

# Unlock the Skills-Powered Organization

How recognition data uncovers skills insights and unleashes potential



# Why data-rich recognition is the key to bridging the skills gap and creating a competitive advantage



Agility has shifted from a buzzword to a top business priority. Organizations are facing a perfect storm of supply chain whiplash, AI reshaping industries overnight, and economic tides that turn without warning. Add the pressure to optimize costs and keep up with shifting consumer demands, and it becomes clear:

**Resilience isn't about predicting the next shockwave but building organizations that bend instead of break.**

Central to this agility is an important shift many organizations are making from the outdated job-centric approach to work, to a more dynamic skills-based strategy. As skills change faster than job titles, organizations need to be nimble, constantly checking in on the skills they have and what they'll need moving forward. This shift isn't just important, it's essential for survival, yet it hinges on access to the right data: data that's timely, relevant and useful.

**Here's the catch: skills are fluid—moving, shifting, evaporating, pooling—but most data used to track them today is static.** This creates massive blind spots most organizations don't even realize they have until projects stall or customers leave. What smart organizations are beginning to realize is there's an untapped resource that's critical to filling this skills data gap—employee recognition.

Employee recognition is the act of publicly acknowledging individuals for what they do, and how they do it. At its core, it's another word for positive reinforcement—feedback focused on an employee's strengths and what they're doing right, making it clear what good looks like. It's a boon to employee engagement, retention, productivity, collaboration, and motivation—and a window into employee skills.

Recognition data—the information that comes from properly capturing the recognition moments above—can hold a treasure trove of behavioral insights that give a more accurate and continuous view of employee skills than traditional methods like self-reported skills, one-time assessments, and inferences that can be incomplete or misleading. Recognition draws on authentic human interactions, and when these interactions are captured frequently, in detail from people around the organization, it leads to real-time, organic insights

into skills. Data-rich employee recognition programs are designed to capture these moments.

Recognition data stands apart because it is behaviorally rich and always on, providing unique insights into individuals and their skills in action that traditional methods simply cannot capture.

**However, it's important to note that not all recognition programs are created equal.**

Data-rich recognition programs are specifically designed to capture the right quality and quantity of data necessary to power skills-based organizations. And they're key to a solid people strategy. These programs focus on recognizing employee behaviors and achievements that happen in the flow of work and capturing those through highly personalized and contextual messages from across the organization, thereby generating skills-rich data that can inform strategic decisions. These programs rely on a culture where recognition isn't saved for only the big moments, but instead one where moments of recognition happen often, across the entire organization. This depth and breadth of data is what unlocks skills insights.

By contrast, many existing recognition initiatives fail to capture the depth of information needed to unlock this hidden potential. A simple "thank you" or "great job" message lacks the specificity needed to reveal any skills. A high five in the hallway is quickly forgotten and provides no insight into an employee's capabilities. But when you leverage technology to not only capture these moments, but prompt more meaningful messages, like acknowledging a team member for their exceptional problem-solving skills on that project, real skill insights can be unlocked.

**In this paper, we'll explore why adopting a skills-based approach is vital for organizations navigating a future defined by constant change. We'll examine how recognition data serves as an underutilized and more accurate resource for skill insights than traditional methods. And we'll outline the characteristics of the skills-rich recognition programs that are key to unlocking this valuable data, enabling organizations to harness the full potential of their workforce, and stay nimble.**

**Figure 1: Data-rich recognition messages lead to skills insights**

#### Non-specific award message

Thanks for all your hard work today, Jill.

#### Highly personalized, data-rich recognition message

Jill, thank you for your **strategic** insights during the Q2 **planning** session. By bringing a team-first attitude, you identified potential roadblocks facing **product development** and **set the tone** for a **candid**, **productive** afternoon. This resulted in a great meeting that led to some important **breakthrough decisions**. We're lucky that you are as invested in the **success of others** as you are. You are key to our **financial planning work**; here's to crushing it in Q2!

#### Recognition data:

**Talent and skills**

**Impact and performance**

**Work and projects**

**People and relationships**

**Company values and culture**



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# The rise of the skills-powered organization

As business conditions shift all around us, becoming skills-powered is increasingly seen as a necessity for many organizations. It's all about moving away from the old, rigid structures that kept us stuck in silos. We need a more flexible way to match the work that needs to get done with the right people to do it, and, right now, focusing on skills is the best way to make that happen.

This skills-based approach is reshaping how organizations operate, and for good reason. At the heart of this transformation lies a powerful competitive advantage that can unlock enhanced performance, greater productivity, and better talent mobility, propelling companies ahead of their peers. And recognition, when purpose-built to tap into skills insights, is poised to fuel this revolution.

## What it means to be skills-powered

Skills-powered organizations prioritize the unique talents and capabilities of their workforce, moving away from rigid job descriptions and embracing flexibility. They focus on how individuals can contribute to the organization's success, while simultaneously empowering career growth. This approach emphasizes continuous development, creating an environment where employees can take on projects and gigs across the organization, allowing them to both develop their skills and make meaningful contributions. At the same time, it enhances organizational agility, enabling companies to respond swiftly to changing market demands without relying heavily on large recruitment efforts, because when people are actively developing skills and see a future with their organization where they belong, they're more engaged and they stay longer. And when companies do need to recruit externally, a focus on skills rather than degrees or past job titles opens up talent pipelines to those who had been excluded before, making it easier to hire for the skills needed. Ultimately, a skills-based approach improves workforce planning, enabling organizations to anticipate future needs and maintain a competitive edge by staying ahead of their talent requirements.

## How skills-powered organizations outperform their peers

Organizations that prioritize skills over traditional job roles outperform their peers in several key areas. Financially, skills-powered organizations can see reduced headcount costs by optimizing their existing talent pool instead of relying heavily on external hiring. In fact, 19% of these organizations report improved financial performance linked to their skills-based initiatives, while 29% note reduced headcount costs.<sup>1</sup>

Moreover, 52% of skills-powered organizations experience a boost in productivity due to more effective talent deployment. With a clearer understanding of their workforce's capabilities, these companies can match the right skills to the right tasks, enhancing operational efficiency and improving talent acquisition efforts. When organizations know what skills they need, they can attract candidates who fit those requirements more accurately, or better yet, find them internally. In fact, 55% of skills-powered organizations report improved sharing of talent across departments, fostering cross-functional collaboration and better employee development opportunities.

