where individuals thrive, adapt, and contribute meaningfully.

The corporate finance institute also stated several advantages associated with skills-based models' execution as per Talerico (n.d.) similar to:

1. **Access to a wider, more diverse talent pool:** Skills-based hiring expands the pool of eligible candidates beyond those with traditional qualifications, allowing employers to consider individuals from diverse backgrounds and experiences. This can be particularly beneficial for filling specialized or niche roles where traditional credentials may not accurately reflect a candidate's capabilities.
2. **Improved hiring accuracy:** By focusing on demonstrated abilities, skills-based hiring can lead to more accurate assessments of a candidate's suitability for a role. This can reduce the risk of hiring individuals who lack the necessary skills or experience, leading to faster onboarding, increased productivity, better job performance and reduced turnover.
3. **Reduced hiring costs:** Skills-based hiring can streamline the recruitment process, reducing the time and resources spent on screening resumes and conducting interviews with unqualified candidates. This can lead to lower overall hiring costs and faster time-to-fill for open positions.

4- Empowering Talent: The Benefits of Skills-Based Models for Employees:

Not only the employers, the employees can also enjoy several advantages as a result of being part of the skills-based practices that can be listed as follow according to the corporate finance institute as per Talerico (n.d.):

1. **More opportunity and career mobility:** Skills-based hiring opens up more opportunities and more options across roles and functions for job seekers and employees possessing valuable skills and experience. This allows individuals to showcase their capabilities and compete for positions that may have been previously inaccessible.
2. **Expertise recognition and increased confidence:** Skills-based hiring emphasizes the value of skills and expertise, providing employees with an opportunity to demonstrate their capabilities and gain recognition for their strengths based on skills validation. This can boost both confidence and career prospects.
3. **Equitable assessment of abilities:** Skills-based hiring provides a more equitable assessment of employees' abilities, reducing the emphasis on traditional credentials that may not accurately reflect their skills or potential. This can level the playing field for individuals with diverse backgrounds and experiences.
4. **Career advancement:** Skills-based hiring can lead to greater opportunities for career growth and development through personalized learning paths. When skills are valued and recognized, employees are more likely to be given opportunities to learn new skills and advance their careers within the organization.
5. **Alignment with personal skills and interests:** Skills-based hiring allows employees to pursue positions that align with their skills and interests, leading to greater job satisfaction and engagement. This can contribute to overall well-being and career fulfillment.

While SBO practices are beginning to show results, the benefits are unequally experienced. Companies adopting skills-based practices report some tangible outcomes. The most common outcomes include an increased emphasis on continuous learning (40%), improved company productivity (29%), higher employee engagement (29%), and more opportunities for merit-based advancement (28%). However, more transformative outcomes—like improvements in fairness, inclusion, and leadership diversity—are still rarely observed. This suggests that technical and performance benefits are emerging before cultural and equity outcomes, which may take more time and intent to be achieved (Udemy Business, 2024b).

A specific survey for employers and employees in the finance industry from UK, US, Canada and Europe in 2024 stated that skills-based strategies improve diversity and retention while reducing the cost and time to hire. From the finance employees who

prefer skills-based assessments, the stated reasons are: 87% because they get an opportunity to demonstrate their skills, 76% because they get to see which skills they will be using on the job, 37% because they reduce hiring bias (TestGorilla, 2024).

Overall, skills-based hiring offers a more equitable, effective, and future-proof approach to recruitment and talent management. By focusing on skills and abilities, employers can build more diverse and adaptable workforces, while employees can find opportunities that match their strengths and interests.

5- Barriers to Adoption: Challenges in Implementing Skills-Based Talent Strategies

Despite the growing momentum toward skills-based approaches, employers face significant barriers that limit widespread adoption across the full talent lifecycle.

The reputable organizations Deloitte and Mchinsey stated several limitations while shifting towards skills-based strategies implementation as per Cantrell et al. (2022) and Hancock et al. (2022), the limitations include:

