Driving economic impact and realizing value with skills intelligence

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iMocha
Brewing a Skills-first Planet

EY
Building a better working world

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Foreword

The hiring, training, and attrition cycles in today's market have resulted in low employee engagement across companies. According to market analysts, global employee engagement stands at 23%, while employee engagement in advanced organizations reaches 70%[1]. These rates have remained relatively unchanged over the past five years, indicating widespread employee dissatisfaction and limited effectiveness of workforce transformations during this time.

The scale of workforce transformations is expected to remain high, given the present pace of AI adoption and the magnitude of the skills shortage. A forecasted shortage of skilled employees in over 80 million job roles globally by 2030 could lead to a predicted impact of US$8.5 trillion[2] in unrealized annual revenues if left unchecked.

A significant portion of the US$8.5 trillion in unrealized annual revenues will be incurred as opportunity costs during cycles of re-hiring, re-training, and employee attrition. Skills intelligence can potentially enable organizations to significantly reduce these costs by improving effectiveness and efficiency across the key levers of workforce transformations – hiring, training, and employee attrition.

As skills intelligence continues to establish itself as a natural solution for improving accuracy rates in hiring, training, and employee attrition, the question arises, "how much impact can it have at an organizational level?".

[1] https://www.gallup.com/394373/indicator-employee-engagement.aspx
[2] https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work

In our previous two reports, 'Tech Skills Transformation 2025' and 'Skills-First Transformation - SFT', we identified four key learnings. First, AI and automation significantly impact job roles and skills. Second, we identified the 'power user talent' persona associated with future job roles. Third, companies are increasingly leveraging skills-first transformations, facing a few challenges but realizing business benefits. Fourth, skills intelligence is driving the advent of SFT 2.0. In this report, 'Driving economic impact and realizing value with skills intelligence', we attempt to answer, 'how much impact can it have at an organizational level?' We deep dive into the unit economics of workforce transformations and explore the potential impact of skills intelligence across typical industry situations prevalent in technology, BFSI, retail, and telecom.

The report uncovers four crucial insights. First, typical accuracy rates for hiring, training, and employee attrition are between 70% and 80%, and skills intelligence can potentially improve these rates by 10% to 20%. Second, the full unit costs of workforce transformation are substantial and often underestimated. Factoring in typical accuracy rates and hidden costs can drive up full unit costs by three to 10x of their typical values. Silent costs include rehiring and retraining costs, loss of attributable revenue due to productivity gaps, and salaries during periods of lower productivity. Third, irrespective of the type and nature of business transformation, an uplift in accuracy rates with skills intelligence can deliver 1.5 to five times higher transformation efficiency. This gain comes from uncovering potential future states associated with better business outcomes, improved execution aligned to the plan and minimized transformation costs. Fourth, the journey to successfully realizing value from skills intelligence begins with a shared understanding of the business case. This requires collaboration between HR, business, and finance leaders. This shared understanding can be developed and sustained with systems for managing operating model design, job roles directory, and skills taxonomy.

As the prevalence of skills intelligence and skills-first transformations continues to grow, companies leveraging it can expect to lower the friction inherent in workforce transformations. It can drive significant economic impact through increased accuracy in hiring, training, and employee attrition.

The capability of skills intelligence to provide visibility and data-backed insights at an employee level is an AI-powered solution for the critical industry problem of the accelerated skills gap, itself driven by AI adoption. The industry-wide adoption of skills intelligence may hold the key to significantly mitigating the forecasted US$8.5 trillion in unrealized annual revenues due to the skills gap by 2030.

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Key definitions and assumptions for impact modeling

01 *Skill intelligence*

Skills intelligence is an HR system which helps organization make better hiring, training and employee attrition decisions. It leverages skills taxonomies, skill inventory and market intelligence to provide workforce transformation insights

02 *Business transformation*

- Business transformation means delivering change, taking advantage of new market opportunities to steer a business in a new direction, often involving digital transformation and cultural shifts
- Any business initiative focused on changing an 'as-is' state of business outcomes and costs to a new 'to-be' state associated with better outcomes and/or lower costs

03 *Workforce transformation*

- Workforce transformation is at the heart of every business transformation, operated through hiring, training and employee attrition as fundamental transformation levers.
- It includes strategic planning and execution to a plan for hiring, training and employee attrition/retention.

04 *Impact factor for job roles*

- The proportionate revenue impact for any given job role, as a multiple of annual CTC (cost to company)
- Typically ranges from 1.5x of annual CTC for services to five to ten times for sales or product roles and may even more than 10x for managerial/ leadership roles

05 *Hiring accuracy*

- Hiring accuracy (as a percentage) is a measure of the proportion of new hires who meet the productivity/performance requirements for the role
- An inaccurate hire is any new hire who does not meet productivity requirements and leaves the organization soon after joining, either voluntarily or through involuntary employee attrition, typically within six to nine months after joining

06 *Training accuracy*

- Training accuracy is a measure of the proportion of trainees who meet the productivity/ performance requirements for the role after completing the training.
- Inaccurate training refers to any trainee who does not meet the productivity/performance requirements for the role after completing training, typically over three to six months.

07 *Employee attrition/involuntary attrition accuracy*

- Employee attrition accuracy is applicable for attritions accompanied by a new replacement for the given role. It is a measure of the proportion of number of positions affected by employee attrition where the replacement is more productive than the previous employee.
- An inaccurate employee attrition occurs where the replacement is not as productive as the original employee.

08 *Workforce transformation efficiency*

It is an indicator of the value realized when moving from a present state towards a desired state, as a collective result of the planned improvement in business gains, the deviation of the actuals from planned upon execution, and the actual costs of undertaking the transformation.

Key takeaways

1 The skills-first approach offers significant benefits over the typical role-based approach during business transformations

Skills intelligence can significantly improve accuracy rates of hiring, training and employee attrition during workforce transformations

a. Typical accuracy of hiring, training and employee attrition based on a role-based approach is between 70% and 80%

b. Skills intelligence can potentially improve the accuracies of hiring, training and employee attrition by 10% to 20%

2 The actual unit costs of workforce transformation can be 3x to 5x of typical unit costs, increasing even further based on the impact of the job role

Actual unit costs include rehiring and retraining costs, loss of attributable revenue due to productivity gaps and salaries during periods of lower productivity

a. For typical accuracy of 75% and impact factor of 1.5x of CTC, actual unit cost of hiring, training and attrition per headcount are ~30%, ~35% and ~30% of CTC respectively.

b. For impact factor of 5x of CTC, the same numbers are ~60%, ~72% and ~75% of CTC respectively

3

Irrespective of the type and nature of transformation, the skills-first approach with skills intelligence is more efficient and effective than the role-based approach

Skills-first approach delivers1.5x to 5x times higher transformation efficiency over role-based approach

a. Improving workforce transformation efficiency requires:

   i. discovering potential to-be states with better business outcomes

   ii. improved execution aligned to the workforce transformation plan

   iii. minimized transformation costs for executing workforce transformation

b. Business situations for workforce transformations across companies can vary significantly by industry and context (digital transformation, global expansion etc.)

4

Realizing value from skills intelligence requires 3 foundational elements: business case for skills intelligence, operating model/ job role directory and skills taxonomy

a. A common understanding of the business case for skills first approach between HR, business and finance is essential for success

b. Resources such as O*NET and Singapore Skills Frameworks can be leveraged as a reference for building initial models alongside the business case frameworks presented in this report

Introduction

The full costs of layoffs for companies far exceed any immediate cost savings. Regardless of the context of the business transformation, workforce transformation is always at its center – affecting the levers of hiring, training, and employee attrition.

Industry studies indicate that organizations with high employee retention rates outperform their competitors in revenue growth by an average of 2.5 times[3] and the cost of replacing an employee can range from 16% to 213%[4] of their annual salary. Minimizing the friction associated with workforce transformations is essential for business success, especially given the skills gap in the market.

The typical role-based approach to workforce transformation, both in planning and execution, lacks crucial insights available from skills intelligence. This includes visibility into skills inventory, its alignment with potential or planned future states, and potential training or learning paths to achieve those states. Instead, the typical role-based approach is limited to traditional data points like the number of people per job role, compensation details, and employee performance data.

The additional visibility provided by skills intelligence is significant and leads to better accuracy and lower unit costs. The impact extends across the workforce transformation levers of hiring, training, and employee attrition, both in planning and execution. Skills intelligence uncovers potential future states associated with better business outcomes. It significantly improves execution by aligning more closely with planned future states and lowers transformation costs by increasing accuracy at each step, thereby minimizing rehiring, retraining, and other hidden costs.

The natural next question is this, "How much impact can skills intelligence have at an organizational level?" Finding the answer requires a common HR, business, and financial framework for evaluating the business case for skills intelligence at an organizational level.

In this report, we unpack, "How much impact can skills intelligence have at an organizational level?" in four parts:

1

How skills intelligence impacts transformation accuracy

1. Talent transformation priorities of HR leaders and baseline accuracy rates
2. Potential for impact with a skills-first approach
3. Levers of impact for skills intelligence in strategy and execution

2

Realistic costs of hiring, training, and employee attrition, including hidden costs

1. Hiring costs and the impact of hiring accuracy
2. Training costs and the impact of training accuracy
3. Employee attrition costs and the impact of attrition accuracy

3

Why a skills-first approach is better across types of transformations

1. Typical industry situations and sampling plan for impact simulations
2. Workforce transformation efficiency model for strategy and execution
3. Impact simulations and results

4

How to develop the foundation for skills intelligence

1. Importance of a shared business case among HR, business, and finance leaders
2. Managing operating model design, job roles directory, and skills taxonomy

[3]https://www.linkedin.com/pulse/roi-employee-retention-strategies-theatticusgrp/

[4]https://www.americanprogress.org/article/there-are-significant-business-costs-to-replacing-employees/

Methodology

Data sources and sample size

This report has leveraged primary interviews with HR and business leaders, alongside the survey data collected for the previous two reports for a total sample set of ~580 HR leaders and employees (240+ HR leaders and 340+ employees), with over 200 primary interviews with HR leaders conducted between February 2023 and April 2024.

Analysis frameworks

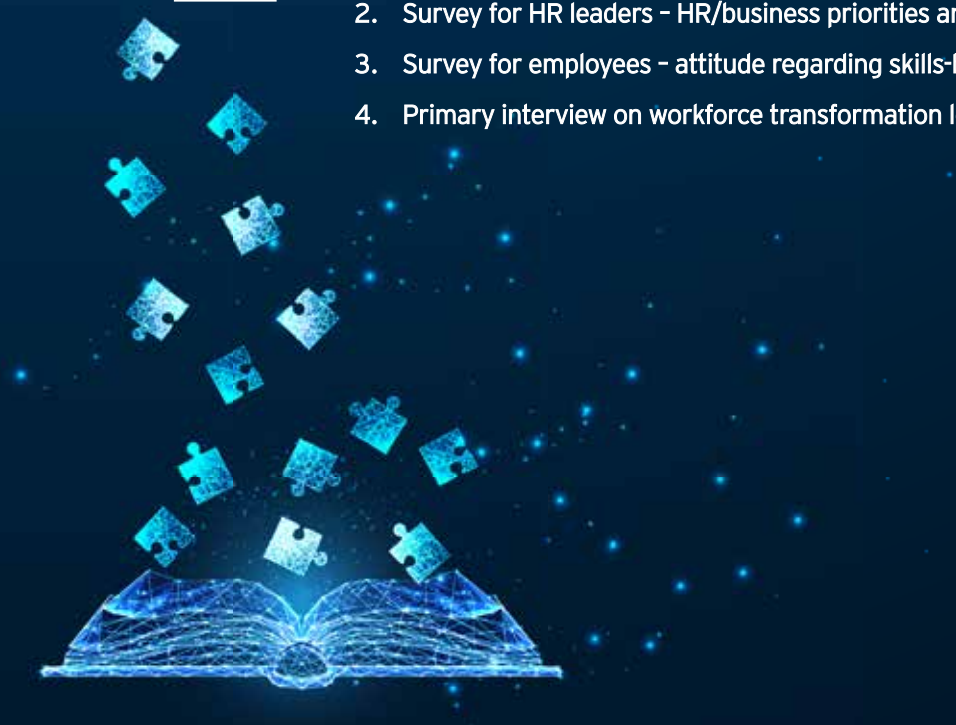
In addition to the data gathered through primary interviews and surveys, two analysis frameworks have been developed for the purposes of this study:

1. The unit cost framework for the workforce transformation levers of hiring, training and employee attrition
2. The transformation efficiency framework for measuring business impact due to accuracy improvement.

Questionnaires

Four questionnaires were used across primary interviews and surveys during the study:

1. Primary interview on HR/business priorities and tech skills transformation in job roles
2. Survey for HR leaders – HR/business priorities and skills-first adoption
3. Survey for employees – attitude regarding skills-based approach
4. Primary interview on workforce transformation levers and economics



Mode of the survey

We engaged with the respondents in conversations and surveys, using questionnaires as a guide. Percentage figures represent the proportion of overall responses.

Sample distribution

HR leaders

Surveys and interviews with HR leaders (CHROs, Global HR heads, Regional HR heads and Country HR heads)

241
No. of responses

175
No. of unique companies

	HR leadership responses according to industry and geography					
Country	ITES	Technology	BSFI	Telecom	Others	Total
India	17%	11%	15%	3%	5%	**51%**
US	7%	7%	1%	1%	2%	**19%**
EMEA (UK, EU and the Middle East)	6%	4%	7%	2%	5%	**24%**
APAC (SEA and ANZ)	1%	2%	1%	1%	1%	**6%**
Total	**31%**	**24%**	**24%**	**8%**	**12%**	**100%**

	Companies' responses by industry and size			
Industry	Less than 1000	1000 to 10000	More than 10000	Total
ITES	2%	12%	12%	27%
Technology	10%	7%	9%	27%
BFSI	4%	12%	9%	25%
Telecom	1%	4%	2%	7%
Others	4%	4%	6%	14%
Total	**22%**	**40%**	**38%**	**100%**

Employees

Survey across employees

343
No. of responses

	Employee responses according to industry and geography					
Country	ITES	Technology	BSFI	Telecom	Others	Total
India	3%	39%	4%	1%	21%	68%
US	1%	12%	2%	1%	5%	21%
EMEA (UK, EU and the Middle East)	1%	3%	1%	0%	2%	7%
APAC (SEA & ANZ)	0%	1%	0%	0%	1%	2%
Others	0%	1%	0%	0%	1%	2%
Total	**5%**	**56%**	**7%**	**2%**	**30%**	**100%**

1

How skills intelligence impacts transformation accuracy

1.1

Talent transformation priorities of HR leaders and baseline accuracy rates

01 Global employee engagement is low on average, but three times higher for leading organizations.

02 Employees indicate that the present efforts to bridge the skills gap are inadequate.

Figure 1.1.1

Eployee engagement rates

~23%
Global average employee engagement rate

~70%
Employee engagement rate at leading organizations[5]

Figure 1.1.2

Employees' response to current initiatives by HR leaders

86%
of the employees believe that they experience challenges in identifying and showcasing their skills

87%
of the employees believe that their organizations do not fully use their skills

40%
of the employees believe that the tasks they perform do not match the job description

83%
of the employees believe that they will stay longer with firms with a skills-first approach[6]

[5] https://intellizence.com/insights/layoff-downsizing/major-companies-that-announced-mass-layoffs/

[6] https://intellizence.com/insights/layoff-downsizing/major-companies-that-announced-mass-layoffs/

1.2

Potential impact using skills-first approach

01 At-scale workforce transformation is imminent driven by tech skills

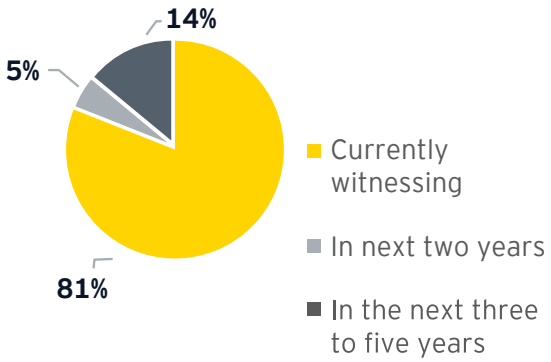
02 Typical accuracy rates for hiring, training and employee attrition are reported to be 70% to 80%[7]

> "We underestimated the extent to which the growth driven by the pandemic would persist after people resumed their offline activities. We are currently adjusting the size of our workforce to align with the current market conditions..."
>
> **Director, Talent Development of a European Technology firm - (headcount ~10,000)**

Figure 1.2.1

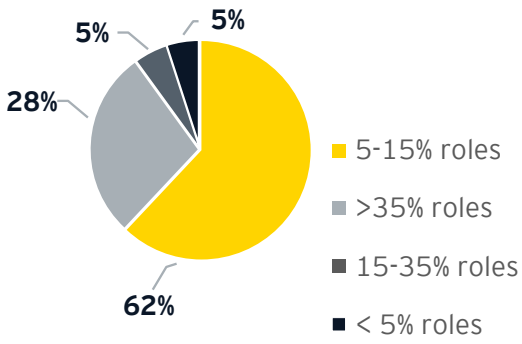
HR leaders' response on the scale of skills gap at their organizations

When do you expect tech-related skills gap to occur in your organization?



81% of organizations surveyed affirmed that they are facing a technology skills gap

What share of the current tech roles in your organization will require skills transformation in the next to three years



~28% organizations that believe >35% of tech roles will require skills-first transformation to stay competitive.

Figure 1.2.2

HR leaders' response on the scale of skills gap at their organizations

65% to 85%	60% to 80%	70% to 90%
Typical accuracy rates for hiring	Typical accuracy rates for training	Typical accuracy rates for employee attrition
~55% of responses	~65% of responses	~50% of responses

[7]https://finance.yahoo.com/news/layoffs-soared-98-in-2023-with-employers-in-cost-cutting-mode-192152746.html

1.3

Levers of impact for skills intelligence in strategy and execution

01 63% of HR leaders reported that SFT initiatives bought a high positive impact on talent retention while 58% reported improvement in employee performance, among other benefits.