### There are benefits to being skills-powered

**52%**

of skills-powered orgs report a boost in productivity.

**55%**

reported improved sharing of talent across teams.

**48%**

report an increase in employee engagement.

Source: Mercer's Global Talent Trends 2024-2025

Bottom line, being skills-powered leads to higher employee engagement and retention. Employees want to be seen for more than what they've done in the past – they want their organization to invest in their ongoing skills development and career trajectory. So it's no surprise that organizations who embrace this skills-based model report a 48% increase in employee engagement, and those that encourage skills development see employees 47% less likely to seek new jobs.<sup>2</sup> By organizing work around skills rather than rigid job descriptions, companies unlock the full potential of their employees, resulting in greater job satisfaction, a more engaged workforce, and enhanced profitability. Focusing on skills isn't a trend, it's a strategic move that drives real results for organizations.

## How skills became the new currency of work

As work has evolved, so have the needs of the workplace. Rigid jobs and role descriptions that used to help align companies with the right talent now do more to create noise and friction than progress. Several factors led us here, including:



### 1. Becoming data-driven:

Making **data-driven decisions** is essential, and skills provide valuable data for hiring, workforce planning, and career development decisions. While only 38% of HR leaders feel confident using objective data for talent management, today that number is expected to rise. Currently, 48% of HR leaders have created a skills library to better understand their workforce's capabilities. Employees gain here too, with skills data powering their career paths, giving them better insights into what's possible.



### 2. Rapid technology changes:

The relentless pace of technological advancement requires organizations to continuously adapt and upskill their workforce. And as generative and agentic AI reshapes job functions, the demand for new skill sets is growing. Recent World Economic Forum data indicates that 39% of key skills required in the job market will change by 2030.<sup>3</sup> A skills-based approach fosters agility, allowing companies to respond quickly to these changes.



### 3. The need for enhanced organizational resilience:

Resilient organizations, those that confidently say their business can withstand unforeseen challenges, are 1.4X more likely to be skills-ready with an adaptable pipeline of talent than their less resilient peers. A staggering 79% of C-suite executives recognize the need for greater agility in talent processes to pivot their workforce in response to changing demands. This need is particularly pronounced in regions like India and the Middle East, where 58% of leaders emphasize the importance of workforce agility compared to 51% of leaders in the US and Canada who see this as a top business priority over the next 12 months.<sup>4</sup>



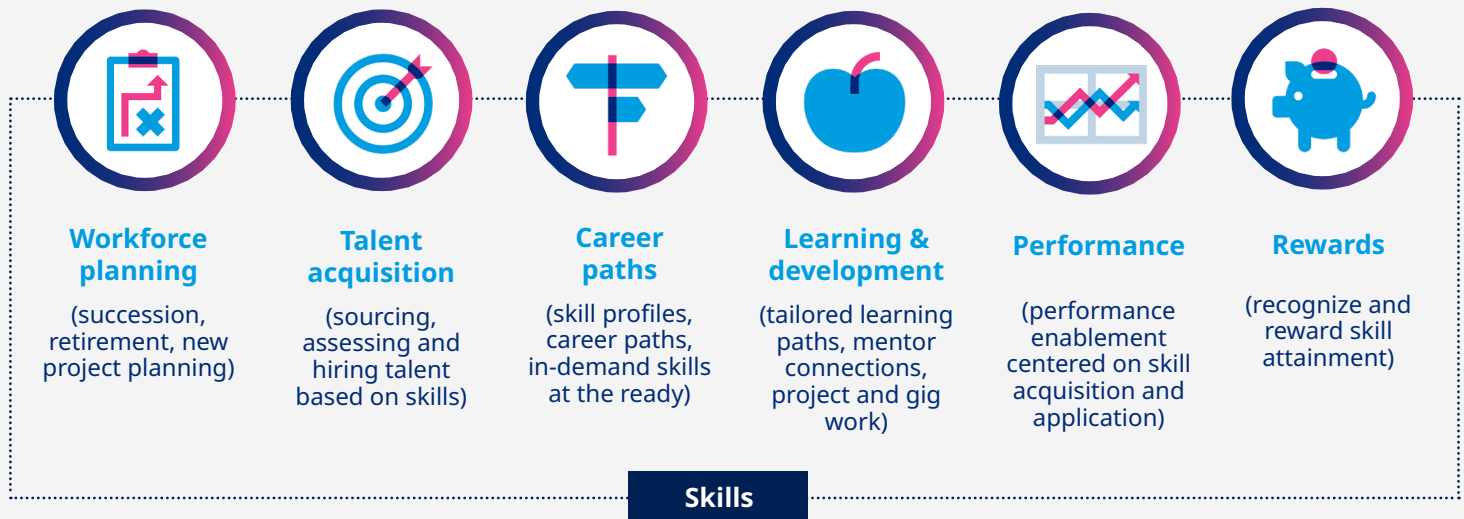
#### 4. Talent shortages and skills gaps:

Many organizations face challenges in finding talent with the critical skills needed for the business, especially for skills that are increasing in use, like artificial intelligence and machine learning, data science and cybersecurity skills.<sup>5</sup> With 48% of HR leaders citing skills shortages as a top threat, it's true we may be facing a skills gap, but there's also **skills blindness**. The skills gap comes from the skills an organization needs not being readily available to them, leaving them to develop those skills internally or seek them on the external market. At the same time, many organizations are sitting on the skills they need, but don't even realize it – they're suffering from skills blindness. An effective skills-based approach allows companies to both identify existing skills and nurture in demand skills across internal talent, thereby reducing reliance on external hiring while increasing retention and engagement.