1. One of the most fundamental challenges is the **deep entrenchment of the traditional job-based model**. For decades, jobs have served as the core unit around which organizations are structured—from job descriptions and hierarchies to performance management, compensation and career progression. This ingrained system makes it difficult to pivot toward a model that dismantles these conventional frameworks in favor of dynamic, skill-centric approaches. Even organizations that acknowledge the value of a skills-based model often struggle to implement it consistently and at scale.
2. Another significant obstacle is the **lack of reliable, validated skills data**. For a skills-based organization to function effectively, it needs accurate and up-to-date information about the skills its workforce possesses. However, most companies do not yet have a comprehensive, verified view of their employees' capabilities. According to Deloitte report, only 29% of leaders strongly agree that they know what skills exist in their workforce. This data gap makes it difficult to make informed decisions about hiring, development, and deployment.
3. There's also a **disconnect between HR and business leadership** when it comes to prioritizing and executing skills-based transformation. While HR often champions the shift, Deloitte's research found that HR leaders are significantly more confident than business executives about alignment on the importance of skills. Without full buy-in and collaboration from all leadership areas—including finance, strategy, and operations—the change tends to stall or become siloed within HR initiatives, rather than becoming a true enterprise-wide transformation.
4. **Technology and infrastructure limitations** pose another challenge. Building a “skills hub” with real-time data, AI-powered insights, and governance frameworks requires investment in new tools and systems, as well as integration across departments. Many organizations are still operating with legacy systems based on job titles and hierarchical reporting structures, which don't easily support fluid, skills-driven workflows. The lack of the digital systems or internal job architecture needed to map, track, and align skills across roles are among the common limitations. Without this infrastructure, it's hard to create upward mobility plans or make workforce decisions based on skill gaps.
5. **Cultural resistance and change management**: Moving away from job-based norms requires shifting not just systems and structures, but also mindsets. Employees may be uncertain about how their contributions will be evaluated or

rewarded. Managers may lack the training to lead in a more fluid environment where teams form around skills rather than static roles. Hiring managers may need significant education and reassurance about how to evaluate candidates through skills-based frameworks. There's also a widespread lack of confidence in: Designing skill-based interview guides, creating fair, unbiased assessments, using behavioral or hypothetical scenarios effectively in interviews

6. **Validating and Assessing Skills:** Another major challenge is verifying a candidate's actual skills. While removing degree requirements is a relatively simple first step, employers often lack reliable methods for validating skills. This includes knowing which interview questions to ask or designing objective assessments that accurately reflect job readiness.
7. **Scaling Across Organizations:** Even when skills-based practices are introduced by HR or talent acquisition professionals, scaling these practices across business units and aligning hiring managers with the new model proves difficult. Many hiring managers still favor traditional metrics such as years of experience or educational background, questioning whether skills can be acquired outside those parameters. Many HR professionals reported resistance when proposing changes like removing experience requirements. Hiring managers often preferred subjective metrics (e.g., cultural fit or tenure) over evidence-based assessments of skills.

As per Udemy (2024a), the Skills based Organizations challenges can be elaborated as follow:

- **Skills gap assessment limitation:** Accurately determining current vs. required skills remains difficult. Even with tools like GenAI, skill taxonomy and mapping are complex tasks. Misalignment between job roles and actual skill needs can result in ineffective learning investments.
- **Weak organizational readiness:** Many organizations are just starting their SBO journey; only 29% of employees think leaders are equipped to lead SBO transitions and only 28% believe leadership communicates the strategy clearly.
- **Leadership Misalignment:** Despite that 83% of senior leaders say leadership is essential to SBO, there's a significant gap in the execution and communication.

According to the recent survey conducted among the finance services industry 38% of finance employers are concerned about adding an additional step to the hiring process and 25% face a lack of buy-in from internal stakeholders. These concerns make sense, given that finance is a heavily regulated industry worldwide, but the analysis shows that finance employers have more to gain from skills-based hiring compared to other sectors. Skills-based hiring advocates in the industry can build on this data to increase buy-in and convince stakeholders that this particular additional step is a necessity rather than a burden (TestGorilla, 2024).

From the employees' side: Some finance employees don't prefer a hiring process that includes skills-based assessments because it makes them anxious and take up too much

time according to the survey's results. As long as anxiety is more common among finance employees, to support their candidates, finance employers who are using skills-based hiring should foster transparency and accessibility around their skills-based hiring processes (TestGorilla, 2024).

In this context the challenges including the difficulty of accurately assessing the skills landscape: existing skills, needed skills, and present and future skills gaps are obvious while moving to skills-based orientation. GenAI might help in addressing this challenge sooner due to its ability to analyze massive data sets and recognize complex patterns. By using generative AI to produce a comprehensive summary of skills data, organizations can better understand the supply and demand of skills and identify the skills gaps they need to fill, but it still isn't a perfect science, even where these new GenAI capabilities exist.