02 SFT 2.0 approach can potentially improve accuracies of hiring, training and employee attrition by 10% to 20%.

Figure 1.3.1

HR leaders' response on the scale of benefits areas and impact with skills-first approach

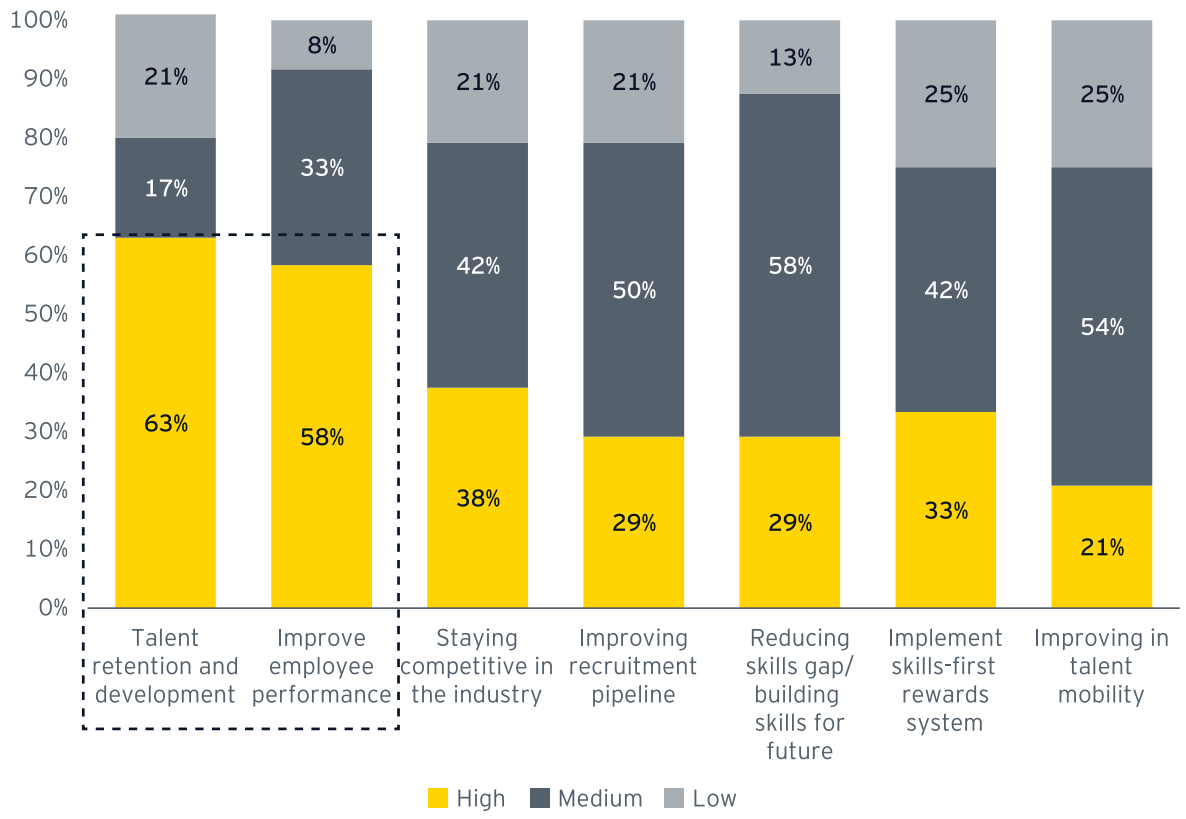


Figure 1.3.2

HR leaders' response to increase after SFT

10% to 20%* Potential for increase in accuracy of hiring, training and employee attrition

~60% of responses

1.4

Impact mechanics for skills intelligence

01 Skills intelligence uncovers potential to-be states associated with better outcomes and/or lower costs during workforce transformation planning

02 Skills intelligence improves accuracy during hiring, training and employee attrition through improved visibility on individual skills, benchmarks and personalized training paths

Role-based approach:

- Limits visibility of skills data
- Leads to sub-optimal decisions about hiring, training, and retention based on limited perspective and data

Skill-based approach:

- Focuses on demonstratable skills and pinpoint talent with the right fit
- Holistic perspective on skills and potential fitment, with personalized training paths for skill development

Figure 1.4.a

Planning for workforce transformation

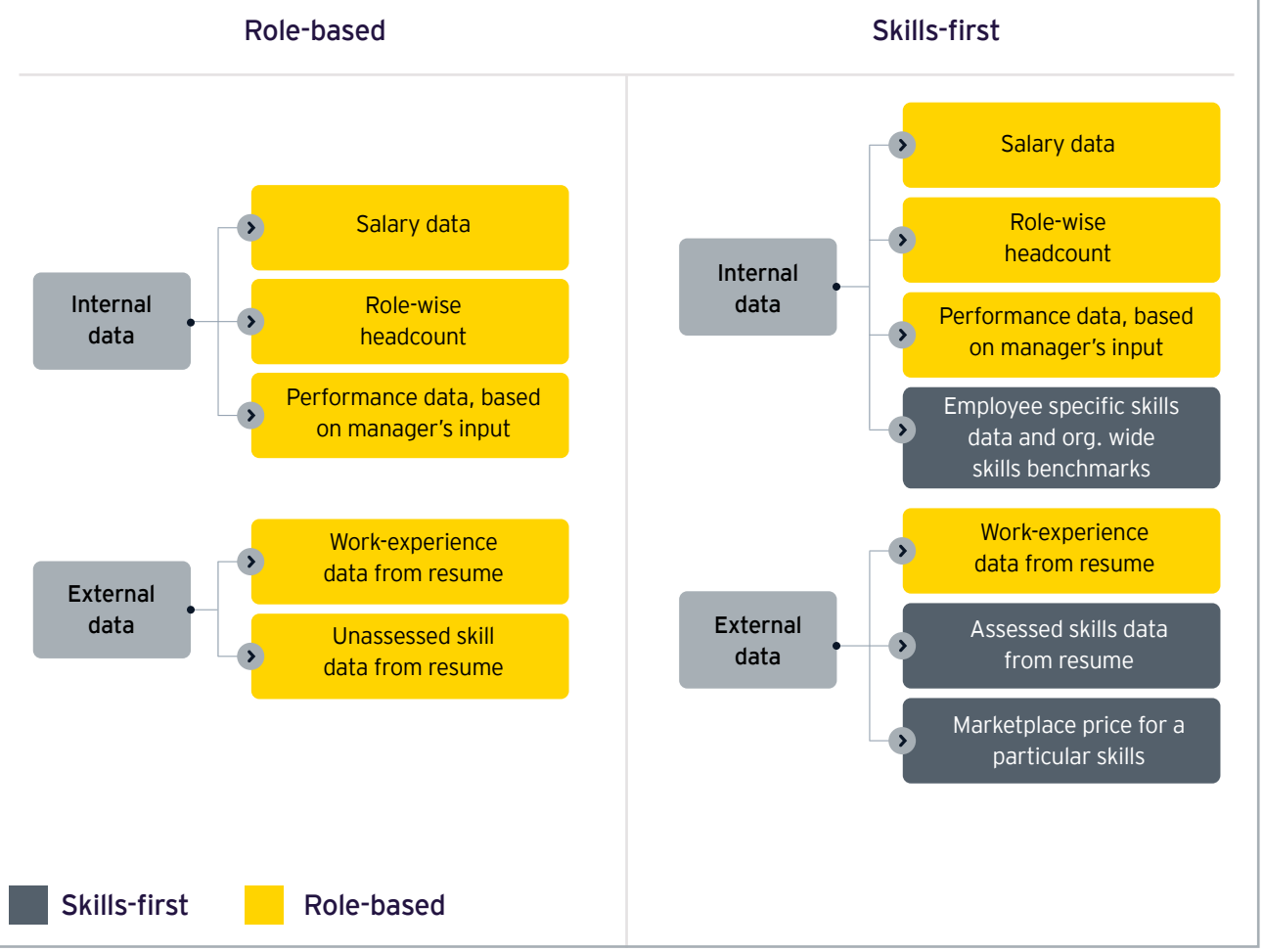


Figure 1.4.b

Hiring

Role-based

- Requirement creation by hiring manager
- Check internal availability of talent
- Role-based creation of job description
- Market the JD across job boards/ platforms, Contract external partners
- Receive job applications and screen CVs
- Assessment and interview to shortlist candidate
- Receive job applications and screen CVs

Skills-first

- Requirement creation by hiring manager
- Leverage skills taxonomy to create JD
- Use internal Skills data to find available internal talent
- Use external skills data to find talent pools
- Market the JD across job boards/ platforms, Contract external partners
- Receive job application
- Skills-based screening of JD and skills-based assessment
- Interview and shortlisting
- Negotiation and onboarding

Skills-first | Role-based

Figure 1.4.c

Training

Role-based

- Consult hiring manager to understand skills requirements
- Check business growth and internal talent attrition
- Identify job roles that need talent
- Identify talent for training basis manager input
- Directly assign courseware for reskilling/upskilling
- Employee performance and market conditions
- Undergo assessment
- Deployment after passing the assessment

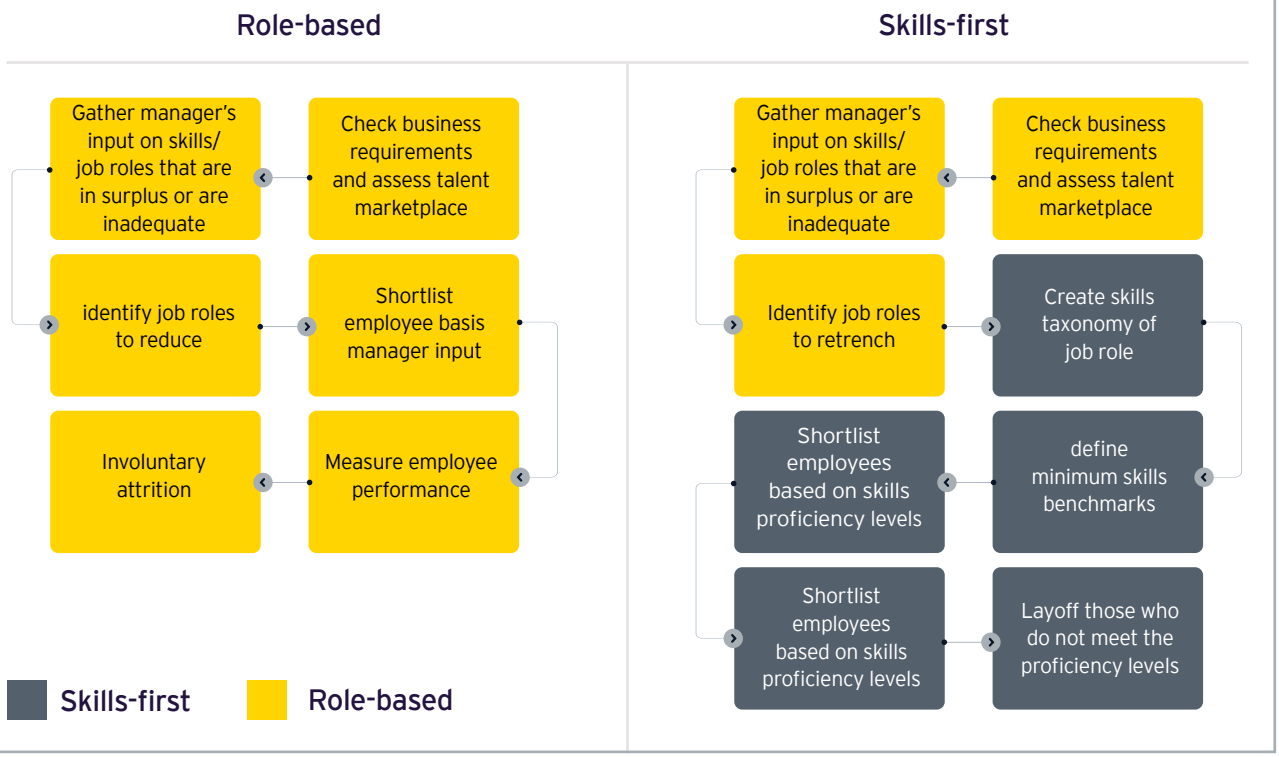
Skills-first

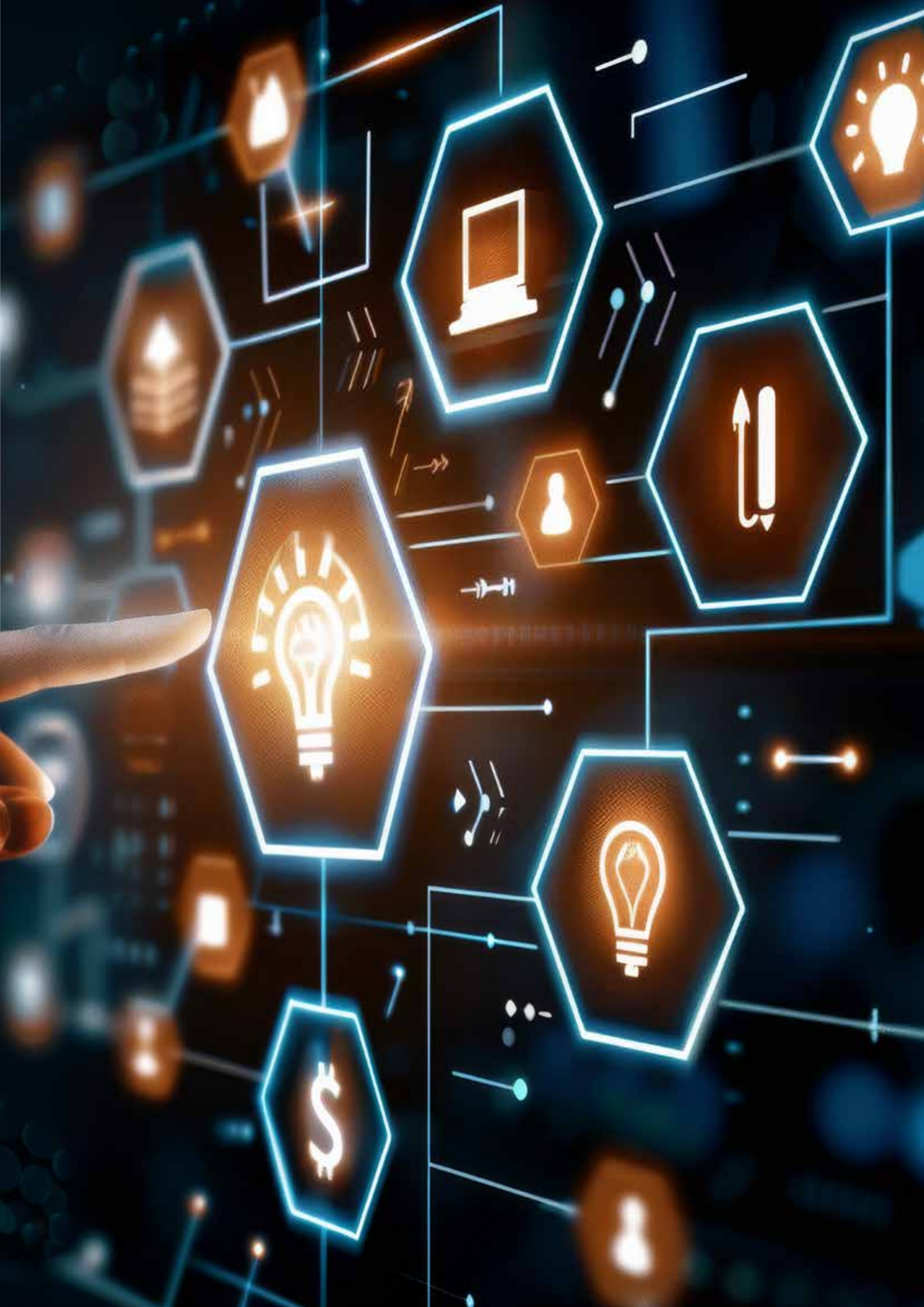
- Consult hiring manager to understand skills requirements
- Check business growth and internal talent attrition
- Identify job roles that need talent and job roles specific skills
- Baseline existing skills of the employees
- Create personalized courseware basis skills requirement of an individual
- Identify talent for training basis skills benchmark
- Undergo skills specific assessment
- Deployment after passing the assessment

Skills-first | Role-based

Figure 1.4.d

Involuntary attrition during job role attrition





2

How realistic costs of hiring, training and employee attrition include multiple hidden costs

2.1

Hiring costs and impact of hiring accuracy

01 The realistic costs of hiring per role include hidden costs, such as additional training, employee turn-over and re-hiring costs since typical accuracy is between 70% and 80%.

02 Even with 80% accuracy, the realistic unit cost per role is almost three times the visible costs when the impact of the role is 1.5x of the CTC, going up to ~6.5x when impact is five times of the CTC.