Talent continues to be a crucial factor in driving enterprise risk around the globe, with nearly every country ranking **skills shortages** or unemployment as a top 10 concern in Mercer's Global Risks Report.

**Figure 2: Why becoming a skills-powered organization matters**

Increased productivity	Speed and agility	Reduced time and cost to fill	Higher employee engagement	Improved profitability
Implementing a <b>talent marketplace</b> typically leads to increased productivity, as <b>supply and demand</b> of skills and work are <b>streamlined across the organization</b>	Allows organizations to <b>(re)deploy talent at a much faster rate</b> , pivoting when internal or external disruptors appear	Detailed insights into truly required skills allows for <b>targeted recruitment and internal mobility</b> , reducing time and cost to fill	A skill-based approach to talent management leads to increased <b>clarity of expectations</b> , targeted <b>development opportunities</b> and greater <b>career perspective</b> . All are key drivers for increased employee engagement	Redesigning work to achieve the <b>optimal combinations</b> of talent and automation, mapping skills to evolving work
ROI realized				
<b>Global insurer:</b> 600% higher productivity for data scientists over 18 months	<b>Consumer products company:</b> Operational efficiency gain of 214 FTEs	<b>Large bank:</b> Redeploying talent from sunset to sunrise jobs through upskilling and reskilling saved \$60,000 per employee	<b>Global consumer goods company:</b> +60% eNPS score recorded by employees	<b>Oil and gas company:</b> 45% improvement in profitability per rig after 12 months

**Figure 3: Skills are the backbone of an agile organization**

### 5. Employee expectations for growth:

Modern employees seek continuous learning and career development, and a skills-based approach fulfills that by empowering employees to take charge of their career paths. In fact, 28% of workers who plan to stay with their organization cite opportunities for development as a key reason for their loyalty. Moreover, being recognized for skill development matters, with 72% of people who were recognized for learning a new skill saying they see a path to growth, compared to just 34% of those who were not recognized saying the same.<sup>6</sup>



### 6. Cost efficiency and productivity:

Leveraging existing skills reduces the need for external hiring and leads to significant cost savings. And with productivity as a top driver of transformation, 51% of C-suite executives believe that upskilling employees will boost productivity the most, alleviating the need for more external talent. A skills-based approach allows organizations to plan for necessary skills and develop them internally, avoiding the costly battle for in-demand external talent, all while boosting productivity and improving cost efficiency.

Beyond these benefits, the skills-based ecosystem has reshaped how organizations manage hiring, learning, career development, and workforce planning, creating a common language that aligns business needs with talent strategy.

# Blind spots: Data gaps are the biggest barrier to unlocking the skills ecosystem

One of the biggest challenges organizations face in becoming skills-powered is understanding and validating the skills their employees have. Knowing skills exist isn't enough; organizations also need to understand how well employees can use those skills. This is especially important when companies are trying to figure out how to reward skill advancement. If organizations want to support and motivate their workforce effectively, they need to get a clear picture of the skills their employees bring to the table, but this is no easy task. The data used today to understand skills is filled with gaps and inaccuracies, all of which recognition data can address.

## How most skills data is gathered today

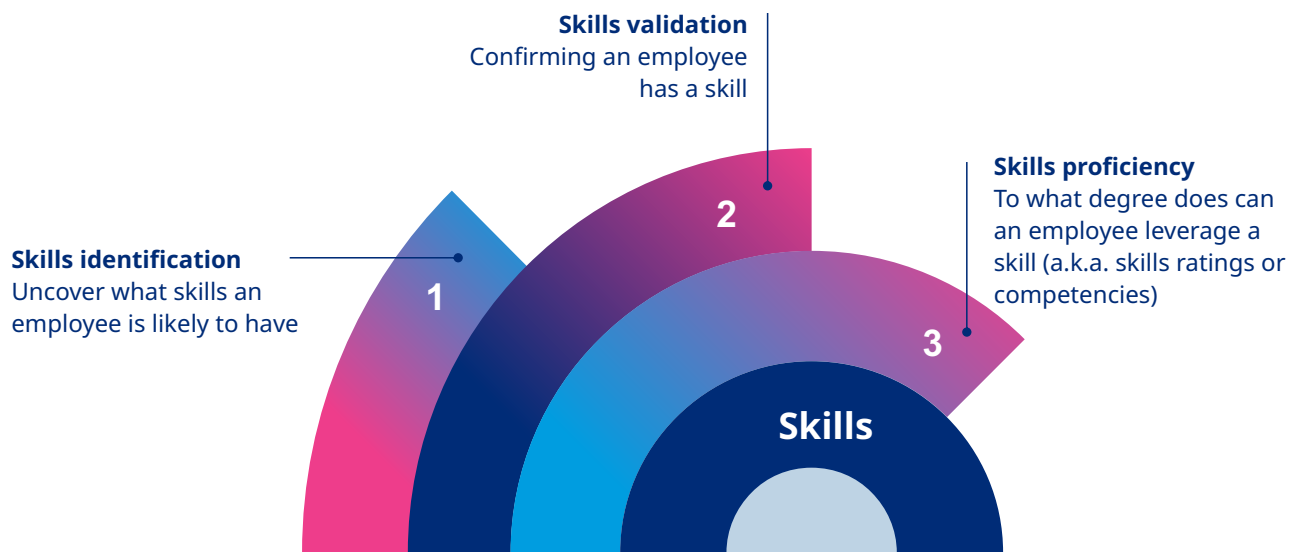
To understand how today's skills data is flawed, it helps to understand how it's collected and dissected.

**Skill identification is the process of uncovering or discovering the skills that employees or candidates possess. Common methods used to identify skills include:**

- **AI-powered inference** analyzes explicit skills listed in employee and candidate profiles to identify adjacent or related skills that may not be immediately apparent. For example, if an employee lists "project management," AI might also infer related skills like "team leadership" or "budget management" based on their experience.
- **Self-identification** has employees proactively declare their skills and add them to their profile. This method is often used with the AI-powered inference above, allowing employees to augment or adjust the AI-identified skills.
- **Manager identification** allows managers to provide insights into the skills they observe in their team members. This can be used in conjunction with AI-powered and self-identified skills.