As per UdeMy, the journey to SBOs is not without obstacles: 70% of employees identify one or more challenges to implementation within their organizations. The top barrier is budget constraints, followed closely by difficulty assessing skills, technological limitations, and concerns about bias in evaluation systems. Other issues include resistance from employees, poor alignment with existing HR systems, and a lack of leadership support or understanding. These challenges are widespread and systemic, indicating that organizations need robust change management strategies—not just new tools—to shift mindsets and behaviors. Without clarity, consistency, and leadership modeling, SBO efforts risk becoming fragmented or performative (UdeMy Business, 2024b).

Lastly, there is a concern about how to balance skills with existing structures. While some organizations explore fully skill-based models, many are trying to retain aspects of job-based structures for legal, administrative, or financial reasons. Striking the right balance between jobs and skills without creating confusion or fragmentation is a delicate task.

6- From Vision to Action: A Step-by-Step Guide to Skills-Based Implementation

Organizations are experimenting several skills-based strategies comprehensively or partially. Some are introducing skills assessments to guide hiring and promotion, developing internal tools to track and manage skills, and enabling cross-functional skills-sharing programs. However, few have removed college degree requirements—a symbolic and structural change that signals true commitment to equity. This hesitancy stems from a lack of confidence in their ability to measure skills reliably and fairly without defaulting to traditional proxies like diplomas.

The transition to SBOs is underway, but still in its early phases. Awareness and understanding of SBO principles are disproportionately concentrated among leadership and HR personnel. This indicates that while organizations may be investing in SBO strategies, they are not yet communicating these efforts broadly, nor involving the wider workforce in meaningful ways. The transformation is occurring in silos, limiting its potential impact and buy-in (Udemy Business, 2024b).

Organizations must align leadership, HR, and business units around a shared commitment to skills-based execution. This includes addressing legal considerations and removing internal policies that depend on unnecessary degree requirements. Simple impactful changes to start with can be rewriting job descriptions to focus more on the required skills, focusing on defining “must have skills”, not “nice to have” credentials.

Deloitte proposes a new operating model built on **four guiding principles to implement skills-based model**.

<p>1. Liberate Work and Workers from the job's limitations</p> <ul style="list-style-type: none"> • What it means: Move beyond static job roles; design work as a portfolio of tasks, projects, and problem-solving activities. • How it works: <ul style="list-style-type: none"> ○ <i>Fractionalizing:</i> Breaking down jobs into tasks and required skills. ○ <i>Broadening:</i> giving workers ownership over outcomes and problems to solve rather than predefined tasks. 	<p>2. Develop a Workforce of One</p> <ul style="list-style-type: none"> • What it means: Recognize each worker as a unique individual with a distinct skill set, goals, and preferences. • Why it matters: <ul style="list-style-type: none"> ○ Promotes engagement, growth, and loyalty. ○ Achieves Better job satisfaction ○ Encourages inclusion and equitable opportunities.
<p>3. Use Skills to Make Decisions</p> <ul style="list-style-type: none"> • What it means: Let skills—not degrees or titles—drive decisions on hiring, promotion, pay and learning. • How it works: <ul style="list-style-type: none"> ○ Use AI to match people to roles, projects, and teams. ○ Shift from performance-based rewards to skill-based growth. 	<p>4. Build a Skills Hub</p> <ul style="list-style-type: none"> • What it means: Create a central, tech-powered system for capturing, validating, and applying skills data across the organization. • How it works: <ul style="list-style-type: none"> ○ Establishing consistent skills taxonomies. ○ Ensuring data accuracy. ○ Leveraging AI tools to identify hidden or adjacent skills.

Source: Adapted from *Building Tomorrow's Skills-Based Organization*, by S. Cantrell, M. Griffiths, R. Jones, & J. Hiipakka, 2022, Deloitte. <https://www.deloitte.com/content/dam/assets-shared/legacy/docs/Deloitte-Skills-Based-Organization.pdf>

The corporate finance institute recommends a few ways to get started with a skills-based hiring process in an organization as per Talerico (n.d.):