Figure 2.1

Realistic cost of hiring per employee

Realistic cost of hiring = Visible cost of hiring + Hidden costs of hiring

Visible calculation of hiring costs	Typical candidate sourcing and interviewing costs, which come up to around 10% of the annual CTC for 100% headcount
Hidden costs of hiring	Refers to costs such as opportunity cost due to lower productivity, additional training and rehiring costs incurred for mis-hires, which are not evident while accounting for cost of hiring

Realistic cost of hiring, *27% of annual CTC*

Visible cost of hiring *8% of annual CTC*

80%* of HC (talent that meets job fitment) X Unit cost of hiring

10% of CTC

A

+

Hidden costs *(19% of the annual CTC)*

10% of HC [trainable mis-hires (50% of talent that do not meet job fitment)] X Unit cost of hiring / Opportunity cost of mis-hires to be retrained

10% of CTC | 70% of CTC

A | B + D

+

10% of HC [non-trainable mis-hires for involuntary attrition (50% of talent that do not meet job fitment)] X Unit cost of hiring / Opportunity cost of mis-hires/involuntary attrition

10% of CTC | 100% of CTC

A | C + E

Assumptions for unit cost modeling

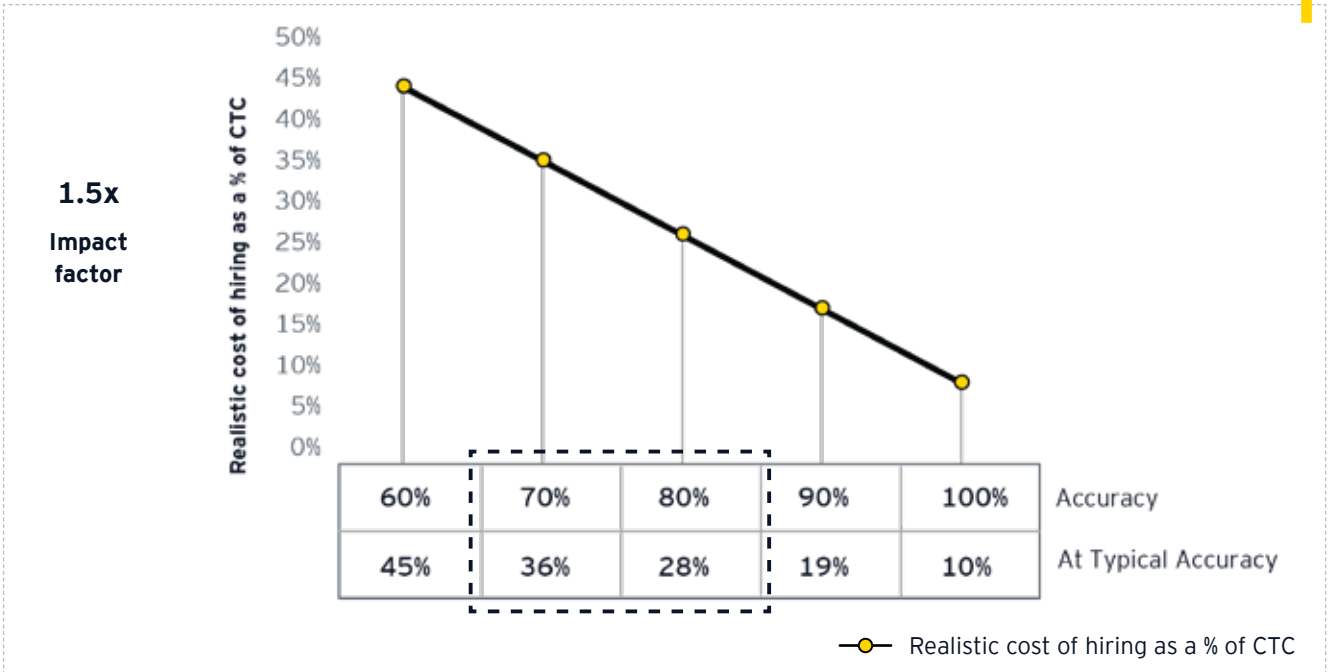
		As a % of annual CTC per hire
A.	Candidate search cost (internally/ outsourced) + processing cost	10%
B.	Opportunity cost due to lost productivity due to trainable mis-hires, ~six months of 50% reduced impact*	37.5%
C.	50% of three months' salary during mis-hire identification + three months' salary during retraining)	37.5%
D.	Opportunity cost due to lost productivity of mis-hires for involuntary attrition, ~six months of 80% reduced impact	60%
E.	80% of three months' salary during mis-hire identification + 80% of three months' salary during notice period	40%
F.	Impact factor – assumed as a multiple of CTC, correlated with revenue per employee	1.5 x CTC

Impact factor is the proportionate revenue impact created by a job role, as a multiple of the annual CTC (cost to company). Different job roles have different impact factors associated with them. Impact factors typically range from 1.5x of annual CTC for services, to five to ten times for sales or product roles and may even touch more than 10x for managerial/leadership roles.

Based on the accuracy of hiring, the realistic costs of hiring varies based on the respective impact factor of the job role.

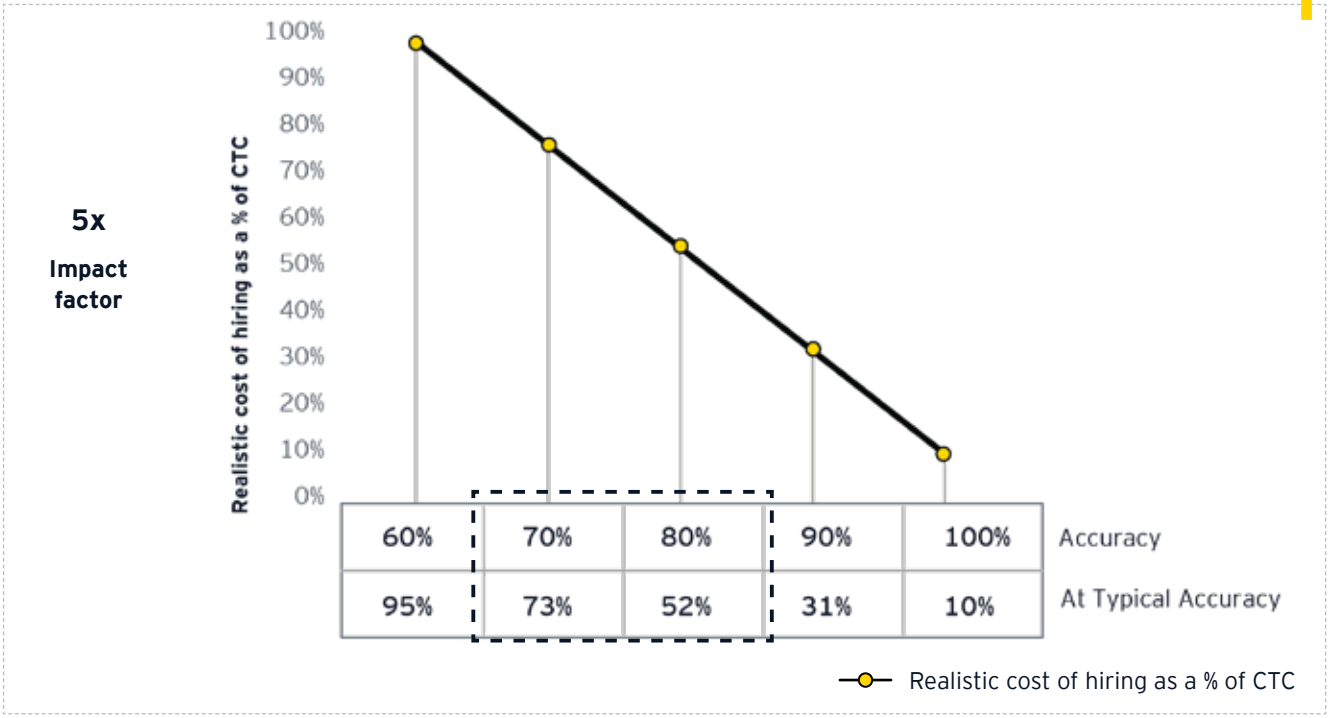
In roles where the impact factor is 1.5x the CTC, at hiring accuracy rates between 70% and 80%, the realistic costs of hiring range from 2.8x to 3.6x of the visible costs (10% of CTC per role)

Accuracy vs. realistic cost of hiring



In roles where the impact factor is five times the CTC, and the hiring accuracy rates usually fall between 70% and 80%, the actual costs of recruitment can range from 5.2 times to 7.3 times the visible costs (which account for 10% of CTC per role).

Accuracy vs. realistic cost of hiring



2.2

Training costs and impact of training accuracy

01 The realistic costs of training per role include hidden costs such as additional training, salaries and opportunity cost due to lost productivity since typical accuracy is 80%.

02 Even with 80% accuracy, the realistic unit cost per role is ~4.5x of visible costs when the impact of the role is 1.5x of CTC, going up to ~9.3x when the impact is five times the CTC.

Figure 2.2

Realistic cost of hiring per employee

Realistic cost of training = Visible cost of training + Hidden costs of training

Visible calculation for training costs	Typical training costs including peers/leads, in-person training and paid digital courseware
Hidden costs of training	Includes hidden costs such as opportunity cost due to lower productivity and re-training costs incurred for inaccurate training

Realistic cost, *34% of annual CTC*

Visible cost — 7.5% of annual CTC

100% of headcount X Unit cost of training per FTE (7.5% of CTC) (A)

+

Hidden costs — 26.5% of annual CTC

100% of headcount X Unit salary costs during training (8.5% of CTC) (B) + Opportunity cost due to lost productivity during training (12.5% of CTC) (C)

+

20% of headcount X Unit cost of training per FTE (7.5% of CTC) (A) + Unit salary costs during training (8.5% of CTC) (B) + Opportunity cost due to lost productivity during training (12.5% of CTC) (C)

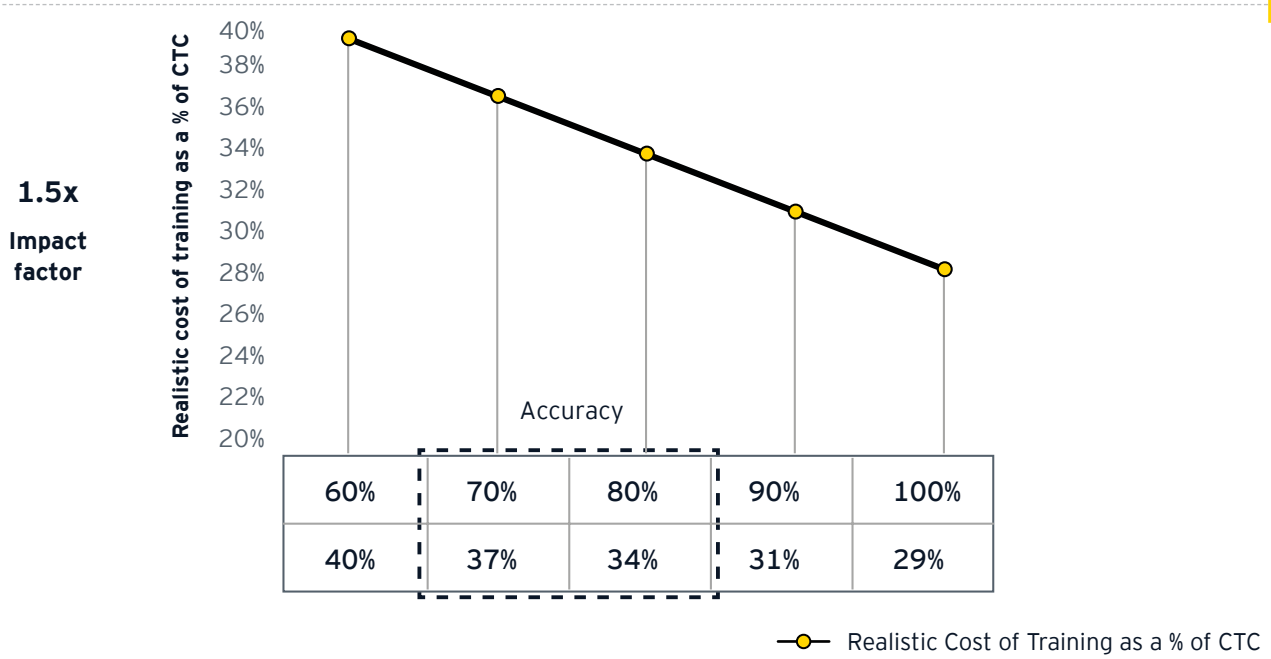
Assumptions for unit cost modeling

		As a % of annual CTC per hire
A.	Cost of training per FTE – assuming training from peers/leads + in-person training + paid digital courseware	7.5%
B.	Unit salary cost during training – Assuming 50% of two months' salary during training	8.5%
C.	Opportunity cost due to lost productivity during training – Assuming 50% reduced impact for two months	12.5%
D.	Impact factor – assumed as a multiple of CTC, correlated with revenue per employee	1.5 x CTC

Based on the accuracy of hiring, the realistic costs of training vary, based on the respective impact factor of the job role. Different job roles have different impact factors associated with them. (The impact factor has been explained in the previous section.)

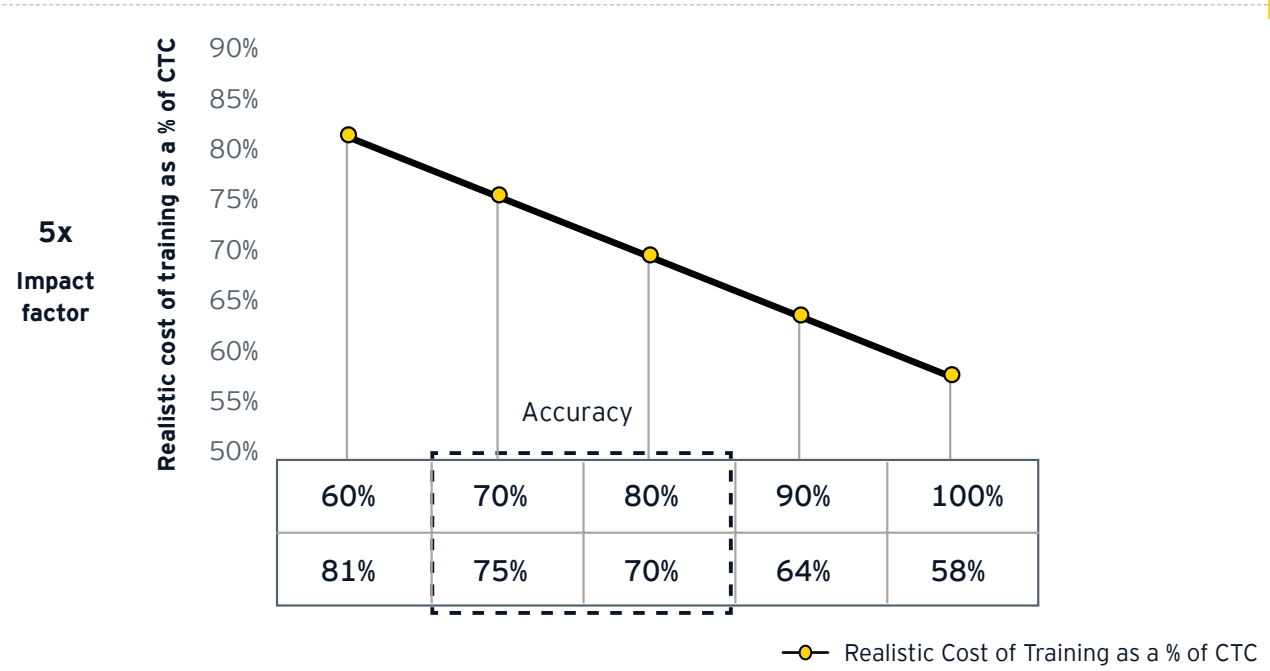
For typical accuracy rates of training at 80%, the realistic costs of hiring range from 4.5x of the visible costs (7.5% of CTC per role) for roles with an impact factor of 1.5x of CTC

Accuracy vs. realistic cost of training



For typical accuracy rates of hiring between 70% and 80%, the realistic costs of hiring range from 9x to 10x of the visible costs (7.5% of CTC per role) for roles with an impact factor of five times the CTC

Accuracy vs. realistic cost of hiring



2.3

Employee attrition costs/ value and impact of employee attrition accuracy

01 The realistic costs of employee attrition per role include hidden costs, such as a realistic cost of hiring a replacement and value realization over time due to the comparative productivity benefit/loss.

02 With 80% accuracy, the realistic unit cost per role reduces to 50% of visible costs despite accommodating higher realistic unit costs of rehiring the replacement.

Figure 2.3

Realistic cost of employee attrition

Visible calculation for employee attrition costs	Typical employee attrition costs including severance pay and visible cost of hiring the replacement
Hidden costs of employee attrition	Includes hidden benefits and costs such as opportunity cost due to improved/lower productivity based on accuracy of replacement hire

Visible Cost of employee attrition with replacement	Realistic cost of employee attrition with replacement (over 1 year)
35% of Annual CTC per Hire	19.25% of Annual CTC per Hire

100% of headcount	X		+	100% of headcount	X	-	80%* (probability of benefit)	+	5%** (probability of loss)
Unit Severance Cost	+	Visible Unit Cost of Hiring		Unit Severance Cost	+	Realistic unit cost of hiring	X		X
							Assumed value of Benefit over 1 year		Assumed value of Loss over 1 year
25% of CTC		10% of CTC		25% of CTC		30% of CTC	75% of CTC		75% of CTC
A		B		A		C	D		E

Assumptions for unit cost modeling

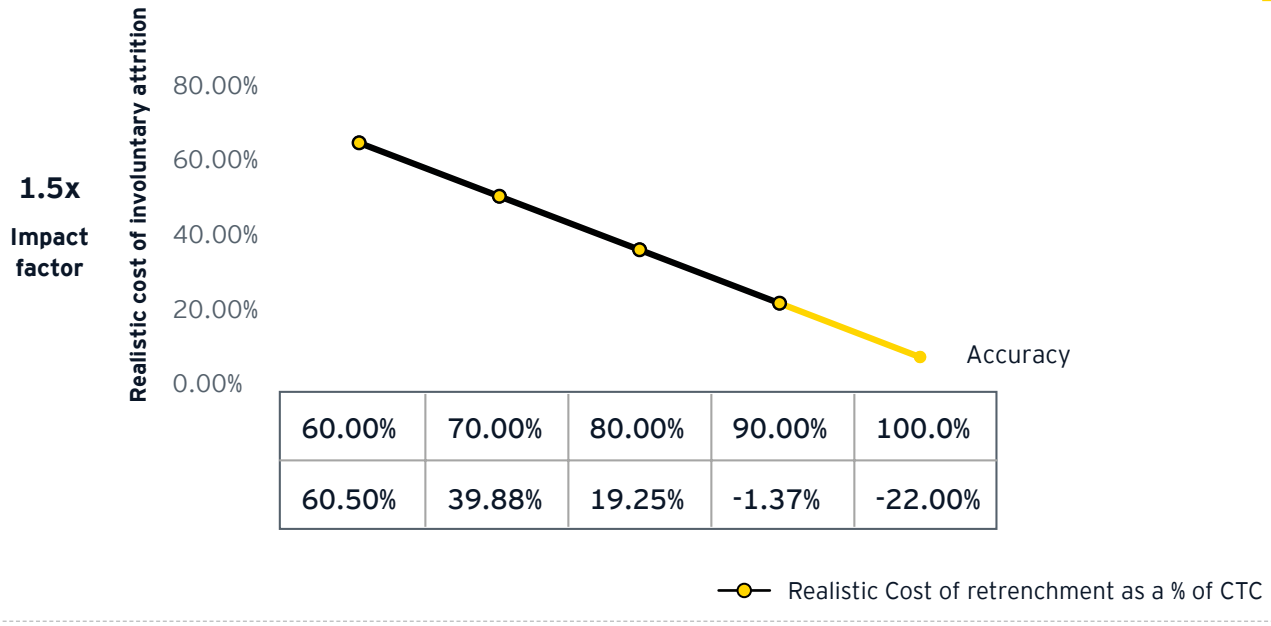
*Assumed value of benefit is the positive 50% productivity improvement over the laid-off personnel with replacement
** Assumed value of loss is the negative 50% productivity decrease over the retrenched personnel with the replacement
*** Accuracy of involuntary attrition refers to the probability that the laid-off resource was replaced with a more productive resource.
**** Probability of the new personnel being less efficient than the laid-off employee

		As a % of annual CTC per hire
A.	Three months of salary as severance	25%
B.	Typical unit cost of hiring a resource to replace the laid-off resource	10%
C.	Realistic unit cost of hiring a resource to replace the laid-off resource	30%
D.	Additional benefit accrued over the standard impact value of 150% of CTC	75%
E.	Loss of value accrued over the standard impact value of 150% of CTC	75%
F.	Impact factor – assumed as a multiple of CTC, correlated with revenue per employee	1.5 x CTC

Based on the accuracy of involuntary attrition, the realistic costs of involuntary attrition vary based on the respective impact factor of the job role. Different job roles have different impact factors associated with them. (The impact factor has been explained in the previous section.)