**Skill validation** is the process of confirming whether an employee or candidate has a specific skill. This can happen alongside skill identification or as a separate step. While some organizations use AI for this, many still prefer human evidence. In fact, Mercer research shows that 30% of HR teams require skill validation during performance reviews. This often involves managers evaluating an employee's skills based on their performance and contributions. Organizations may also use assessments where employees demonstrate their skills through tests or job simulations; or utilize 360-degree evaluations, gathering feedback from peers and other stakeholders.

To get a complete picture of skills, organizations also need to evaluate **skill proficiency** (also known as skill ratings or competencies), which indicates how well an employee can use a skill. Ratings like novice, intermediate, or advanced help organizations understand not just what skills an employee has, but how effectively they can apply them. This insight allows companies to assign talent to the right projects, maximizing skill use and development.

**Figure 4: Understanding skills**

## Where today's skills data falls short

The key components above lay the groundwork for skills intelligence, giving organizations the data they need to become skills-powered. However, traditional methods for gathering this data are often flawed, creating gaps that could hinder progress. Mercer research shows that less than half (48%) of employees feel their skills are valued by their organization, highlighting the disconnect between the skills-powered world most organizations want, and the stark realities they face in creating it.

- A major issue with skill identification is the reliance on **self-reported skills**. While this encourages employees to think about their skills, it's subjective and depends on them accurately assessing their own abilities, meaning the results can be unreliable. Some employees might not list skills they don't feel confident in, while others may overstate their abilities. For instance, recent research by Harvard Business School associate professor Katherine Coffman found women were more likely to underestimate their skills than their male counterparts, causing them to shy away from new jobs and be overlooked for leadership opportunities.<sup>7</sup> Plus, inconsistency in how employees understand skill definitions leads people to report their skills differently. As a result, fewer than 25% of HR teams believe they can use this data for compensation or career pathing purposes.



**On one end of the spectrum, we have the Dunning-Kruger effect—a cognitive bias where people who aren't skilled in a certain area overestimate their abilities, thanks to what they don't know. On the other end, we have Imposter Syndrome—high-performers who are sure that they're faking it, undervaluing and downplaying the expertise they possess.**

**Jesse Harriott**

Executive Director, Workhuman iQ® at Workhuman



- Relying on employees to report their own skills can also feel isolating and often leads to **recency bias** (focusing only on what they've done lately). Employees build lasting confidence when they receive consistent, real-time feedback on their skills from their colleagues—shaping how they see themselves and their potential. Recognition data delivers this feedback by capturing and analyzing meaningful moments as they happen, eliminating recency bias and validating skills in the flow of work.
- **Manager-validated skills** might seem like a good fix for the self-reported skills gap, but they come with their own challenges. Managers are often busy and may not have the time to keep up with their team's skills. Plus, they aren't involved in every project or interaction, which means they can miss chances to spot transferable or emerging skills. This could explain why only 47% of employees feel their manager understands their skills and interests. HR sees this issue too, with less than one-third (30%) trusting manager-validated skills for internal talent deployment.

Another issue with manager-validated skills is how they play out in real life, namely during performance reviews. Important discussions about skills often get pushed to these annual reviews, which don't happen often enough. This is also a problem because **performance reviews** can be stressful for both managers and employees, and they're filled with recency bias. With the focus on performance and pay, skill development often gets overlooked. Recognition, occurring continuously and in near real-time, uncovers skills data that traditional performance conversations often overlook—providing a richer, more dynamic view of employee capabilities and skills.

- **Hidden skills** include those that employees don't realize they have, those that only emerge in certain situations, and skills that are critical to the job but aren't listed in the job description. These skills are tough to find with traditional methods. While AI can help identify some of them, many go unnoticed because they aren't linked to anything in the employee's profile. These skills often come from real-life experiences outside the workplace, like a DIY home renovator figuring out creative solutions on a budget, a caregiver who develops patience in high-pressure situations, or a volunteer event planner coordinating logistics under tight deadlines. Although these skills don't appear on a resume, they show up in the workplace and can add real value to a business. This is where recognition data—captured with the right context—can illuminate these hidden strengths, offering rich, real-world insight into talent that most systems miss.

**These challenges create gaps in skills visibility, making it harder for organizations to fully tap into their workforce's potential. To close these gaps and improve agility, organizations need a more organic, unbiased, and continuous approach to skill validation—one that goes beyond self-reports and manager assessments.**



*Workhuman customer insight*

**It's essential to go beyond titles and degrees to recognize the skills within your current talent that may be overlooked, and to find opportunities to make better use of that talent.**

**Dominique Brewer**

Head of Culture and Engagement, HR Chief of Staff, US Business Unit at Takeda



# The power of the right recognition data

Recognition data is rarely seen as the ticket to becoming skills-based, but that's a miss. When deployed the right way, recognition programs can uncover data that provides valuable insights into employee skills.



**Here's how:** Leaders do more than encourage recognition—they task every employee with calling out the great work they see around them. This turns praise into skill-signaling stories. For example, “way to stay calm and come up with a workaround when the servers went down” shows leadership under pressure.



**The magic?** Givers name specific strengths (not just “good job”), recipients learn exactly how they add value, and the whole org sees what skills drive results—all without a single survey or self-assessment.

These skill signals are derived from recognition moments, which are instances where employees are acknowledged for their contributions, achievements, or behaviors by people from across the organization. These moments are captured through technology, allowing skills data to be uncovered and surfaced through AI. This recognition data has the potential to uncover and validate skills more organically, without requiring employees to recall or list their abilities, or relying solely on managers for validation. By using AI to mine this human-powered recognition data, organizations can access a new form of intelligence—what Workhuman® refers to as Human Intelligence™, which combines human data and AI—that has previously been untapped.

But to unlock this power, organizations need to rethink their recognition programs, strategically designing them to produce skills-rich data and insights. It won't be enough to encourage generic “good job” accolades or a quick “thank you” in an email. Recognition needs to be deep, meaningful, information dense and tied to specific contributions to produce skills-rich data. And that takes thought and planning.