1. **Identify the skills required for the role:** The first crucial step is to identify the specific skills and competencies that are required for the role. This can be done by analyzing the job description, talking to current employees in the role, and conducting industry research. Consider the actual work to be done and the competencies someone will need to excel in the position.
2. **Remove degree requirements from job postings:** This simple step sends an important message about what's important to the organization and signals the importance of skills for the applicants.
3. **Develop skills assessments:** Once the required skills have been identified, skills assessments can be developed to measure candidates' proficiency in those skills. Skills assessments can take a variety of forms, including written tests, skills demonstrations, portfolio reviews and interviews.
4. **Screen resumes and applications:** Resumes and applications should be screened to identify candidates who have the skills and experience that are required for the role. However, it is important to avoid relying too heavily on these documents, as they may not always provide an accurate picture of a candidate's skills. When evaluating applicants, review any micro-credentials or certifications they may have when they tend to be highly focused on skills and demonstrate a candidate's commitment to developing their own proficiency.
5. **Conduct skills-based interviews:** Skills-based interviews focus on assessing a candidate's ability to perform the skills that are required for the role. This can be done by asking candidates about their past experiences using those skills, giving them hands-on tasks to complete, and asking them situational questions.

A skills-first approach is about looking at jobs – and talent – in a new way, to really help pinpoint where there are shortages, growing gaps, or emerging opportunities. To do this, works should be deconstructed by shifting away from static job descriptions and identifying the core skills and competencies required for each function. Rather than hiring for broad roles, talent pipelines can be built based on the skills needed for specific tasks and projects. Similarly, thinking about a talent pool – sourced candidates, previous applicants, “talent community” members, existing employees, alumni and so on – in a new way. Using AI can help to infer the skills someone has, including things they may never have listed on their resume, and build out skills-based profiles at scale. This gives a consistent, accurate and normalized database to query every new requisition – and from which to build data-driven workforce plans. Skills-based hiring and internal mobility means shifting from job-title-based hiring to AI-driven candidate matching that focuses on skills. This works in two ways: personalized job recommendations, whether on external careers sites or internal talent marketplaces, encourage ideal candidates into the talent pool and along the journey to a relevant role. Meanwhile, HR teams can have AI-powered recommendations at their fingertips to make better decisions about hiring – as well as

planning and outsourcing, plus the all-important upskilling and reskilling that will be essential for an industry in flux (Beamery Team, 2025).

A skills-first strategy requires a strong commitment to continuous learning and development. This includes providing employees with access to online learning platforms, financial support for certifications, job rotations, and AI-driven personalized learning paths that match individuals with relevant development opportunities.

Once intelligence is in place, firms can move to **AI-powered talent matching**, enabling:

- Personalized job recommendations.
- Data-driven hiring and internal mobility decisions.
- Identification of transferable skills (e.g., from customer service to tech roles).
- Continuous learning and development strategies aligned with real-time skills needs.

In this context, Beamery team (2025) proposes consecutive steps with top tips to implement a skills-based model:

Step 1: Diagnose the skills gaps with real-time insights. Conduct continuous skills assessments across the workforce. Use AI-driven skills intelligence to map current capabilities against future needs. Identify adjacent skills, where employees can transit with minimal training. **Top Tip:** Invest in an AI-powered skills platform that integrates with HRIS, LMS, and talent marketplace.

Step 2: Create a unified skills data ecosystem. Centralize skills data across HR, recruitment, and L&D systems. Standardize skills taxonomies to enable skills-based hiring and internal mobility. Rethink hiring – from credentials to skills-based talent acquisition. **Top Tip:** Use a connected skills intelligence system that integrates with Workday, SAP, and learning platforms.

Step 3: Build a scalable upskilling & reskilling strategy offers modular, AI-personalized learning paths in key areas (AI, cybersecurity, regulatory, compliance). Provide on-the-job learning opportunities through project-based reskilling. Enable cross-functional mobility so employees can shift roles within the firm. **Top Tip:** Create skills-based career pathways with clear internal mobility options. AI can help to do this at scale.

Step 4: Leverage external talent and alternative work models. Tap into freelancers, contractors, and external talent networks to fill immediate gaps. Use skills-based workforce planning to align hiring locations with talent availability. **Top Tip:** Use an AI-powered talent CRM that can accommodate both internal and external talent.

Step 5: Leverage external talent and alternative work models. Develop real-time, dynamic workforce planning rather than static annual plans. Predict skills shifts using labor market data and internal workforce analytics. Design future-proof leadership pipelines for fintech, AI, and digital banking roles. **Top Tip:** Use AI-driven succession planning tools to identify high-potential talent.