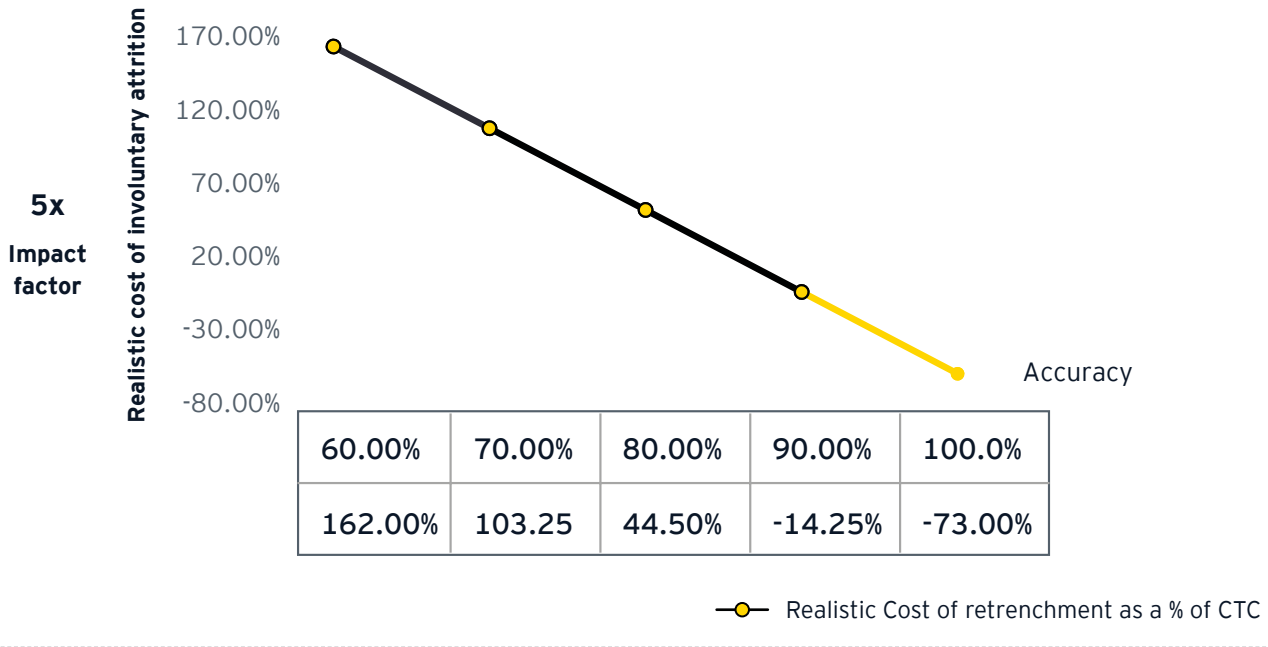
For typical accuracy rates of involuntary attrition between 70% and 80%, the realistic costs of involuntary attrition range from 1.1x to 0.5x of the visible costs (35% of CTC per role) for roles with an impact factor of 1.5x the CTC

Accuracy vs. realistic cost of involuntary attrition as a percentage of CTC



For typical accuracy rates of involuntary attrition between 70% and 80%, the realistic costs of involuntary attrition range from 3x to 1.2x of the visible costs (35% of CTC per role) for roles with an impact factor of five times the CTC

Accuracy vs. realistic cost of involuntary attrition as a percentage of CTC



3

How skills-first approach is better across all types of transformations

3.1 Typical industry situations and sampling plan for impact simulations

Based on the combinations of the levers, we chose the following situations to study the impact of role-based and skill-first approaches to transformation.

A

Industries: We focused on covering five major industries to simulate the impact of role-based or skills-first approaches.

B

Transformation case: We looked at multiple transformation cases based on coverage and frequency of occurrence in companies in the above industries. Based on our different advisory engagement, we simulated the following frequently encountered business transformation themes and uses cases.

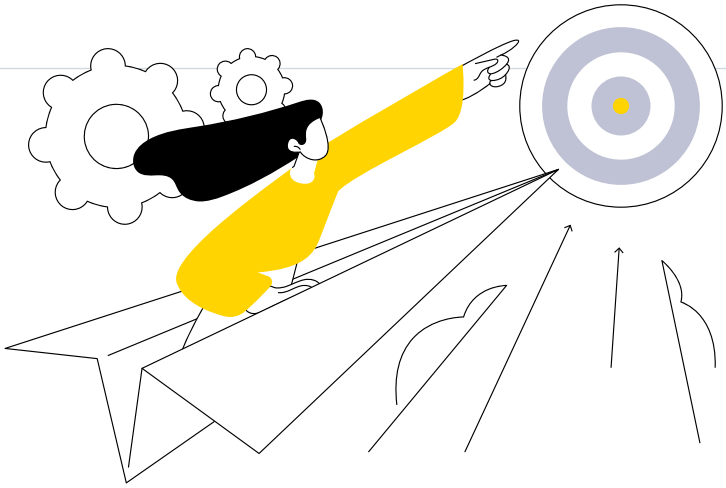
Figure 3.1

Coverage plan of business situations across simulations

A. Industry	B. Business situation	C. Planned headcount impact	D. Capability of current talent and its fitment with the desired state	E. Scope of impact for skills intelligence
BFSI	Digital transformation (operations) - high requirements of power user skills in existing roles	Moderately negative	Low and high	Planning and execution
Technology	Post-acquisition transformation (operations) – low focus on talent acquisition, high focus on upskilling and employee attrition	Highly negative	Low	Execution only
Technology	Business model and operations transformation – new roles with new requirements	Highly negative	Low	Execution only
Retail	International expansion (operations setup) – existing roles at new location, talent acquisition and retention/ mobility focused	Moderately positive	NA	Execution only
Telecom	Technology transformation (operations) – Focus on retention (training/ reskilling)	Neutral	High	Execution only

*By Focus on Workforce Transformation Levers: talent acquisition, retention(training and mobility), employee attrition

3.2 Workforce transformation efficiency model for strategy and execution



Definition of Transformation Efficiency (TE):

Transformation efficiency is an indicator of the value realized when moving from a present state towards a desired state, as a collective result of the planned improvement in business gains, the deviation of the actuals from planned upon execution and the actual costs of undertaking the transformation.

As per the definition of transformation efficiency, its components are:

PBG (planned business gain)
The difference between planned business outcomes in to-be state and planned business outcomes in as-it-is state.

DFP (Deviation from plan)
The difference between actual business outcome and planned business outcomes in the to-be state.

TCW (Transformation cost due to workforce transformation)
The total cost incurred in hiring, training and employee attrition to achieve the actual business outcome.

In order to estimate the difference in transformation efficiency between role-based and skills-first, we focus on the difference in transformation efficiency due to levers of workforce transformation – talent acquisition, training and employee attrition (including internal mobility).

$$\% \text{ Difference in TE (sf – rb)} = \frac{\text{TE(sf)} - \text{TE(rb)}}{\text{TE(rb)}} \times 100$$

Figure 3.2

Transformation efficiency formula

Transformation efficiency (TE)
- is directly proportional to PBG (Planned business gains)
- is inversely proportional to DFP (Deviation from plan)
- is inversely proportional to TCW (Transformation cost of workforce transformation)

Using the above stated relationship, transformation efficiency can be derived as:

$$\text{Transformation efficiency (TE)} = \frac{\text{K x PBG}}{\text{(DFP x TCW)}}$$

where K is a constant

3.3 Impact simulations and results

Situation 1: Post acquisition

Context of the transformation

An Indian bank is shifting from traditional brick-and-mortar operations to digital customer operations. The bank currently has 1,200 full-time employees in customer operations. Under the new operating model, the bank intends to marginally decrease its workforce while increasing the number of customers it can serve.

Workforce transformation plan

As-it-is state
1200 FTEs
In customer support operations

To-be state
1000 FTEs
In customer support operations

Measuring the transformation efficiency

% delta in transformation efficiency (SFT2.0 vs. RB)	**211%**
▸ % delta in planned business gain (SFT2.0 vs. RB)	16%
▸ % delta in transformation cost due to workforce transformation (SFT2.0 vs. RB)	(-)30%
▸ % delta in deviation from plan (SFT2.0 vs. RB)	(-)30%

Key takeaway

Overall, the skills-first approach was two times more efficient than the role-based approach. The SF-based approach witnesses higher business gains and significantly lesser deviation from planned outcomes and the cost of workforce transformation.

Refer to Appendix A.2 for detailed workings of the case

Situation 2: Traditional to digitally led operations

Context of the transformation

A PE firm recently acquired an on-premise software product firm. Post acquisition, it intends to migrate the on-premise software to a cloud-based offering. The firm has an 1800-member strong R&D team. To successfully migrate to cloud, the PE firm has decided to reduce its workforce while ensuring availability of talent required to migrate to cloud.

Workforce transformation plan

As-it-is state
1800 FTEs
In R&D

To-be state
1000 FTEs
In R&D under SFT2.0 approach

1200 FTEs
In R&D under role-based approach

Measuring the transformation efficiency

% delta in transformation efficiency (SFT2.0 vs. RB)	**167%**
▸ % delta in planned business gain (SFT2.0 vs. RB)	49%
▸ % delta in deviation from plan (SFT2.0 vs. RB)	(-)13%
▸ % delta in transformation cost due to workforce transformation (SFT2.0 vs. RB)	(-)1%

Key takeaway

Overall, the skills-first approach was ~two times more efficient than the role-based approach. The SF-based approach ensure significantly more business gains and lesser deviation from planned outcomes, along with reduced cost of transformation.

Refer to Appendix A.3 for detailed workings of the case

Situation 3: International expansion

Context of the transformation

A European retail firm is expanding internationally to the Indian market. As a result, it has planned to hire a new team in India to handle new customers. The new team in India will handle customer operations along with the current team. The firm currently has 70 employees in the customer operations role. It plans to re-deploy them across Europe in similar roles, while they hire 100 additional employees in India.

Workforce transformation plan

As-it-is state

70 FTEs

In customer operations

To-be state

170 FTEs

In customer support

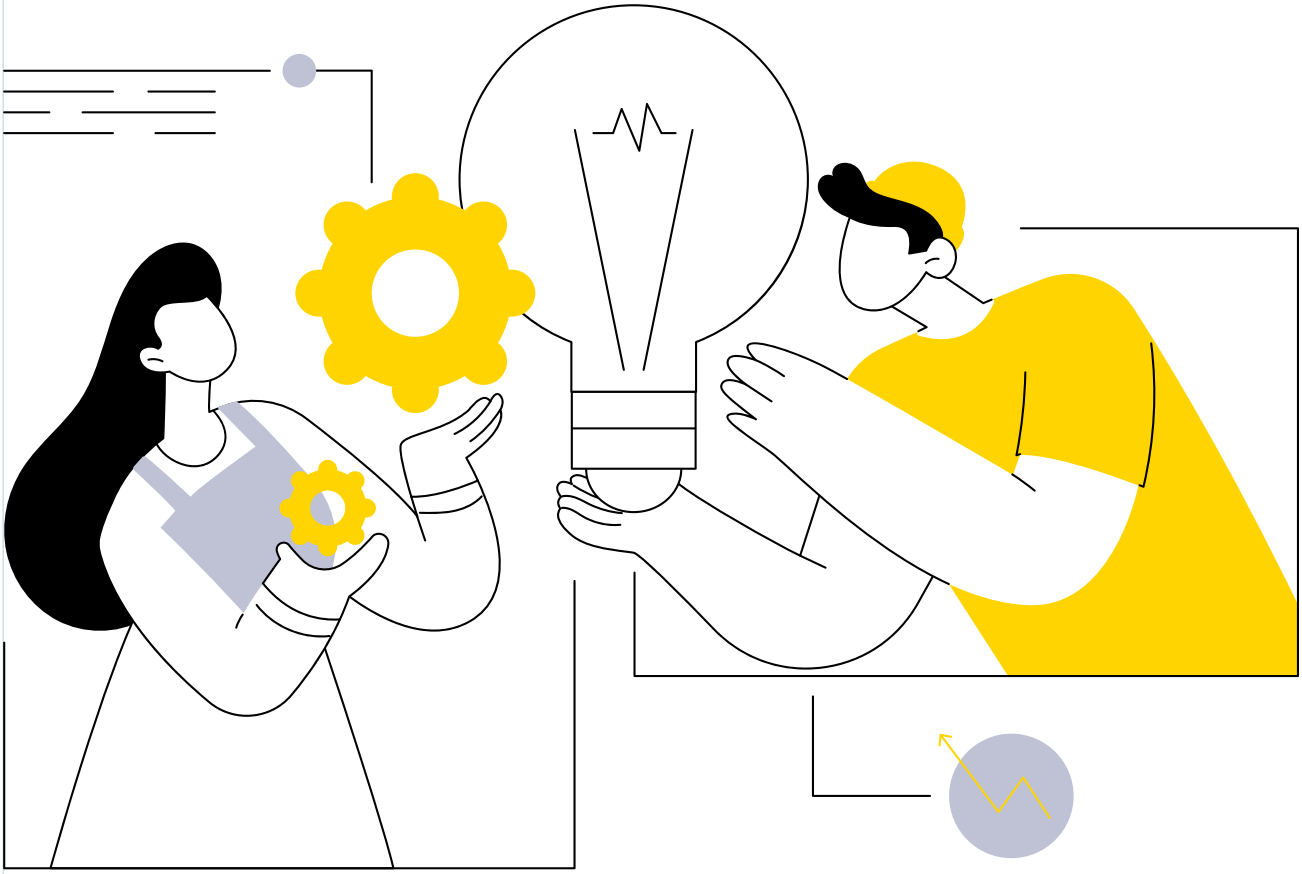
Measuring the transformation efficiency

% delta in transformation efficiency (SFT2.0 vs. RB)	**324%**
▸ % delta in planned business gain (SFT2.0 vs. RB)	10%
▸ % delta in deviation from plan (SFT2.0 vs. RB)	(-)8%
▸ % delta in transformation cost due to workforce transformation (SFT2.0 vs. RB)	(-)55%

Key takeaway

Overall, the skills-first approach was ~3.5X more efficient than the role-based approach. The SF-based approach ensures significantly more business gains and lesser deviation from planned outcomes, and lower cost of transformation.

Refer to Appendix A.4 for detailed workings of the case



Situation 4: Post (Merger & Acquisition)

Context of the transformation

A GenAI product firm has acquired an IT services firm. With this acquisition, the firm intends to create new offerings for its clients. As a result, the firm will rationalize its business and the corresponding product operations. The firm has acquired has a headcount of 200. As an outcome of the rationalization process, the firm intends to reduce the headcount in the IT services while ensuring higher productivity.

Workforce transformation plan

As-it-is state
200 FTEs
In IT services

To-be state
100 FTEs
In IT services

Measuring the transformation efficiency

% delta in transformation efficiency (SFT2.0 vs. RB)	**17%**
▸ % delta in planned business gain (SFT2.0 vs. RB)	16%
▸ % delta in deviation from plan (SFT2.0 vs. RB)	(-)9%
▸ % delta in transformation cost due to workforce transformation (SFT2.0 vs. RB)	21%

Key takeaway

Overall, the skills-first approach was marginally more efficient than the role-based approach. Though the SF-based approach witnessed higher cost of transformation due to higher business gains and lesser deviation from planned business outcomes, it ensured a more efficient transformation.

Refer to Appendix A.5 for detailed workings of the case

Situation 5: Technology transformation

Context of the transformation

A European telecom firm is migrating from 5G to 6G offerings. The firm has a workforce of 15,000 employees. It has decided to upskill its workforce on the latest 6G skills.

Workforce transformation plan

As-it-is state
15,000 FTEs
overall

To-be state
15,000 FTEs
overall

Measuring the transformation efficiency

% delta in transformation efficiency (SFT2.0 vs. RB)	**17%**
▸ % delta in planned business gain (SFT2.0 vs. RB)	16%
▸ % delta in deviation from plan (SFT2.0 vs. RB)	(-)9%
▸ % delta in transformation cost due to workforce transformation (SFT2.0 vs. RB)	21%

Key takeaway

Overall, the skills-first approach was ~five times more efficient than the role-based approach. The SF-based approach ensures significantly more business gains and lesser deviation from planned outcomes, despite a higher deviation from planned outcomes.

