



SAP Report | PUBLIC

Three key takeaways on a top HR trend: Skills-based talent management

Introduction

Since 2020, the [Future of Work Research Lab](#) for SAP SuccessFactors solutions has conducted annual research on the top HR and workforce trends facing organizations. Throughout this time, the topic of skills has dominated trends literature and has been consistently ranked as a top priority among organizations, as shown in Figure 1.



Figure 1: SAP SuccessFactors solutions research rankings for the skills topic

And 2025 is no exception. Skills once again emerged as a top priority with trends highlighting key themes, including:

- 1 The need to close pervasive skill gaps resulting from rapid AI development
- 2 The value of becoming a skills-based organization and adopting practices, such as skills-based hiring, to find and secure the skills needed from the external marketplace more accurately
- 3 The importance of building a strong learning culture and designing meaningful learning experiences that encourage employees to reskill and upskill internally
- 4 The power of leaning into human skills—such as critical thinking, communication, and emotional intelligence—as unique differentiators against AI

Yet despite the ongoing attention and prioritization of this topic, we know that many organizations are struggling to move forward in (or even begin) their skills journey. As we emphasize in our 2025 trends report, “[The Top 5 HR Trends Today and HR’s Guide to What’s Next](#),” advances in technology have made executing a successful skills strategy more possible today than HR could have dreamed of a few years ago. But making it a reality requires the courage to jump in and get started.

In this paper, we’ll dive deeper into three key takeaways from this year’s #3 trend, “striking a balance to steer skills forward,” and explain how SAP SuccessFactors can help make skills a reality in your organization.

Takeaway #1: Being skill-based does not mean having to go all in on skills

According to our research, only **34%** of organizations say they want to eventually adopt an entirely skills-based approach, while **63%** prefer to include skills data alongside other information when making decisions. Employees and managers also agree that this information shouldn't be used alone, although skills should be prioritized when making decisions. Our survey data shows that a split of **70%** based on skills and **30%** based on other criteria is considered the right balance by employees and managers when making decisions (see Figure 2).

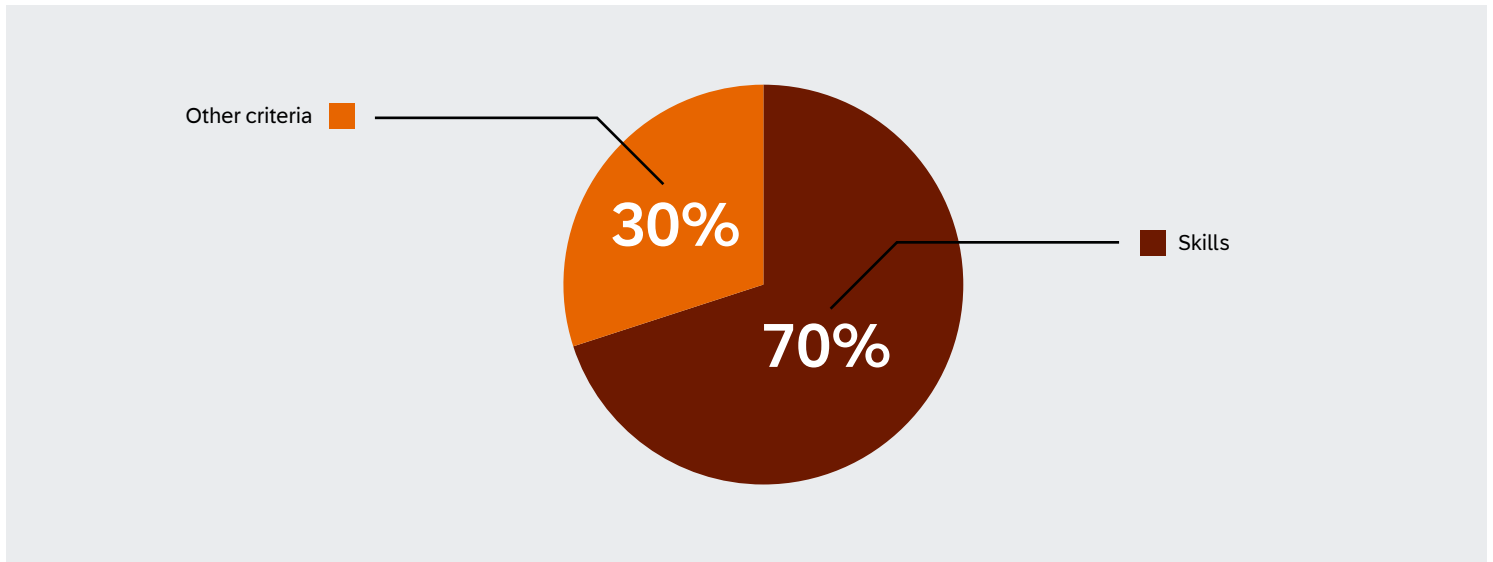


Figure 2: What employees and managers find to be the right balance when making decisions

Years of studying skills from various angles have made it clear that no one-size-fits-all approach exists. Different parts of an organization or specific practices within it may be better suited for a more heavily skills-incorporated approach than others.