## What makes recognition data skills-rich

The effectiveness of recognition programs hinges on the quality of the data inputs. Recognition data can range from skills-rich information that offers meaningful insights into the skills, abilities, and motivations of the workforce to skills-oblivious data that fails to provide any real insights. Ultimately, the design of recognition programs plays a crucial role in determining the value of the data collected—after all, garbage in means garbage out, or in this case, no recognition fuel means no skills exhaust.



*Workhuman customer insight*

**When it comes to skills, we need to focus on results, which is why I love the recognition piece. To get recognized, there had to have been a good result, and a result you want to repeat. And coming from people who have no incentive other than to recognize you for a job well done, that avenue is starting to show validation of skills, especially of softer human skills.**

**Melissa Keiser**

Executive Director of Global Skills and Career Development Strategy at Bristol Myers Squibb



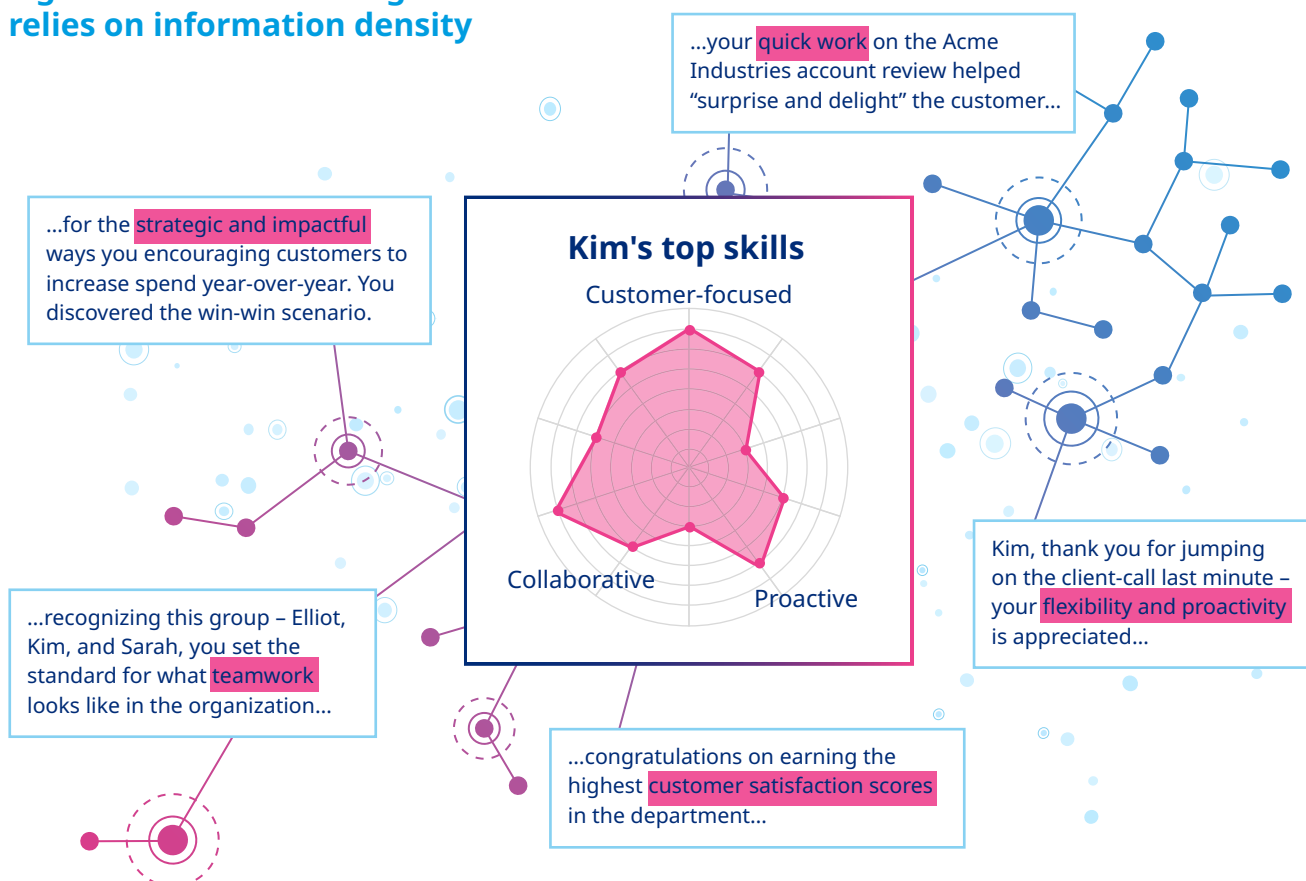
## Skills-rich recognition data comes from a focus on information density—structuring informational inputs in a way that allows for maximum outputs in the form of insights. This differs from skills-oblivious recognition data on several fronts:

- Contextual:** Skills-rich recognition data is linked to specific actions, projects, or outcomes, providing clear evidence of skills in action. It should be descriptive to reveal valuable insights, and personalized to uncover individual strengths. For instance, a simple “good job” message lacks depth, while recognition that explains what the employee did well, how it impacted the team or the company, and why it mattered provides meaningful context. This heartfelt level of detail isn’t possible through shortcuts like automated, AI-generated accolades; it requires a human perspective to ensure the description and personalization are accurate, which is key to capturing the right skills data.
- Frequent:** Skills-rich recognition data thrives in a culture where recognition is common, and balanced. It needs to happen often to generate enough data for valuable insights into skills, but it still needs to be meaningful. This calls for a fresh look at how we think about recognition. Recognition shouldn’t be doled out for every trivial task that gets completed, but it also shouldn’t be reserved just for the moments where someone goes “above and beyond.” It needs to be used to highlight everyday moments where employees show up and deliver. This not only feeds into a culture where good behavior is reinforced, it also produces a wealth of skills-rich data that allows organizations to truly understand their workforce, and what they’re capable of.