Refer to Appendix A.5 for detailed workings of the case

4

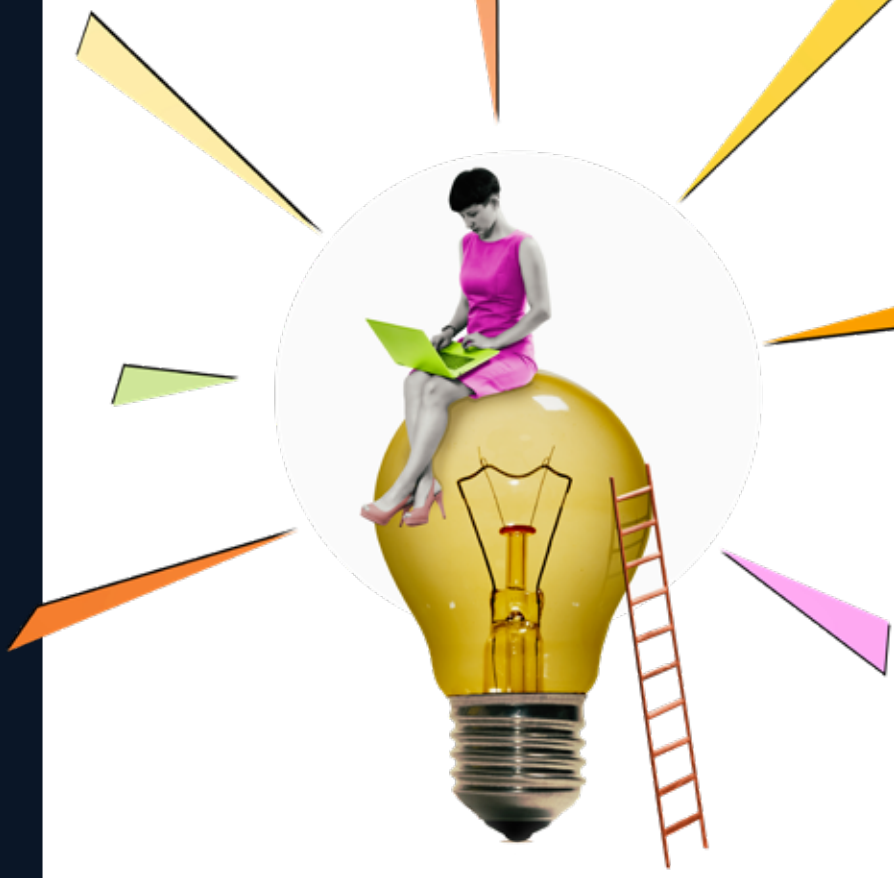
Accelerating the foundation of 'skills-first'

4.1

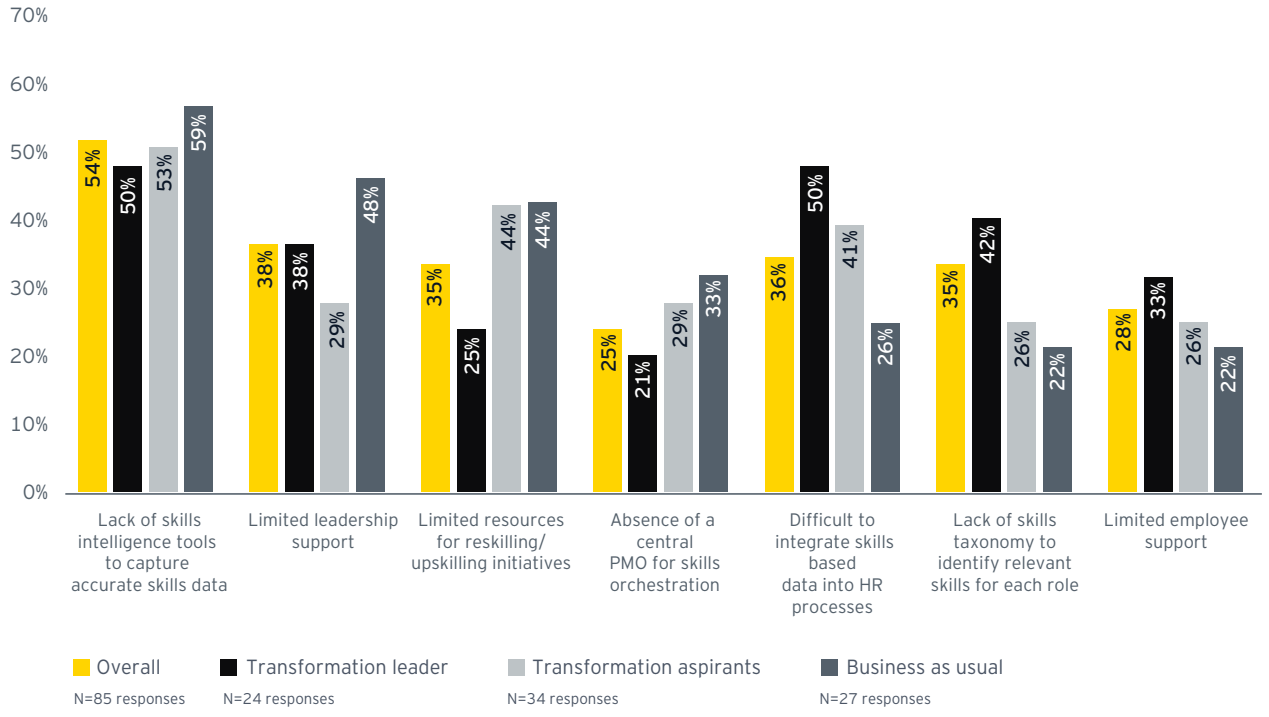
Importance of a shared business case between HR, business and finance leaders

01 There is a clear requirement for alignment between the HR, business and financial leaders on the business case for skills-first approach.

02 Previously discussed, 'Unit cost calculators' (refer Section 2) and 'Transformation efficiency calculator' (refer section 3), can be customized to develop the shared business case.



Key challenges



"Our sizable developer team exhibits a broad spectrum of skills, often self-improving beyond recommended learning and development courses. Capturing this diverse expertise to form a cohesive skill overview presents a considerable challenge."
- Talent Management AVP of a US-based technology firm (Headcount: 5,000)

- BAU - Companies who are yet to explore SFT
- Transformation aspirants - Companies who are now starting to implement SFT
- Transformation leaders - Companies who have been the early adopters of SFT, already implemented or started implementing multiple SFT capabilities

For details please refer to the second report in this series, titled 'Skills-first Transformation – A new approach to unlocking talent potential

4.2

Managing operating model design, job roles directory and skills taxonomy

01 Operating model map, job roles directory and skills taxonomy are prerequisites for realizing value from skills intelligence.

02 Industry frameworks such as Singapore skills framework and O-net can be leveraged as reference frameworks and customized as per context.

Fig 4.2a

Operations model map

An operational model is a business framework that outlines the processes, methods, and practices used to execute the daily operations of a company or organization. It provides a structured view of how an organization creates, delivers, and captures value.

Operating structure of the consumer bank

Enterprise governance

- Develop vision and strategy
- Manage govenance
- Manage compliance
- Manage legal affairs
- Manage risks
- Manage external and internal audit
- Manage external relationships

Product development, marketing and sales

- Manage products, services and portfolios
- Manage products, services and portfolios
- Manage sales and customer relationships
- Mange customer service

Operations and execution

- Manage products and services
- Manage banking operations
- Manage channels

Enterprise support services

- Manage human capital
- Manage information technology
- Manage financial and accounting procedures
- Manage data
- Manage treasury
- Provide administration and procurement services
- Manage transformation/ change
- Manage business processes

Legends: Level 2 | Level 3

Managing sales and customer relationships – Deep dive

Develop sales plan and strategy	Manage cross sell	Manage leads/ opportunities	Manage sales performance	Manage sales intermediaries
Manage customer profile	Manage customer portfolio	Manage customer relationship	Manage relationship pricing	Coach and advise customers

Legends: Level 2 | Level 3

Fig 4.2b

Job roles directory with job roles mapped to job families

A job family is a group of related jobs within an organization that share similar skillsets, the nature of work, and career paths. These job families are often grouped together within higher-level categories called job functions.

Job roles in 'Develop and managing marketing' (Eight unique job roles)	▸ Brand Associate/Assistant ▸ Brand Director ▸ Brand Executive/Customer Loyalty Executive ▸ Brand Manager/Customer Loyalty Manager	▸ Marketing Associate/Assistant ▸ Marketing Director ▸ Marketing Executive ▸ Marketing Manager
Job roles in 'Develop and execute merchandising' (Six unique job roles)	▸ Merchandising Associate / Assistant ▸ Merchandising Director ▸ Merchandising Executive / Category Executive / House Brand Executive ▸ Merchandising Manager / Category Manager / House Brand Manager ▸ Visual Merchandiser ▸ Visual Merchandising Associate / Assistant	
Job roles in 'Manage channels' (Nine unique job roles)	▸ Area Manager / District Manager ▸ Operations Director / Retail Manager / Operations Manager ▸ Sales Associate ▸ Sales Supervisor ▸ Store Manager	▸ E-Commerce Associate / Assistant ▸ E-Commerce Director ▸ E-Commerce Executive ▸ E-Commerce Manager

Fig 4.2c

Skills taxonomy by job roles

A skills taxonomy serves as a methodical inventory of skills established at the organizational level, aimed at delineating the capabilities of a business in measurable terms. It essentially functions as a framework for categorizing an array of skills within an organization into distinct groups and clusters.

Illustration: Change in skill sets of a Product Marketing Manager at the bank

Job role description	The Product Marketing Manager is responsible for delivering marketing insights, driving the creation of differentiated messaging and positioning, as well as leading go-to-market planning and execution of product marketing campaigns and launches. He/She leads and oversees campaigns, strategies, budget allocation and marketing materials development in line with the overall marketing strategy and product positioning.

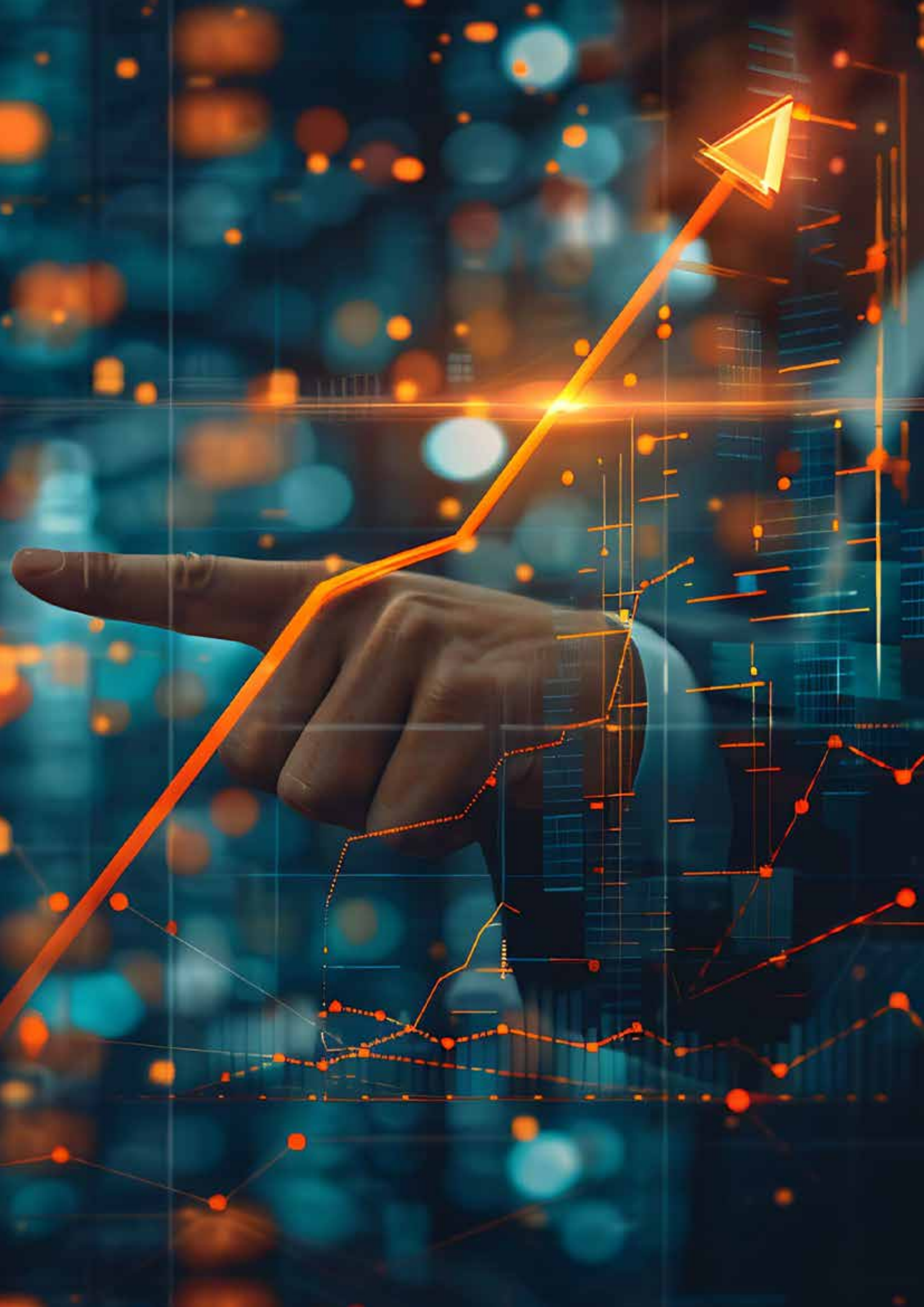
Critical work function and key tasks

1. Establish marketing budget
2. Develop internal and external partnerships
3. Oversee marketing strategies and campaigns

Technical skills and competencies		Generic skills and competencies	
Budgeting	Level 3	Collaboration	Advanced
Business Environment Analysis	Level 4	Communication	Advanced
Business Risk Assessment	Level 4	Creative Thinking	Advanced
Customer Behaviour Analysis	Level 4	Digital Fluency	Advanced
Demand and Supply Analysis	Level 4	**Technology skills**	**Outdated skills**
Digital Marketing	Level 4	CRM software	Blackbaud The Raiser's Edge; Oracle Eloqua; QAD Marketing Automation; Salesforce software
Innovation Management	Level 4		
Market Profiling	Level 4	DBMS software	Apache Cassandra Hot technology ; Apache Hive Hot technology ; Elasticsearch Hot technology ; Oracle PL/SQL
Market Research and Analysis	Level 4		
People Performance Management	Level 4	Data base user interface and query software	Airtable; Amazon Redshift Hot technology ; MySQL Hot technology ; Yardi software
Product Marketing and Branding	Level 4		
Product Performance Management	Level 4	Video/Image creation and editing software	Adobe After Effects Hot technology ; Flipgrid; TikTok Hot technology ; YouTube
Sales Strategy	Level 4		
Stakeholder Management	Level 4	Web platform development software	Cascading style sheets CSS Hot technology ; Drupal Hot technology ; Oracle Java Server Pages JSP Hot technology ; Ruby on Rails
Strategy Planning	Level 4		

Frameworks referred to build skills taxonomy for a job role:

- O*NET
- Singapore skills framework



5

Way forward

With skills intelligence becoming mainstream, leaders justly require contextual answers for how much impact it can have to move beyond proof-of-concepts and pilots. Companies must baseline and track their accuracy rates for hiring, training, employee attrition over time to start measuring their realistic unit costs and potential improvement with SFT 2.0.

As an increasing number of companies adopt SFT 2.0, large sample sets of data around accuracy rates, realized impact, and transformation efficiency will emerge to establish realized industry benchmarks achieved with skills intelligence.

These industry benchmarks can serve as the foundations for large-scale impact on the global skills gap with skills intelligence. These benchmarks can be created using O-net and Singapore Skills Framework to help companies track their workforce transformation progress and determine their realistic unit costs.

With increased accuracy from skill-intelligence in hiring, training and employee attrition across organizations, the economic loss due to friction in workforce transformations can potentially be reduced significantly, while improving employee engagement from its low global average of ~23%.

Checking the skills gap of ~80 million job roles by 2030 at a global level requires workforce transformation efficiency to also improve at a global level across companies. With the adoption of skills intelligence and SFT 2.0, companies now look forward collectively to making a significant dent to forecasted lost annual revenues of US$8.5 trillion by 2030.

6

Appendix

A.1 Assumed accuracy levels across different workforce transformations decisions

Decisions	Role-based	Skills-first
Accuracy of retention for deployment	90%	95%
Accuracy of retention for training	75%	90%
Accuracy of training path to productivity	70%	80%
Accuracy of hiring	75%	85%
Trainable mis-hire %	50%	60%
Accuracy of involuntary attrition	70%	80%

A.2. Situation - 1 (A): Traditional to digital (a case of a surplus supply of talent)

Context of the transformation

- An Indian bank is shifting from traditional brick-and-mortar operations to digital customer operations. The bank currently has1,200 full-time employees in customer operations, capable of serving ~2 million customers.
- Under the new operating model, the bank intends to marginally reduce its workforce to 1,000 while increasing the number of customers it can serve.

Workforce transformation plan

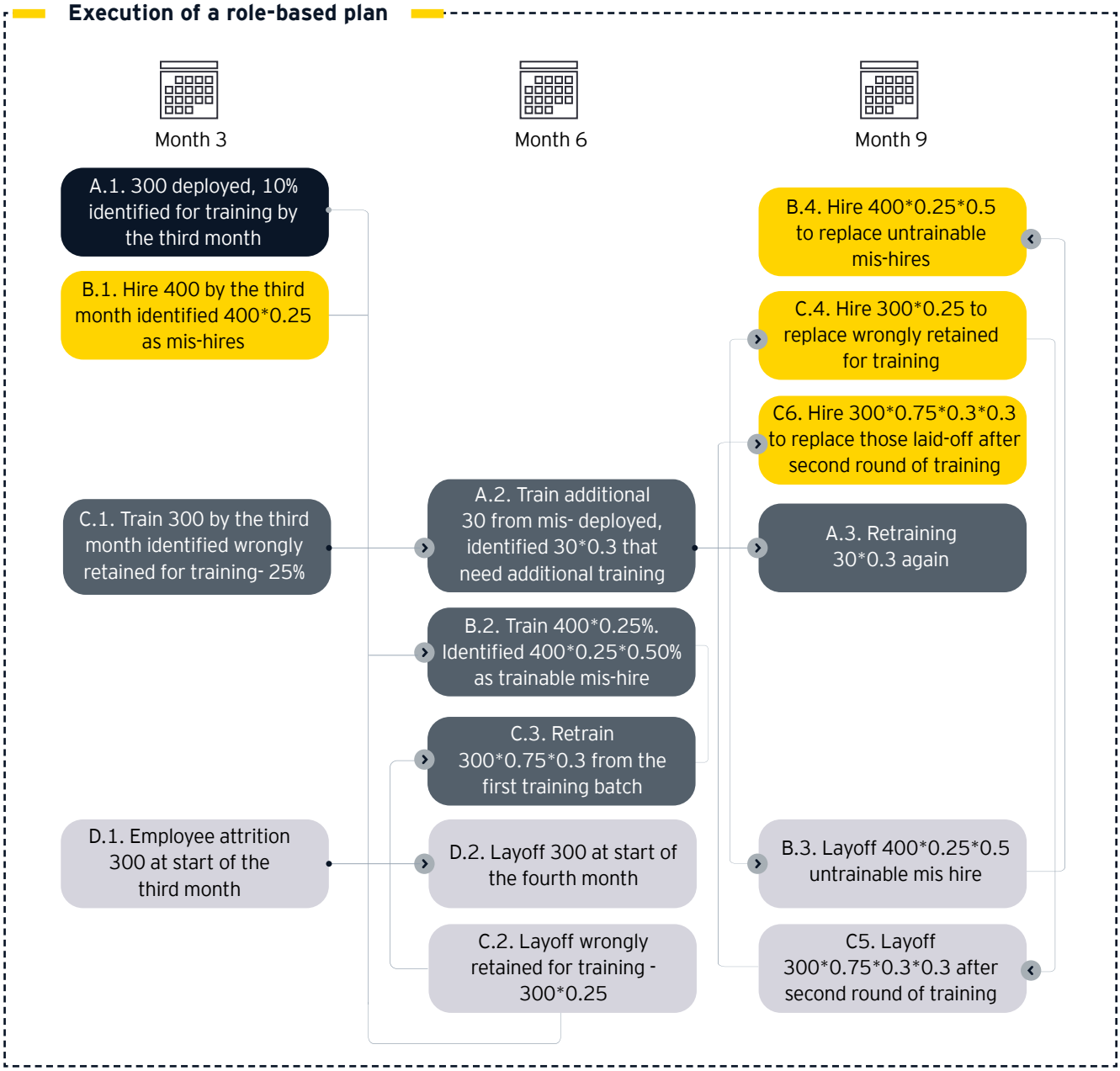
- The bank developed a workforce transformation plan using both role-based and skills-first approaches.
- Under the role-based approach, the bank planned to hire more talent to compensate for the skills gap in the organization. While in the skills-first approach, the bank planned to retain and train more talent.
- Compared to the role-based approach, the bank planned higher productivity improvement in a skills-first approach.