Our research on skills-based hiring also suggests that the right approach varies by role type. A true skills-based model may be suitable for roles that rely heavily on static or technical skills, such as IT positions, or those that use tools or processes common across industries, including HR, finance, and administration. However, this approach may not be a good fit for roles where critical skills are constantly evolving or additional context is essential for decision-making, such as senior leadership, operations, or product development roles.

By moving away from the notion that being skills-based means going all-in on skills, organizations can find one or more approaches that best align with their unique goals and circumstances. The [skills framework for SAP SuccessFactors solutions](#) is designed to help organizations do exactly this (see Figure 3). It outlines four different approaches—skills-implied, skills-included, skills-led, and skills-based—for incorporating skills into HR practices. The framework also provides examples of roles and functions for which each approach may be most appropriate, along with the tools and technologies that can enable them.

	Skills-implied	Skills-included	Skills-led	Skills-based
SAP SuccessFactors Skills Framework: Four approaches to making skills a reality in your organization	In a skills-implied approach, work is organized entirely around jobs. Organizations do not make decisions based on skills data but rather assume skills from other artifacts, like educational background or previous job titles. - How is work organized in this approach? - How are compensation decisions made?	In a skills-included approach, work is still organized around jobs which are connected to a few (primarily technical) skills. - For what types of roles is this most relevant? - What role do skills play in workforce analytics and planning?	In a skills-led approach, work is organized around jobs, but these jobs are connected to many skills, including both technical and professional skills. - How are external hiring decisions made? - What are the enabling technologies or tools? - What is the approach to employee L&D?	In a skills-based approach, work is organized entirely around skills. Organizations make decisions based on skills evaluation and demonstrated capabilities, rather than traditional criteria such as educational degrees or prior job titles. - What is the approach to internal mobility? - What relevant foundational skills capabilities exist in SAP SuccessFactors?
Foundational skills capabilities within SAP SuccessFactors HCM	Job profile builder	- Job profile builder - Talent intelligence hub: attributes library	- Job profile builder - Talent intelligence hub: attributes library, growth portfolio	- Job profile builder - Talent intelligence hub: attributes library, growth portfolio - AI assisted skills architecture creator - AI assisted skills inference portfolio

Figure 3: The skills framework for SAP SuccessFactors solutions

No matter which approach to skills an organization chooses, the talent intelligence hub can help. Embedded across SAP SuccessFactors HCM, this unified skills model enables organizations to realize their skills vision by centralizing and dynamically updating talent data throughout the employee lifecycle. It supports personalized learning, smarter hiring, talent development, and strategic workforce planning with AI-powered insights and open integration with leading skills partners. It supports personalized learning, smarter hiring, talent development, and strategic workforce planning with AI-powered insights and open integration with leading skills partners.

Most important, the talent intelligence hub connects skills data across every stage of the talent process. This empowers organizations to take practical, scalable steps toward becoming more skills-aware, skills-savvy, and ultimately, skills-enabled.

Takeaway #2: Motivating employees to upskill requires intrinsic *and* extrinsic components

Our research reveals that organizations comprise a diverse range of learners, each with distinct motivations and preferred learning methods (see Figure 4). Tapping into employees' intrinsic motivation by understanding these individual drivers and delivering personalized learning experiences is an essential first step toward encouraging employees to take ownership of their upskilling journey.

Learner archetypes



Figure 4: Learner archetypes

According to our research, **a lack of financial reward** is the leading reason for employees' reluctance to engage in more work-related learning. This finding suggests that organizations have yet to tap into an equally, if not more, important extrinsic component of motivating employees to upskill.

As part of our research on skill-based pay, HR leaders express concerns that employees may take their newly acquired skills, along with any associated financial rewards, and leave for a competitor. While this could happen with one-time bonuses or annual merit increases tied to skills, offering retention-based incentives—such as restricted stock units linked to skill development—can help mitigate that risk. These types of incentives provide employees with a compelling reason to grow their skills and, when paired with clear career paths and visible development opportunities, give organizations greater confidence that employees will stay and apply what they have learned.

In situations like this, the skills data from the talent intelligence hub becomes especially valuable. It drives long-term employee growth by encouraging career path exploration. Employees can dynamically discover future roles aligned with their current skills, interests, and aspirations, empowering them to chart their own course.

Additionally, the opportunity marketplace feature in the SAP SuccessFactors Career and Talent Development solution offers AI-generated suggestions for formal, informal, and experiential learning opportunities, as well as mentors, job postings, temporary assignments, and dynamic teams. Each recommendation is tailored to the individual and aligned with the organization's evolving skills priorities.



Takeaway #3: Embracing human qualities is the key to understanding AI advancements and their impacts

As part of this year's trends report, we advocate for a shift from “or” to “and” in the debate between human skills and technical skills because both will be essential as AI continues to evolve. Employees need to leverage their uniquely human capabilities as differentiators, while developing the technical skills and knowledge required to effectively use and collaborate with AI.

To support this evolving employee experience, organizations must define and communicate the human and technical skills that are critical for employees to succeed. Equally essential is offering learning and development opportunities that help employees build and strengthen those skills.