Only 24% of people who work somewhere with a recognition program say they **receive the right amount of recognition for the work they're doing.**

Source: Gallup & Workhuman's Retention: New Evidence of Recognition's Long-Term Impact Report

**Figure 5: Skills-rich recognition data relies on information density**



- **Meaningful:** Skills-rich recognition data comes from acknowledging contributions that truly matter. Rewards should reflect the effort and impact of skills, highlighting skills in action rather than just in theory, like completing a course in the LMS. Meaningful monetary awards can help both the giver and receiver understand the magnitude of the impact, reinforcing the value of the recognition. This process should not be fully automated. AI should help to foster recognition and encourage thoughtful messages, but it shouldn't automatically create or post them. In fact, research has found that authentic recognition predicts a greater likelihood of employees seeing a path to growth at an organization, by a factor of up to 8X.<sup>8</sup>
- **Organic:** Skills-rich recognition data is generated naturally through peer feedback that reflects real performance. Without this organic input, many skills may go unnoticed, especially since managers often have a limited view of their team's abilities. Authentic feedback is key to capturing skills data effectively and ensuring both the giver and receiver feel the impact. This helps make recognition a habit while keeping it personal. And, recognition that comes from multiple sources makes the biggest impact, with recent Workhuman data revealing that when an employee receives recognition from both their direct manager and their peers they're less likely to quit than if they received praise from one source alone.

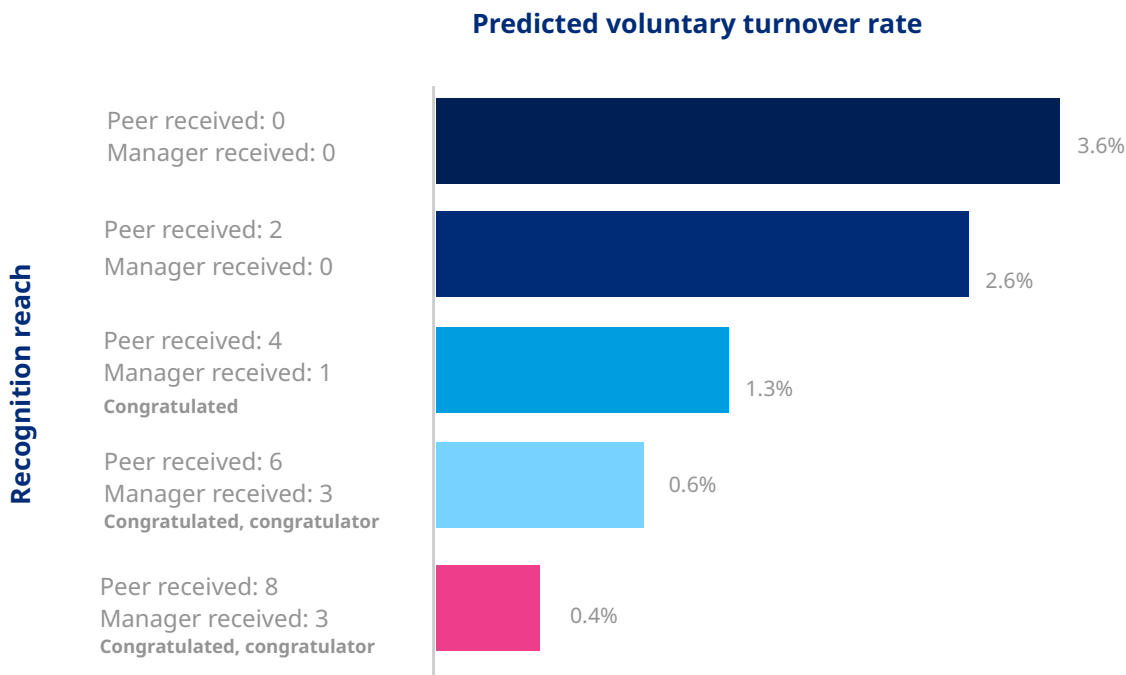


- **Reach:** Skills-rich recognition data has a wide reach, as it can come from anyone in the organization. This inclusivity helps uncover hidden skills that might otherwise be missed. To ensure skills data is collected across the organization, recognition must be fair and accessible to all employees. Without proper reach, skills data can become fragmented or useless. That's why a culture of recognition is essential for a skills-powered organization, as it's crucial for providing valuable skills-rich recognition data.

**To harness the full potential of recognition data, organizations must focus on creating recognition programs that are contextual, frequent, meaningful, organic, and far-reaching. It's this data that unlocks the skills-powered organization.**



**Figure 6: Turnover decreases as recognition reach increases**



Source: Workhuman iQ Customer Employee Analysis

## How skills-rich data validates skills

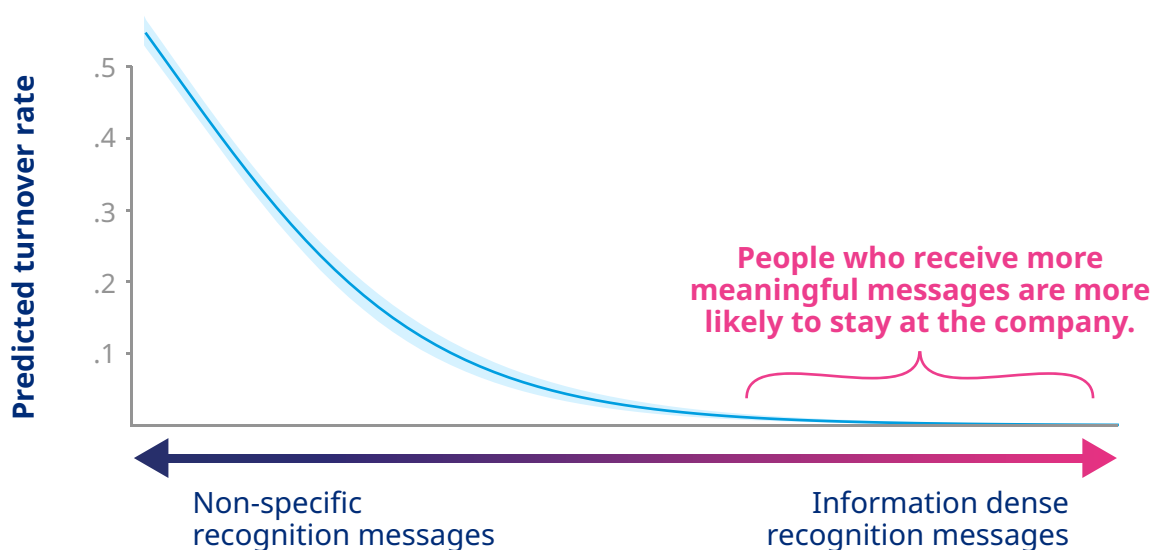
**Skills-rich recognition data transforms organizations by addressing flaws in the current methods for understanding and validating skills. At the same time, it uncovers skills that would not have been captured otherwise.**