Workforce transformation plan	RB to-be state (out of 1200)	SF to-be state (out of 1200)
Continue to deploy (retain)	25%	33%
Hire	33%	17%
Train (retain)	25%	33%
Retrench	50%	33%
Planned productivity (~customer base managed by workforce annually)	3 Mn	3.3 Mn

Execution of transformation plan (Role based approach)

- Compared to the skills-first approach, in the role-based approach, the bank ended up retrenching and hiring a significant number of talent compared to the planned outcomes.

Execution of a role-based plan

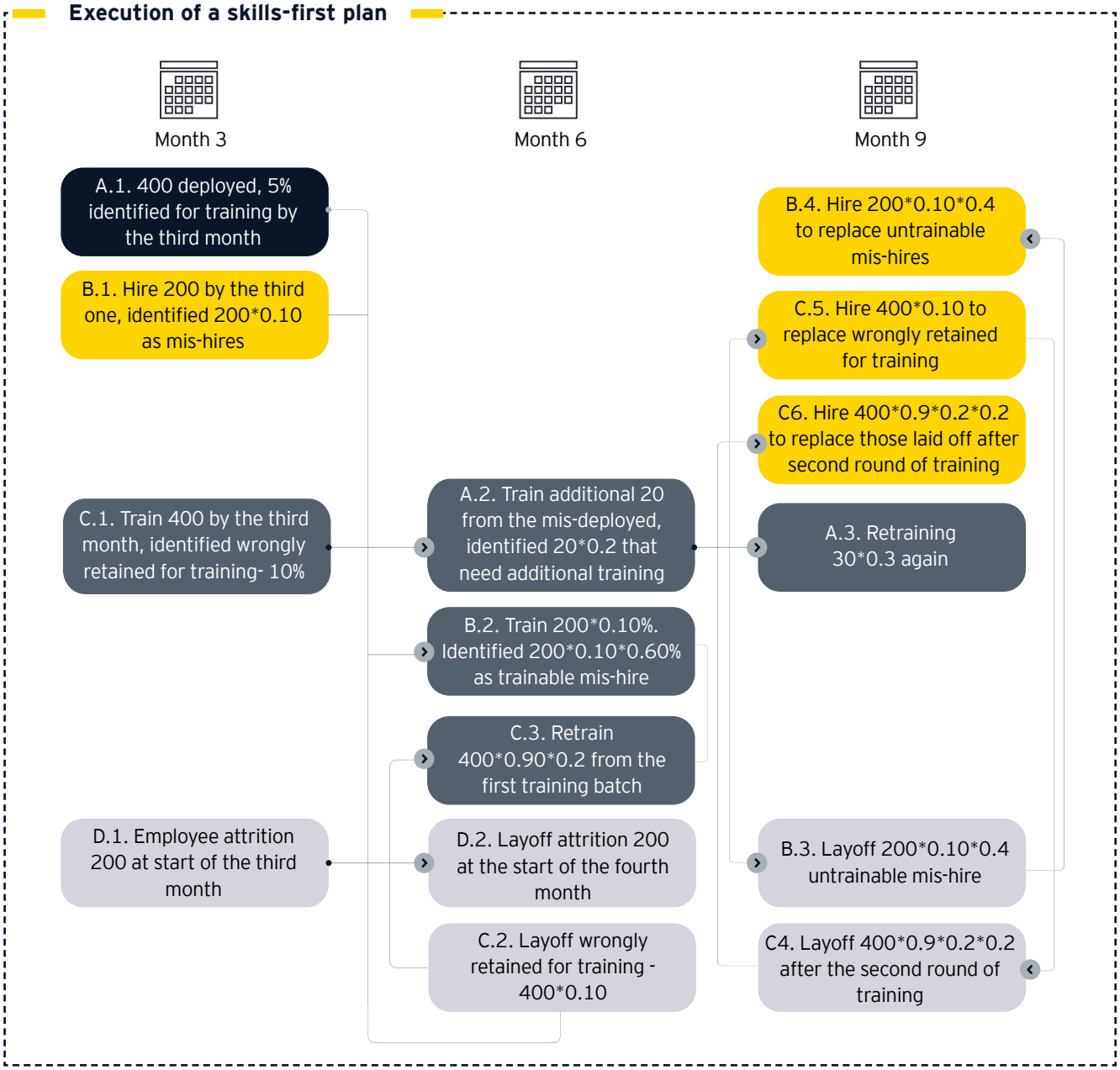


Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	300	270
Hire	400	545
Train (retain)	300	507
Retrench	600	745

Execution of transformation plan (Skill first based approach)



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	400 (33%)	380 (32%)
Hire	200 (17%)	266 (22%)
Train (retain)	400 (33%)	526 (44%)
Retrench	400 (33%)	466 (39%)

Overall, the skills-first approach was twice as efficient as the role-based approach. The SF-based approach witnesses higher business gains and significantly lesser deviation from planned outcomes and the cost of workforce transformation.

Measuring the transformation efficiency

% delta in Planned business goal (sf vs. rb)

16%

% delta in transformation cost due to workforce transformation (sf v/s rb)

(-)30%

% delta in deviation from plan (sf vs. rb)

(-)30%

% delta in transformation efficiency (sf vs. rb)

211%

We looked at a similar situational but with a case, where there is a deficient supply of talent. Refer to Appendix A.2 for details.

A.2. Situation – 1 (B) : Traditional to digital (a case of deficit supply of talent)

Context of the transformation

- An Indian bank is shifting from traditional brick-and-mortar operations to digital customer operations. The banks currently has 1,200 full-time employees in customer operations, capable of serving ~2 million customers.
- Under the new operating model, the bank intends to marginally reduce its workforce to 1,000 while increasing the number of customers it can serve.

Workforce transformation plan

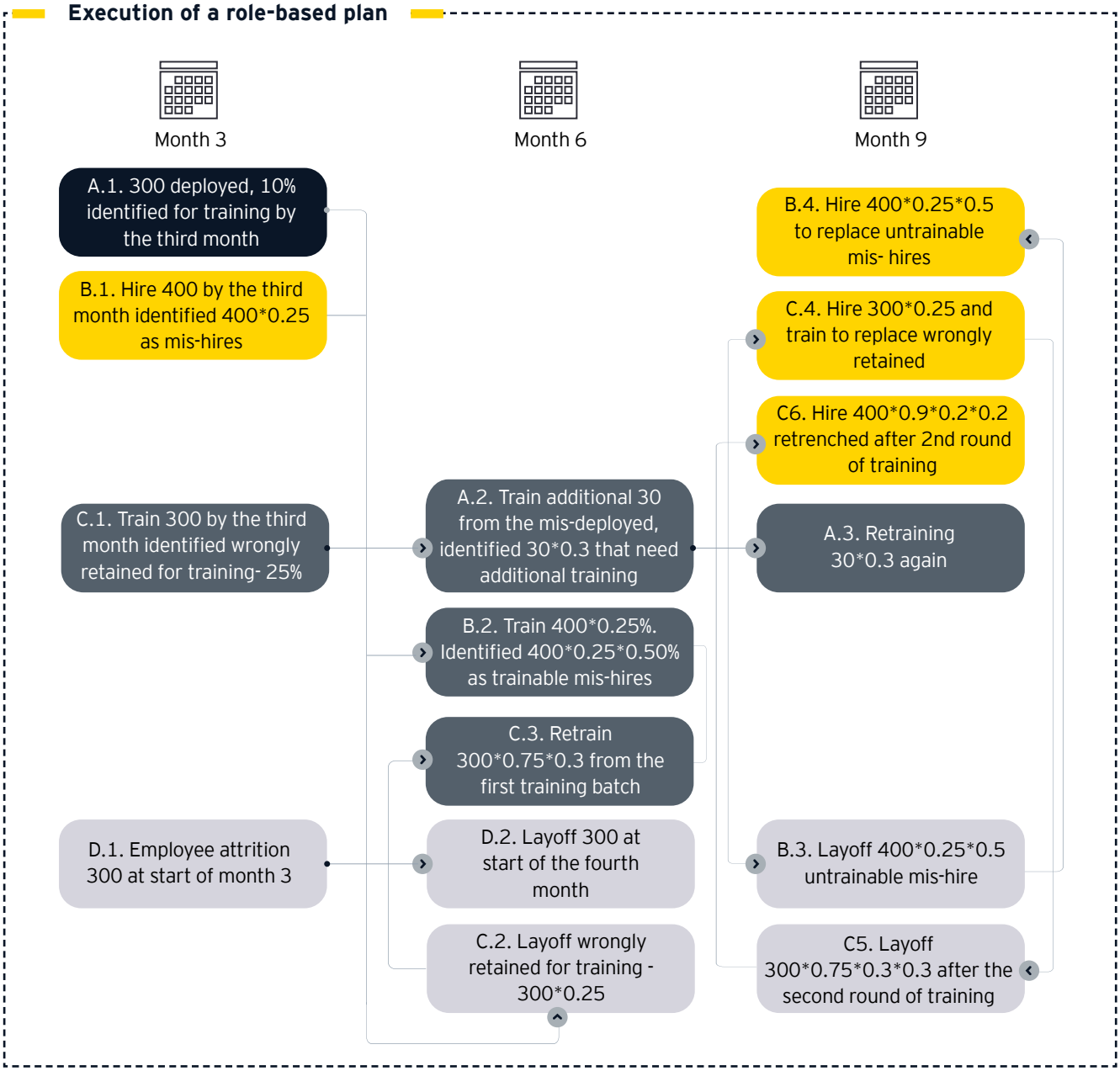
- The bank developed a workforce transformation plan using both role-based and skills-first approaches.
- Under the skills-first approach, the bank planned to hire more talent to compensate for the skills gap in the organization. While in the role-based approach, the bank planned to retain and train more talent.
- Compared to the role-based approach, the bank planned higher productivity improvement in a skills-first approach.

Workforce transformation plan	RB to-be state (out of 1200)	SF to-be state (out of 1200)
Continue to deploy (retain)	300	200
Hire	400	600
Train (retain)	300	200
Retrench	600	800
Planned productivity (~customer base managed by workforce annually)	3 Mn	3.3 Mn

Execution of transformation plan (Role-based approach)

- Compared to the skills-first approach, in the role-based approach the bank ended up retrenching and hiring a significant number of talent compared to the planned outcomes.

Execution of a role-based plan



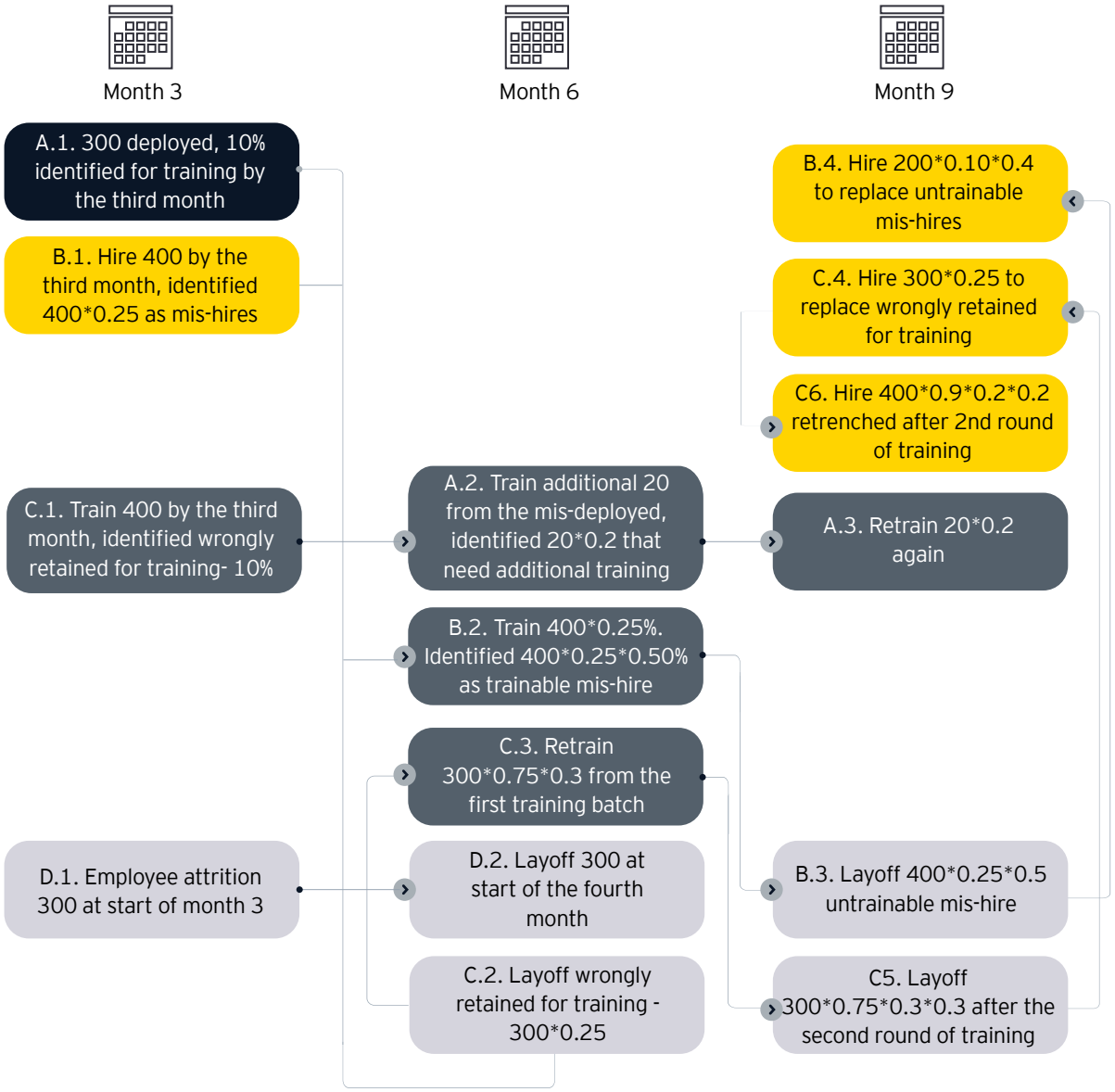
Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	300	270
Hire	400	545
Train (retain)	300	507
Retrench	600	745

Execution of transformation plan (Skill first based approach)

Outcomes of skills-first approach



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	200	190
Hire	600	663
Train (retain)	200	338
Retrench	800	863

Overall, the skills-first approach was ~1.4x more efficient than the role-based approach. Though the SF-based approach witnessed higher deviation from planned business gains, the SF-based approach ensured higher business gains and significantly lesser cost of workforce transformation.

Measuring the transformation efficiency

% delta in Planned business goal (sf vs. rb)

4%

% delta in transformation cost due to workforce transformation (sf v/s rb)

(-)55%

% delta in deviation from plan (sf vs. rb)

5%

% delta in transformation efficiency (sf vs. rb)

138%

Situation – 2 : Post acquisition

Context of the transformation

- A PE firm recently acquired an on-premise software product firm. Post acquisition, it intends to migrate the on-premise software to a cloud-based offering.
- The software firm generates $1 billion in revenue and has 1800-member strong R&D team.
- To successfully migrate to Cloud, the PE firm has decided to reduce its workforce while ensuring the availability of talent required to migrate to Cloud.