Despite the crucial role of AI in skills-based models' transformation, Beamery team (2025) highlights that AI should be approached with caution. It needs to be fed with the right data and talent data must also be kept secure, maintaining privacy and compliance in the recommendation process. Both data quality and data privacy should be assured while answering the following inquiries: Are the models audited for bias? Is only the necessary data being fed into the models? Connected skills intelligence (about people and jobs) can be the foundation of a more dynamic and effective approach to acquiring, managing and retaining talent. It is crucial to make sure that the existing HR tech solutions speak the same language, and speak to each other and that the integrations are seamless and safe.

AI in a skills-based environment is about empowering people: giving HR teams the insights to make more informed decisions, and then take on a more strategic role in a workplace that is undergoing unprecedented change.

Skills based model is a strategic transformation model that need a combination of AI tools and leadership and human skills.

For Gen AI, it has a significant role in accelerating skills-based models. They can help in: Automating skills analysis (identifying skill gaps from job descriptions and performance data), screening resumes after testing for skills while reducing hiring bias and providing personalized learning paths based on current vs. target skills.

As Gen AI handles technical or repetitive tasks, human skills matter more in managing the culture change through resilience, adaptability, communication, critical thinking, leadership and innovation.

Skills-based systems require a learning culture where development is normalized and a cross-generational collaboration is considered. Accordingly, organizations must:

- Treat skills development and validation as business-critical.
- Use badging and certifications as agile, up-to-date markers of progress.
- Align skills strategy with business outcomes, not just HR metrics.

Conclusion

The transition toward a skills-based model marks a pivotal transformation in how organizations manage, develop, and deploy talent. In contrast to traditional workforce structures that prioritize degrees, years of experience, or rigid job descriptions, a skills-based approach emphasizes verifiable capabilities—technical, human, and cognitive—as the new currency of work. This shift is especially timely and essential in the financial services sector, where rapid technological change, evolving customer demands, and widening skills gaps have exposed the limitations of legacy talent systems.

The research presented in this paper demonstrates that the skills-based approach delivers clear, measurable benefits. For employers, it enables agile talent deployment, enhanced internal mobility, cost-effective hiring, improved innovation, and better alignment with business objectives. For employees, it provides a more equitable and empowering career path based on merit and potential rather than background or academic credentials. It also fosters greater engagement, career ownership, and long-term development opportunities.

Despite the compelling value proposition, implementing a skills-based talent strategy is a complex and multi-layered process. It requires organizations to move beyond static job architectures and adopt dynamic, task-oriented frameworks. The transformation begins with a clear understanding of current and future skill needs, achieved through continuous, AI-powered skills gap assessments. Building a unified skills data ecosystem is the next critical step—this involves standardizing taxonomies, integrating skills data across HR, L&D, and recruitment systems, and leveraging connected technology platforms. From there, organizations must implement personalized upskilling and reskilling strategies aligned with both business goals and individual career paths. Additional steps include developing inclusive skills-based hiring processes, rethinking performance and promotion metrics, and fostering a culture of transparency and learning.

The successful execution of skills-based models depends on several key enablers. First, leadership alignment is essential—skills-based transformation cannot succeed if it is siloed within HR. Executive buy-in ensures the model becomes embedded in strategic decision-making, not just talent operations. Second, organizations must address cultural change and resistance, providing training and communication that helps managers, employees, and stakeholders embrace new ways of thinking about work, roles, and value.

A critical driver—and enabler—of this transformation is artificial intelligence. AI tools play a foundational role in diagnosing skills gaps, matching individuals to roles or projects, generating personalized learning recommendations, and forecasting future skills demand based on labor market trends. AI also supports talent intelligence by uncovering hidden or adjacent skills, facilitating internal mobility, and helping HR professionals make faster, more informed decisions. However, while AI presents enormous opportunities, it must be deployed with caution. Ethical use, data accuracy, auditability, and fairness must be

ensured to avoid reinforcing biases or compromising trust in hiring and development systems.

This research also emphasizes the importance of human-centered implementation. While technology can automate and optimize, human skills—such as leadership, communication, adaptability, and critical thinking—are indispensable in driving cultural change and ensuring inclusive, thoughtful adoption of new models.

In conclusion, the skills-based approach is no longer a future vision—it is a present-day strategic necessity. The organizations that invest in this transformation and adopt AI responsibly will be better equipped to navigate workforce disruptions, unlock untapped talent, and drive long-term competitive advantage. For financial services firms, in particular, embracing skills-based strategies is key to staying resilient, responsive, and relevant in a rapidly evolving landscape. It is not just a matter of hiring differently, but of reimagining how work itself is structured and how human potential is recognized, developed, and deployed.

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