This skills-rich data is crucial for validating employee capabilities, providing real-time, objective insights that reflect **skills as they are demonstrated through real work experiences**. By capturing skills in action, it highlights their practical use rather than just theoretical knowledge. Observing how employees apply their skills in real situations gives organizations a clearer picture of their true capabilities.

### Here's why that matters:

- Skills-rich recognition data uses multiple touchpoints to identify and validate skills. This crowdsourced approach moves away from the traditional "one-person-said-so" model, which can be subjective and prone to bias. Instead, it gathers feedback from various sources, including peers and managers, to **validate skills from different angles**, enhancing accuracy and reducing bias that often comes with self-assessments or top-down evaluations.
- Skills-rich data has the unique ability to **surface hidden skills** that employees may not recognize or feel comfortable sharing. Many people have valuable skills that go unnoticed, either due to a lack of confidence or the absence of a platform for acknowledgment. By capturing recognition moments that highlight these skills, organizations can uncover untapped potential within their workforce.
- And skills-rich data offers a **continuous feedback loop**, keeping skills data current and relevant. This allows organizations to adapt to changing business needs and employee development goals. Regular recognition and feedback help maintain an accurate view of employee capabilities, enabling informed decisions about talent deployment, training, and career development.

**Figure 7: More specificity in recognition messages yields more data and positively impacts employee retention**





## How to build a skills-powered organization with recognition data

In our look at skills-rich recognition data, we've found it can be the key to unlocking the full potential of a skills-powered organization. By using recognition data, companies gain insights into employee capabilities, validate skills, and create a culture of continuous development. Now, we turn our focus to the practical steps needed to build a skills-powered organization with recognition. In this section, we'll guide you through creating a recognition program that generates the right data for skill identification and validation, empowering your workforce and driving success.

1. To create an effective recognition program, it's essential to **establish what a good recognition message looks like**. Recognition should be more than just a simple "thank you"; it needs to be meaningful for both the giver and the recipient, clearly explaining what they did well, the skills they demonstrated, and the positive impact of their actions. A well-crafted recognition message should resonate with the individual, reinforcing the values and behaviors you want to promote within your organization and ultimately surfacing more data that can fuel skill insights.
2. To keep recognition **fair and unbiased**, it's important to remove favoritism by setting clear criteria for how and when to recognize others. Encourage team members to provide feedback and recognition immediately after meetings or projects to capture acknowledgments while they're fresh. It's also a good idea to do regular audits for equity in recognition, similar to pay equity assessments, especially since we're using this data to make decisions about individuals. By building a culture of equitable recognition, you not only enhance the quality of acknowledgments but also ensure that skills data is accurately captured across the organization, driving engagement, retention, and overall performance.
3. Recognition must be part of the **business strategy**. Recognition programs have often been seen as just compensation tool, something for Total Rewards. But they play a key role in nearly every aspect of people strategy and should be a priority for the whole business.

**Think of recognition as a strategic asset that connects critical areas like talent management, employee engagement, people analytics, workforce planning, finance, and leadership:**

- **Recognition** is essential for unlocking skills and retaining top talent, which is crucial for building an agile workforce. It directly impacts employee engagement, and the insights gained from recognition data can help shape employee experiences and foster a culture of continuous skill development. This data offers unique insights into employee behavior and skills that can't be found anywhere else.
- **Recognition** lends valuable skills data to the workforce planning process, helping to better align talent with business needs and reduce costs while boosting productivity and efficiency. Recognition is a lever to drive business outcomes by reinforcing high performance behaviors, so they get repeated. At the same time, it can serve up skill insights to leaders, so they can encourage their people to develop the skills that are most needed. All of this is good news for the bottom line, and for the workforce.



4. To activate skills through recognition data, companies need to focus on **empowering change and building a culture of continuous development**. This isn't just about rolling out new tech—it's about shifting mindsets, involving the right people, and improving processes, using the right tools to support all of the above.

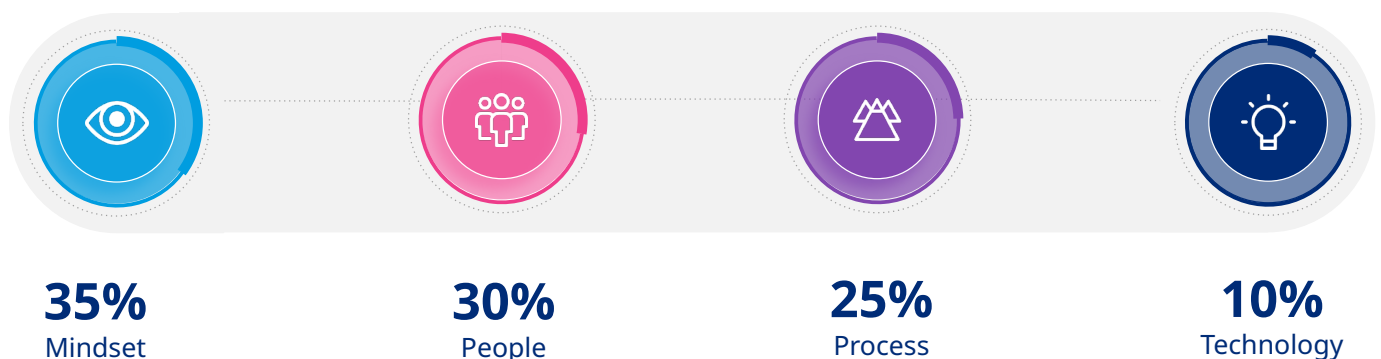
**Mindset** is the foundation of this transformation. Companies need to have a clear vision for recognition and identify the “unlearning” that will need to happen to enable it. Recognition should occur daily, not just during significant moments. Leaders must foster a growth mindset, where feedback reinforces behaviors and makes recognition a natural part of the company culture, leading to greater peer-to-peer acknowledgment of skills.