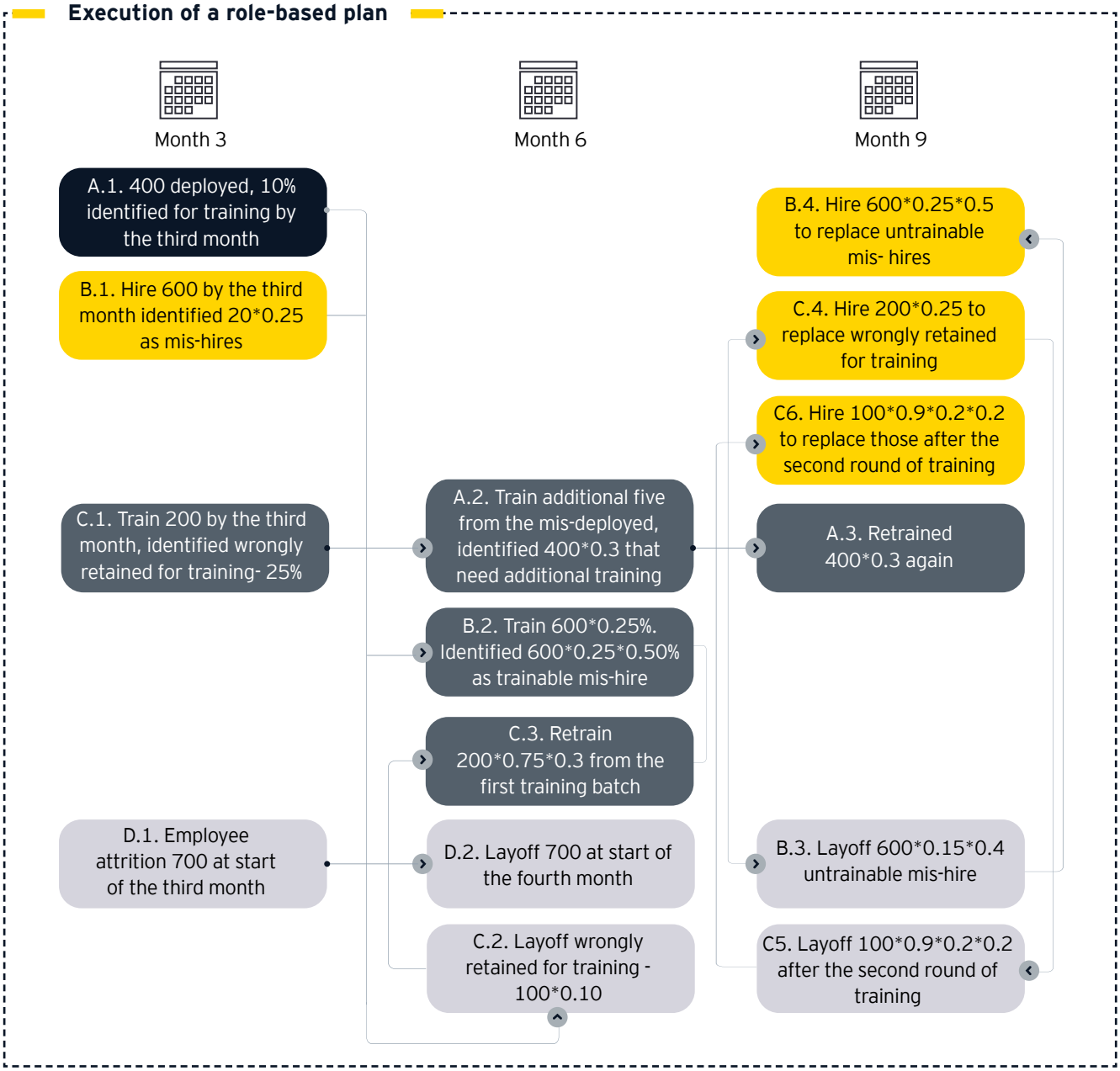
Workforce transformation plan

- The PE firm developed a workforce transformation plan using both a role-based and skills-first approach.
- Under the skills-first approach, the firm planned to keep a 1000 member R&D team by retrenching a higher number of employees. On the other hand, in the role-based approach, the PE firm planned to keep a 1200 member R&D team, by retaining more talent.

Workforce transformation plan	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	400 (22%)	300 (17%)
Hire	600 (33%)	600 (33%)
Train (retain)	200 (11%)	100 (6%)
Retrench	1200 (67%)	1400 (78%)
Planned productivity (~no of modules worked on)	60,000	84,960

Execution of transformation plan (Role based approach)

- Compared to the skills-first approach, in the role-based approach, the bank ended up retrenching and hiring a significantly higher number of talent compared to the planned outcomes.

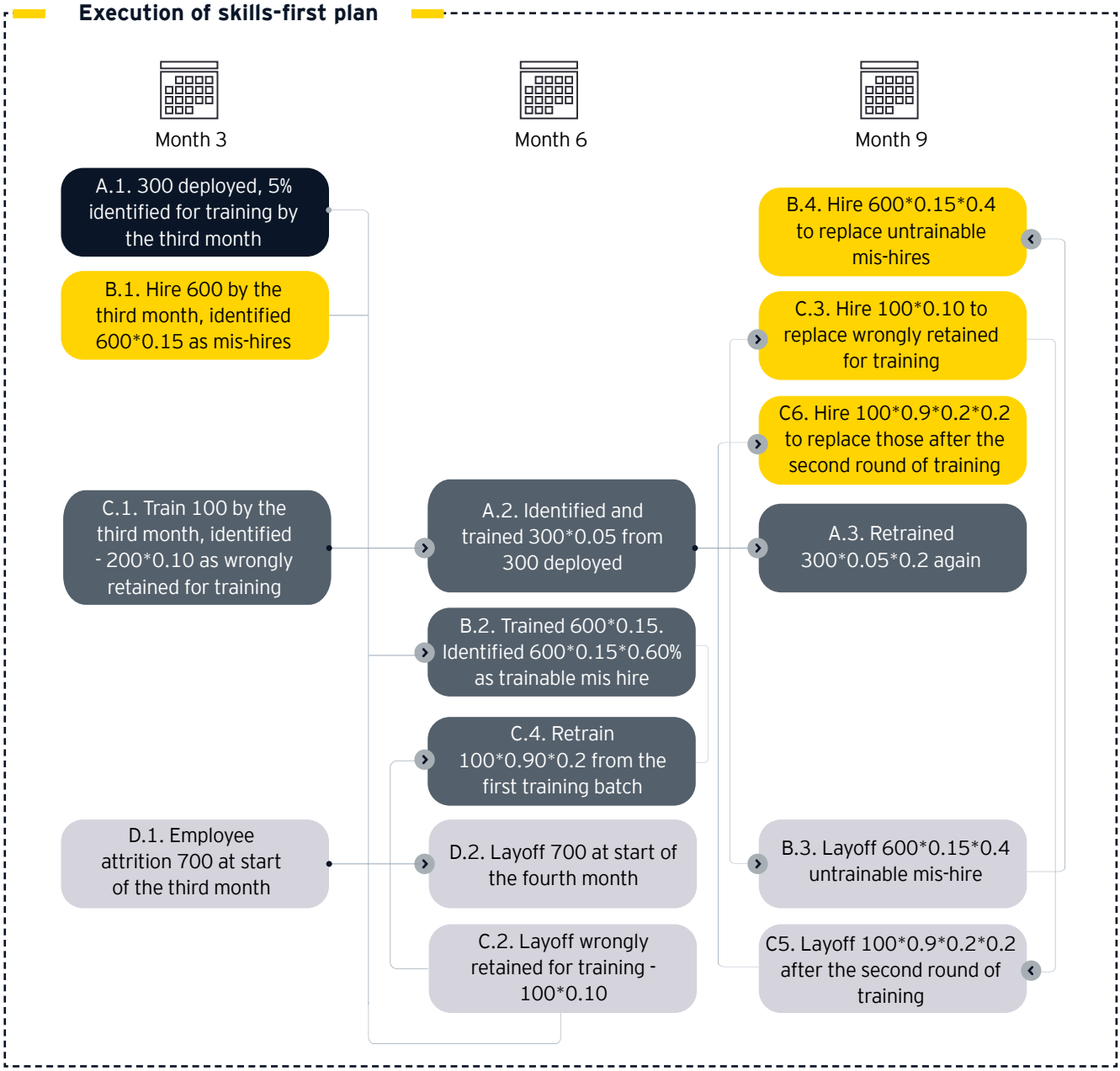


Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	400 (22%)	360 (20%)
Hire	600 (33%)	739 (41%)
Train (retain)	200 (11%)	447 (25%)
Retrench	1200 (67%)	1339 (74%)

Execution of transformation plan (skill-first approach)



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	300 (17%)	285 (16%)
Hire	600 (33%)	650 (36%)
Train (retain)	100 (6%)	226 (13%)
Retrench	1400 (78%)	1450 (81%)

Overall, the skills-first approach was twice as efficient as the role-based approach. The SF-based approach ensures significantly more business gains and lesser deviation from planned outcomes, along with reduced cost of transformation.

Measuring the transformation efficiency

% delta in planned business goal (sf vs. rb)

49%

% delta in transformation cost due to workforce transformation (sf vs. rb)

(-)13%

% delta in deviation from plan (sf vs. rb)

(-)1%

% delta in transformation efficiency (sf vs. rb)

167%

Situation - 3 : International expansion

Context of the transformation

- A European retail firm with $100 million GMV is expanding internationally to the India market. As a result, it has planned to hire a new team in India to handle new customers.
- The new India will handle customer operations along with the current team of 70. With this move, the retail firm wants to increase its market share while ensuring lower cost of running the operations.

Workforce transformation plan

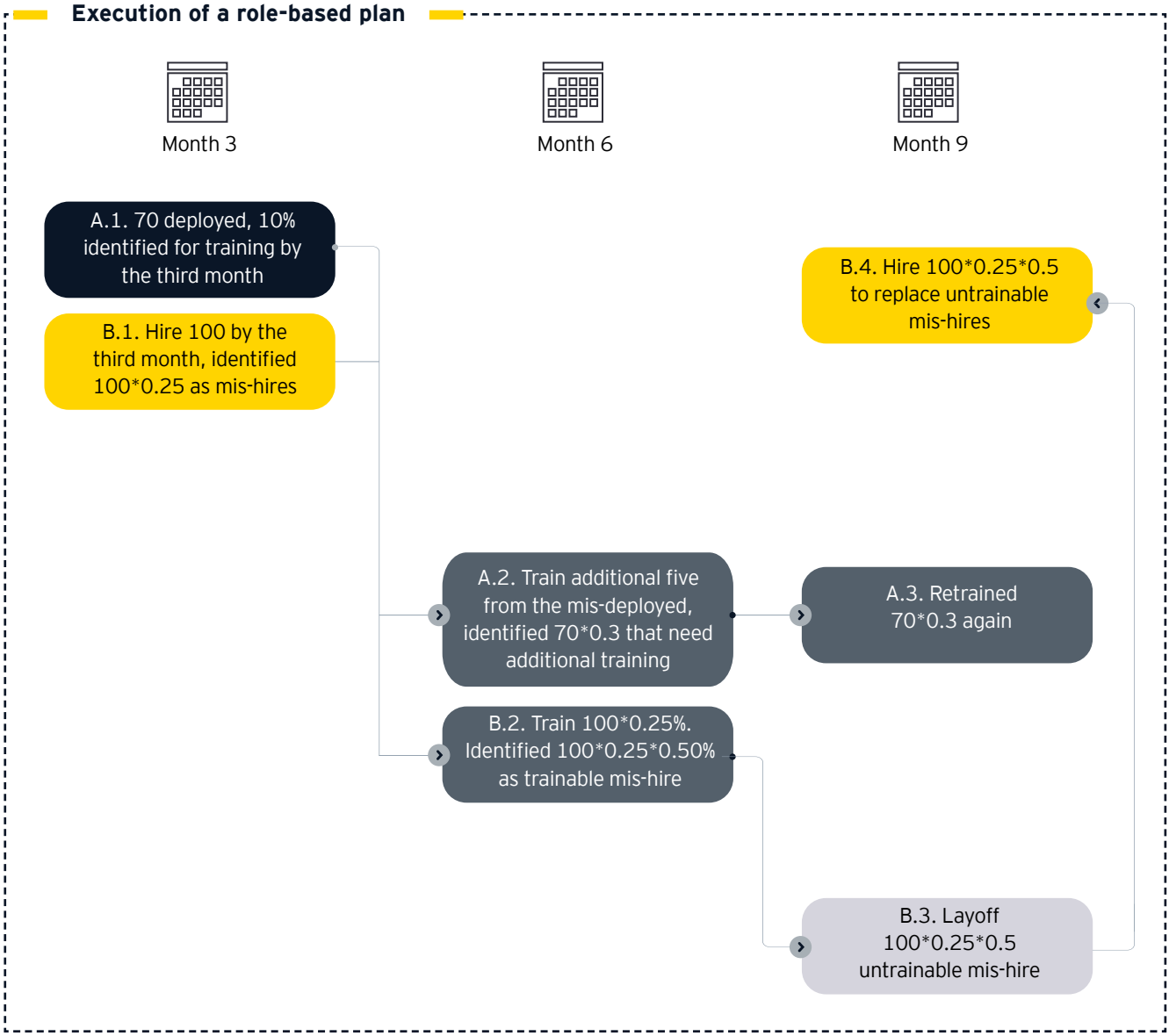
- The firm currently has 70 employees in the customer operations role. It plans to redeploy them across Europe in similar roles, while they hire 100 additional employees in India.

Workforce transformation plan	To be state (out of 70)
Continue to deploy (retain)	70 (100%)
Hire	100 (143%)
Train (retain)	0
Retrench	0

Execution of transformation plan (Role based approach)

- Compared to the skills-first approach, in the role-based approach, the bank ended up retrenching and hiring more talent against the planned outcomes.

Execution of a role-based plan

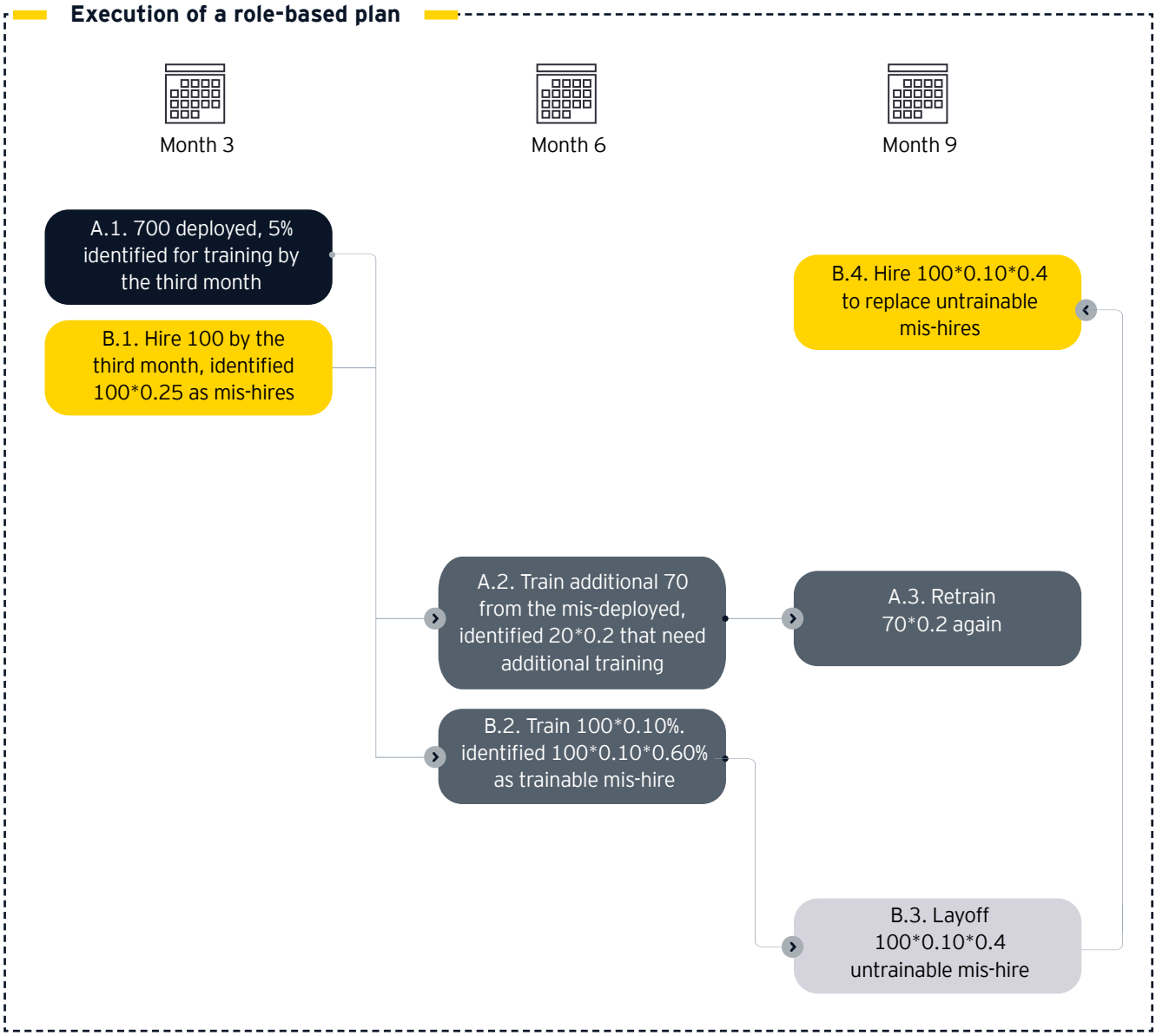


Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 70)	SF to be state (out of 700)
Continue to deploy (retain)	70 (100%)	63 (90%)
Hire	100 (143%)	113 (161%)
Train (retain)	0 (0%)	34 (49%)
Retrench	0 (0%)	13 (19%)

Execution of transformation plan (Role based approach)



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	70 (100%)	67 (96%)
Hire	100 (143%)	106 (151%)
Train (retain)	0 (0%)	19 (27%)
Retrench	0 (0%)	6 (9%)

Overall, the skills-first approach was ~3.5 times efficient than the role-based approach. The SF-based approach ensures significantly more business gains and lesser deviation from planned outcomes, and lower cost of transformation.

Measuring the transformation efficiency

% delta in planned business goal (sf vs. rb)
10%

% delta in Transformation cost due to workforce transformation (sf vs. rb)
(-)8%

% delta in Deviation from plan (sf vs. rb)
(-)55%

% delta in transformation efficiency (sf vs. rb)
324%

Situation - 4 : Post Merger & Acquisition (M&A)

Context of the transformation

- A GenAI product firm has acquired an IT services firm. With this acquisition, the firm intends to create new offerings for its clients. As a result, the firm will rationalize its business and the corresponding product operations.
- The firm has a revenue of INR100 crore, while the firm it acquired has a headcount of 200.
- As an outcome of the rationalization process, the firm intends to reduce the headcount in the IT services team to 100 only while ensuring higher productivity due to use of latest AI and automation tools.