Perhaps the most important skill of all is **AI literacy**, which includes competencies such as:

- Understanding the core concepts of AI
- Knowing how to apply AI tools to achieve specific goals
- Recognizing when they are interacting with an AI tool
- Assessing the limitations and potential of using AI
- Considering ethical implications when deciding to use AI

Our research shows that, compared to people with high AI literacy, those with low AI literacy are six times more likely to feel **apprehensive**, seven times more likely to feel **afraid**, and eight times more likely to feel **distressed** about using AI at work.

However, the importance of AI literacy goes beyond comfort. Developing AI literacy is a long-term strategy for success, which is far more sustainable than focusing on any one human or technical skill that may become outdated as AI continues to rapidly evolve.

The talent intelligence hub can play a meaningful role in this environment. Employees can self-rate their proficiency in AI-related skills or rely on skills inferencing based on their activities and achievements, while maintaining their growth portfolios in the talent intelligence hub. This provides real-time insight into workforce readiness. Meanwhile, the talent intelligence hub applies AI to this information to recommend targeted courses, learning experiences, and upskilling opportunities—all tailored to each employee's current skill level and future potential. This creates a continuous, personalized learning loop that supports organizational AI maturity and individual growth.

Conclusion

Executing a successful skills strategy is possible for organizations willing to challenge some assumptions, strike the right balance, and lead with a fit-for-purpose mindset. So the best course of action is to lean in. Use these takeaways—along with the right supporting technologies—to shine and make continuous skill development a reality, once and for all.

One of the most powerful enablers of this journey is the talent intelligence hub. By integrating dynamic skills and competency data across the employee lifecycle, the talent intelligence hub helps connect individual growth with organizational strategy. It powers guided development journeys that enable employees to understand their current skills and plan for growth, while keeping skills data up to date by capturing performance activities, completed learnings, and other development activities.

The talent intelligence hub from SAP SuccessFactors is the single skills model needed to manage your skills strategy across learning and talent, meeting the goals of both your employees and the organization.

The statistics and data points referenced in this report are from studies conducted by the Future of Work Research Lab:

Building a Culture of Lifelong Learning

The research report is based on survey responses from 1,470 employees and 33 focus group sessions with 92 learning leaders from 52 SAP customer organizations.

Four Approaches to a Skills-Based Talent Management Strategy

The research report is based on survey responses from 9,432 employees and interviews with 278 HR leaders from SAP customer organizations.

HR's Guide to Improving AI Literacy and AI Readiness Across the Business

The research report is based on survey responses from 2,610 people managers and 1,413 individual contributors and interviews with 79 HR and IT professionals from 52 SAP customer organizations.

Skills-Based Hiring: Changing Mindsets and Assessing the Timeline

These two infographics are based on survey responses from 2,269 employees.

The Top 5 HR Trends Today and HR's Guide to What's Next

The research report is based on analysis of 40 global and regional reputable business press sources, featuring 254 individual trends and predictions synthesized into five key meta trends.

Winning the Race for Skills with Skills-Based Pay

The infographic is based on survey responses from 1,389 people managers and 880 individual contributors and interviews with 49 talent acquisition and talent management leaders from SAP customer organizations.

SAP SuccessFactors solutions and capabilities that enable a skills-based talent management strategy

Talent intelligence hub

- Empower employees to take control of their career journey by using the growth portfolio
- Enable individuals to view, edit, and rate their skills and competencies and access career development resources
- Improve your leadership team's talent decision-making with the team portfolio view
- Leverage the attributes library as a repository of attribute types, including skills, competencies, motivations, and aspirations
- Build an AI-assisted skills architecture by extracting skills from job profiles in the job profile builder, mapping them to roles, and displaying them in the growth portfolio

SAP SuccessFactors Learning

- Recommend learning content using AI based on must-know, need-to-know, and want-to-know skills while enabling administrators to assign content based on skills in the growth portfolio
- Search dynamically for learning content based on criteria such as duration, mobile availability, and required skills for fostering continuous learning and guiding skill proficiency

SAP SuccessFactors Performance & Goals

- Infer hidden skills from performance data—such as feedback, activities, and achievements—to keep skills profiles up to date for a skills-led approach
- Assess and rate skills through performance assessments and 360-degree reviews for a skills-included approach
- Identify growth opportunities by adding, rating, or commenting on peer skills to highlight achievement areas for a skills-included approach
- Compare and update team skills and competencies efficiently using the team rater experience for a skills-included approach
- Recognize and reward performance fairly by standardizing evaluations across the organization for a skills-based approach

SAP SuccessFactors Career and Talent Development

- Guide intuitive career and development planning with AI-driven insights, skills data, and personalized recommendations
- Set a foundation for the employee journey by using the growth portfolio, which provides AI-driven recommendations for discovering relevant skills and identifying development opportunities
- Connect employees to new growth experiences—such as learning courses, job postings, mentors, assignments, and dynamic teams—through personalized recommendations from the opportunity marketplace
- Explore career paths with AI-driven suggestions based on employees' skills, interests, and aspirations
- Provide personalized development suggestions with AI-assisted career insights to help employees pursue target roles