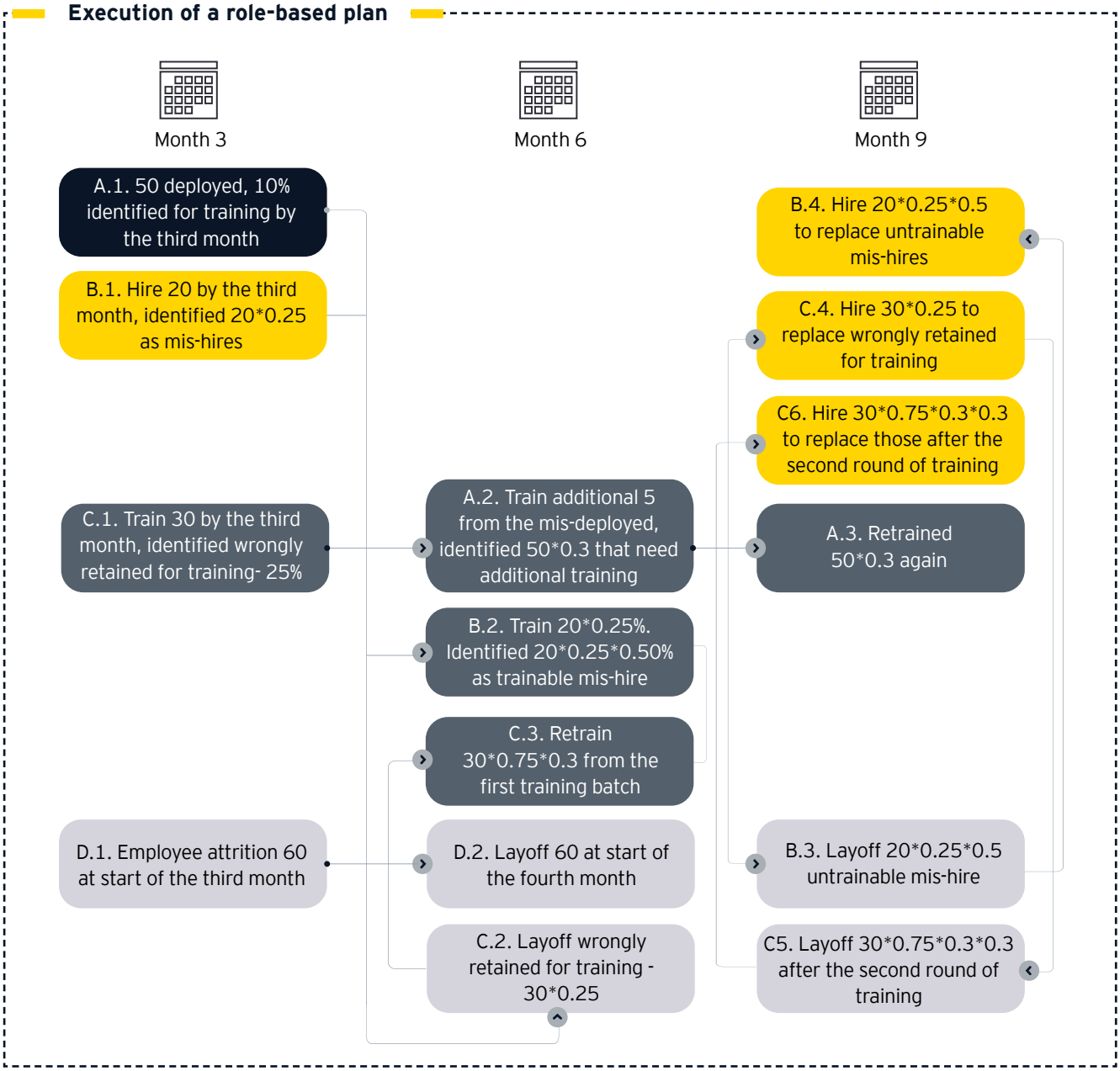
Workforce transformation plan

- The firm developed a workforce transformation plan using both role-based and skills-first approaches.
- Under the skills-first approach, the firm planned to retrench and hire more talent to compensate for the skills gap in the organization. While in the role-based approach, the bank planned to retain more talent.
- Compared to the role-based approach, the firm planned higher productivity improvement in a skills-first approach.

Workforce transformation plan	RB to be state (out of 200)	SF to be state(out of 200)
Continue to deploy (retain)	50 (25%)	20 (10%)
Hire	20 (10%)	50 (25%)
Train (retain)	30 (15%)	30 (15%)
Retrench	120 (60%)	150 (75%)
Planned productivity (~no. of unit build addressed in a year)	6,000	7488

Execution of transformation plan (Role based approach)

- Compared to the skills-first approach, in the role-based approach, the bank ended up retrenching and hiring a significantly higher number of talent compared to the planned outcomes.



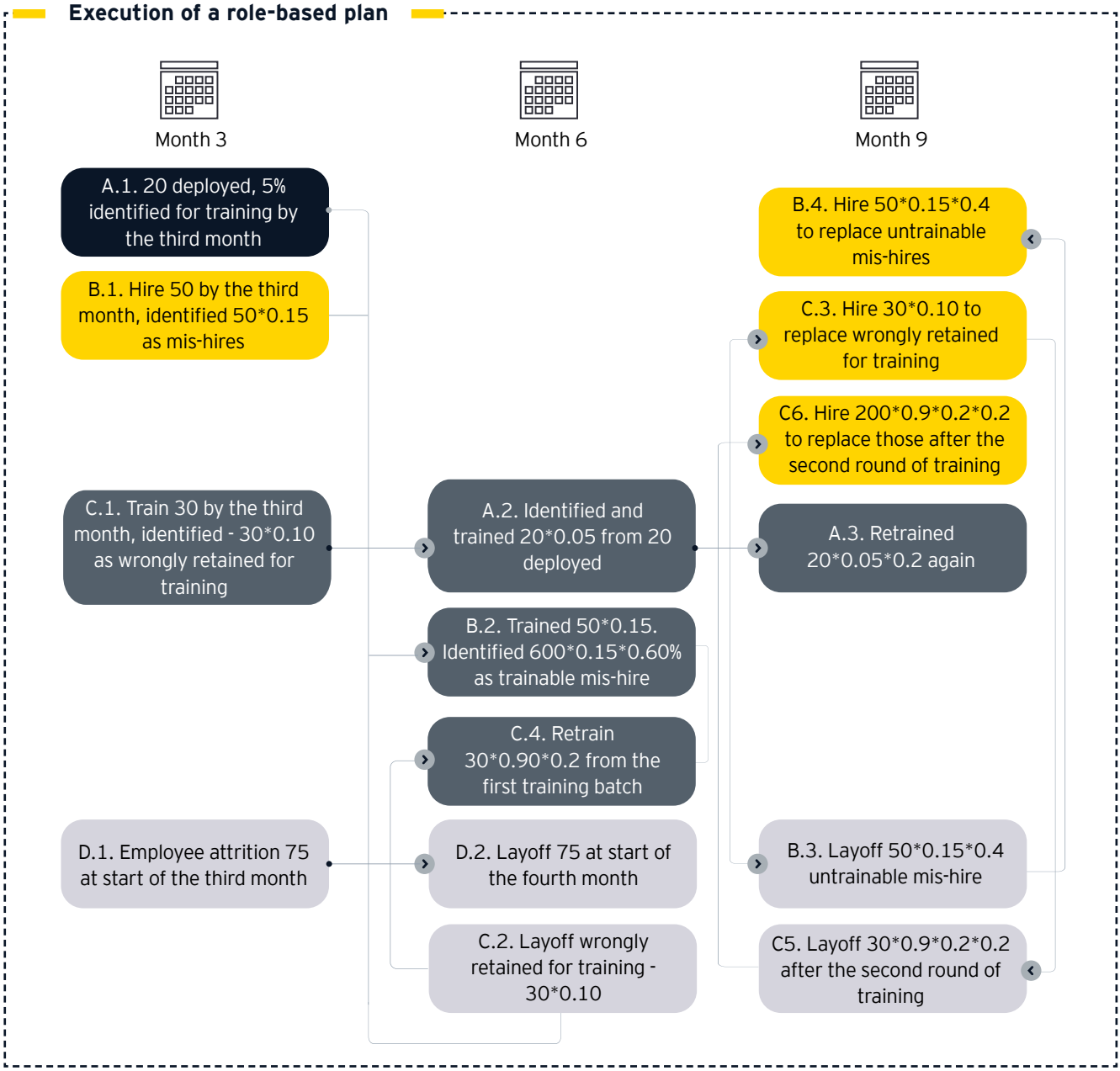
Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	50 (25%)	45 (23%)
Hire	20 (10%)	32 (16%)
Train (retain)	30 (15%)	48 (24%)
Retrench	120 (60%)	132 (66%)

Execution of transformation plan (Role based approach)

Execution of a role-based plan



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	20 (10%)	19 (10%)
Hire	50 (25%)	57 (29%)
Train (retain)	30 (15%)	44 (22%)
Retrench	150 (75%)	157 (79%)

Overall, the skills-first approach was marginally more efficient than the role-based approach. Though the SF based approach witnesses higher cost of transformation, due to higher business gains and lesser deviation from planned business outcomes, it ensures a more efficient transformation.

Measuring the transformation efficiency

% delta in planned business goal (sf vs. rb)
16%

% delta in transformation cost due to workforce transformation (sf vs. rb)
(-)9%

% delta in deviation from plan (sf vs. rb)
21%

% delta in transformation efficiency (sf vs. rb)
17%

Situation – 5 : Technology transformation

Context of the transformation

- A European telecom firm is migrating from 5G to 6G offerings. As a result, it needs to transform its current workforce to build and operate 6G products and offerings.
- The firm has a workforce of 15,000 employees. It has decided to upskill its workforce on the latest 6G skills.

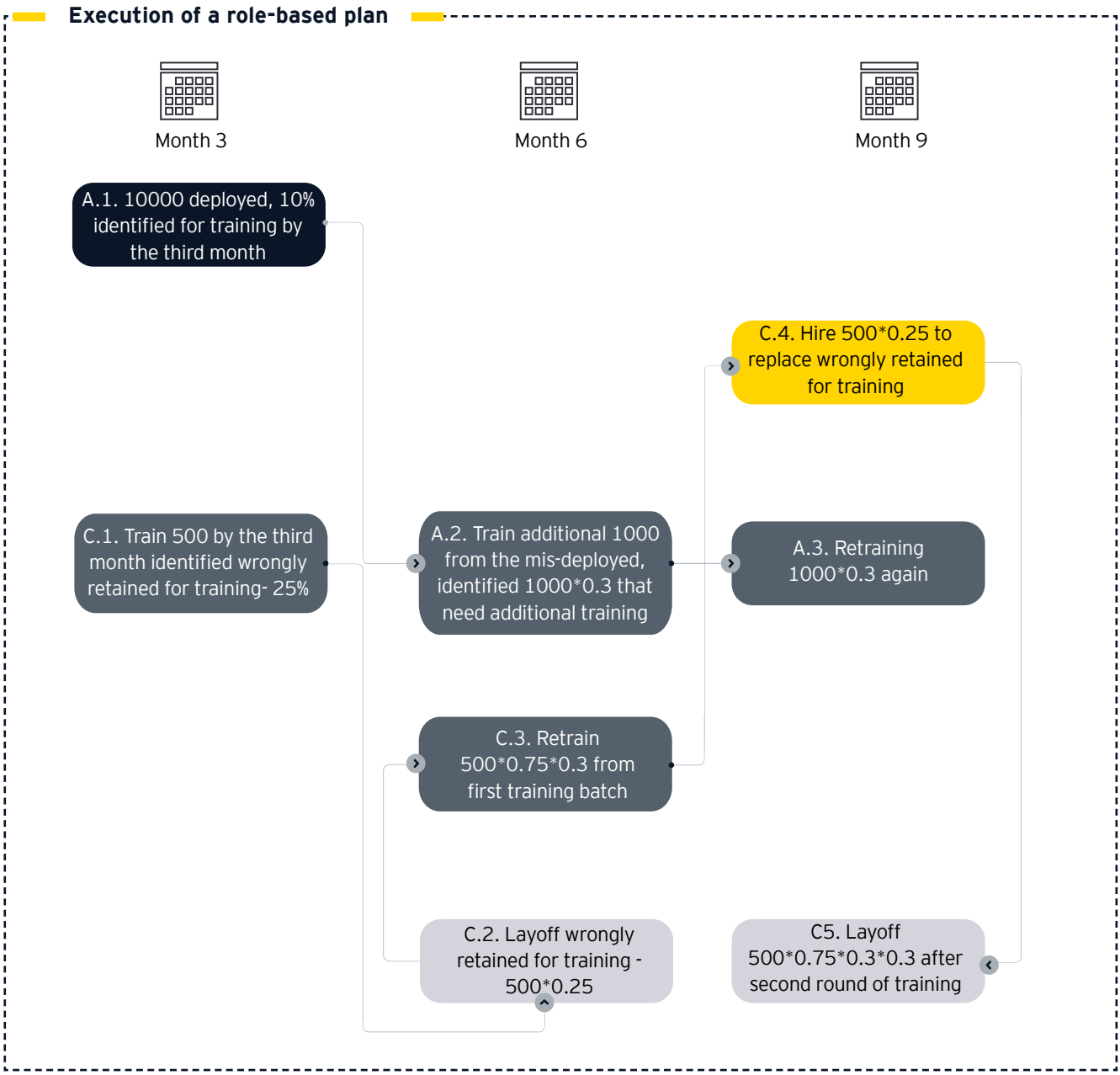
Workforce transformation plan

- In both the role-based approach and the skills-first approach, the firm decide to directly deploy 10,000 employees and train 5,000 employees on the latest 6G skills.

Workforce transformation plan	To be state (out of 15000)
Continue to deploy (retain)	10000 (67%)
Hire	0 (0%)
Train (retain)	5000 (33%)
Retrench	0 (0%)

Execution of transformation plan (Role based approach)

- Compared to the skills-first approach, in the role-based approach the bank ended up retrenching and hiring twice the number of talent against the planned outcomes.



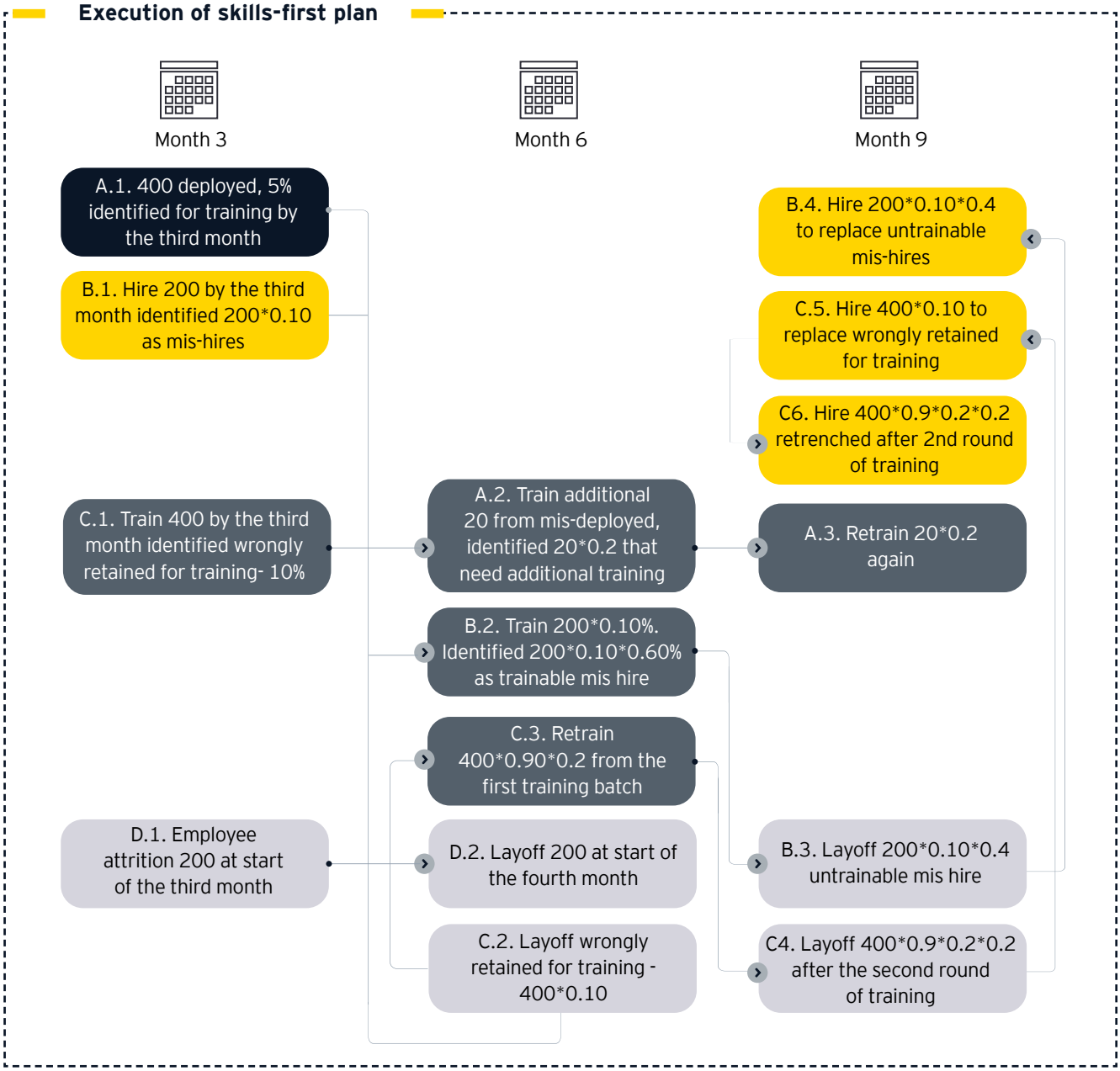
Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	10000 (67%)	9000 (60%)
Hire	0 (0%)	1588 (11%)
Train (retain)	5000 (33%)	7425 (50%)
Retrench	0 (0%)	1588 (11%)

Execution of transformation plan (Skills-first approach)

Execution of skills-first plan



Legend

- Continue to deploy
- Hire
- Train
- Mass retrench

Workforce transformation actuals with on-ground decision accuracy	RB to be state (out of 1200)	SF to be state (out of 1200)
Continue to deploy (retain)	10000 (67%)	9500 (63%)
Hire	0 (0%)	680 (5%)
Train (retain)	5000 (33%)	6500 (43%)
Retrench	0 (0%)	680 (5%)

Overall, the skills-first approach was five times more efficient than the role-based approach. The SF-based approach ensures significantly more business gains and lesser deviation from planned outcomes, despite a higher deviation from planned outcomes.

Measuring the transformation efficiency

% delta in planned business goal (sf vs. rb)

20%

% delta in transformation cost due to workforce transformation (sf vs. rb)

20%

% delta in deviation from plan (sf vs. rb)

(-)14%

% delta in transformation efficiency (sf vs. rb)

484%

Acknowledgments

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iMocha

iMocha is an AI-powered Skills Intelligence Cloud that helps enterprises to build a skills-first and data-driven ecosystem of hiring, upskilling, and managing talent - at scale, for any job role, and any industry. Founded in 2015, more than 500 organisations in 70+ countries are using iMocha's solution for taking a skills-first approach to accelerated hiring, objective learning and development programs and to manage talent from candidate to alumni. Enterprises from IT/ITeS, Telecom, Banking, Financial and Insurance and Engineering are using iMocha's Skills platform to make data driven talent decisions.

The platform leverages patented technologies and includes innovative features to build employee skills profile, organisational skills inventory, skills taxonomy and skills ontology, skill benchmarking and skills analytics that helps to hire, develop and manage talent by taking a skills-first approach.

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