**People** are at the heart of any recognition program. Understanding what employees want and need is crucial. Involving them in creating and shaping recognition initiatives helps make sure it resonates and feels meaningful, making it possible to unearth skills from their recognition messages.

The recognition **process** also needs to evolve. Companies must assess their current recognition programs and identify shortcomings. This may involve completely redesigning processes, ensuring that recognition is timely, relevant, and integrated into daily workflows. An effective recognition experience reinforces the importance of continuous feedback and development, encouraging employees to actively participate in their growth.

Lastly, **tech** is important but should only support the bigger picture. Organizations need to identify the right solutions and partners that align with their vision and strategy for recognition. These technologies should facilitate the collection and analysis of skills-rich recognition data, making it easier to derive insights that inform skill development and organizational growth.

**Figure 8: Digital equation for success**

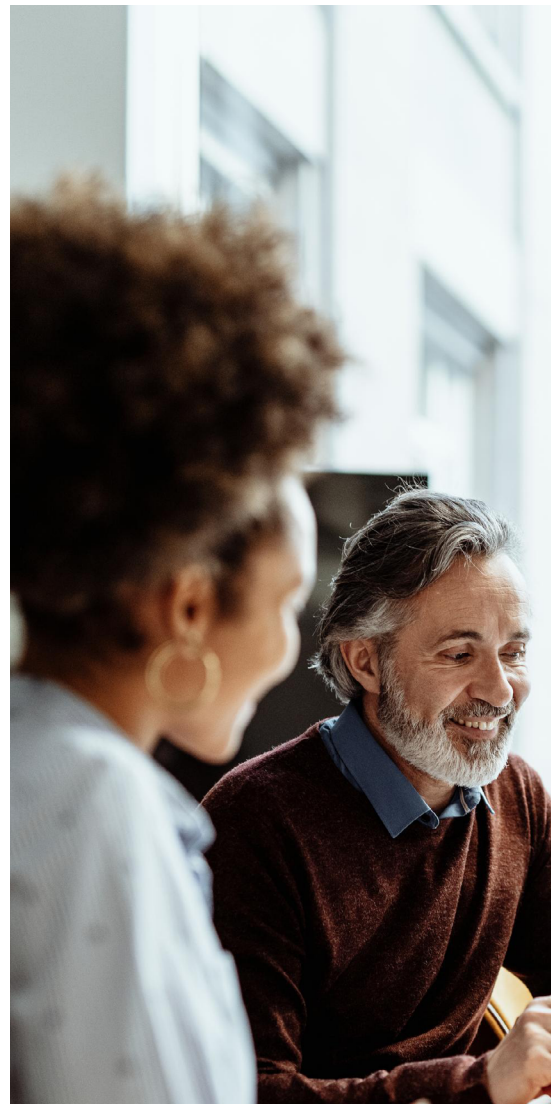


5. To get the most out of recognition data and the skill insights it produces, **connect it to business outcomes**. Look for vendors and partners that help you make those outcomes a reality, pressing them for evidence of how they do this and where they've done it before.

**Here are a few ways to tie recognition to business outcomes:**

- **Growth and revenue:** When organizations recognize and cultivate the right skills, they empower employees to perform at their best, leading to improved productivity and innovation. By mapping recognition data to revenue-driving skills, companies can double down on developing the right capabilities.
- **Trust and retention:** When people feel seen and appreciated, they stick around. At the same time people want development opportunities which come when they learn new skills. By connecting recognition data to skills, organizations get the retention benefits offered on both fronts.
- **Health and safety:** In industries where health and safety are critical, recognition can reinforce safe behaviors while uncovering which skills lead to the safest outcomes.

**When recognition data is tied to business results, it shows how recognition supports the entire company—not just HR or Total Rewards.**



*Workhuman customer insight*

**Bristol Myers Squibb** found themselves on an “**unexpected skills journey**” after acquiring a new business. They quickly realized they were facing a skills shortage that was holding them back from expanding. With the right talent in short supply, they had to prioritize becoming skills-based. Focusing on **talent acquisition** and **internal mobility** first, they kicked off a pilot in just one area of the business. The results? A **21% reduction in time-to-fill**, and they managed to fill roles that had previously seemed unfillable, all while building an internal pool of talent to call on in the future.

6. Recognition programs can be a goldmine for skills insights—but only if they're set up right. Failing to take the time to design a skills-rich recognition program is one of the most significant missteps. **Here are the pitfalls to avoid when setting up your recognition program to support skills:**

**Skipping the strategy:** It may be tempting to rush through the process and declare the program complete, but this “check-the-box” approach will not yield the data needed to drive skill development. Instead, it can result in wasted effort and time, leaving organizations with little to show for their investment.

**Making it too transactional:** When recognition is merely a routine acknowledgment without deep personal meaning, it loses its impact. Employees need to feel that their contributions are genuinely valued, and recognition should reflect the significance of their efforts. Without this, recognition falls flat and so does the skills data that comes with it.

**The one-size-fits-all approach:** Generic swag or cookie-cutter messages don't resonate. Tailored, personal recognition tied to real contributions drives engagement—and better data. Recognition should be tailored to resonate with individual employees and reflect their unique achievements and preferences.

**Keeping it top-down:** Recognition shouldn't just come from leaders. Peer-to-peer shoutouts create a stronger culture and surface more honest, crowd-sourced insights

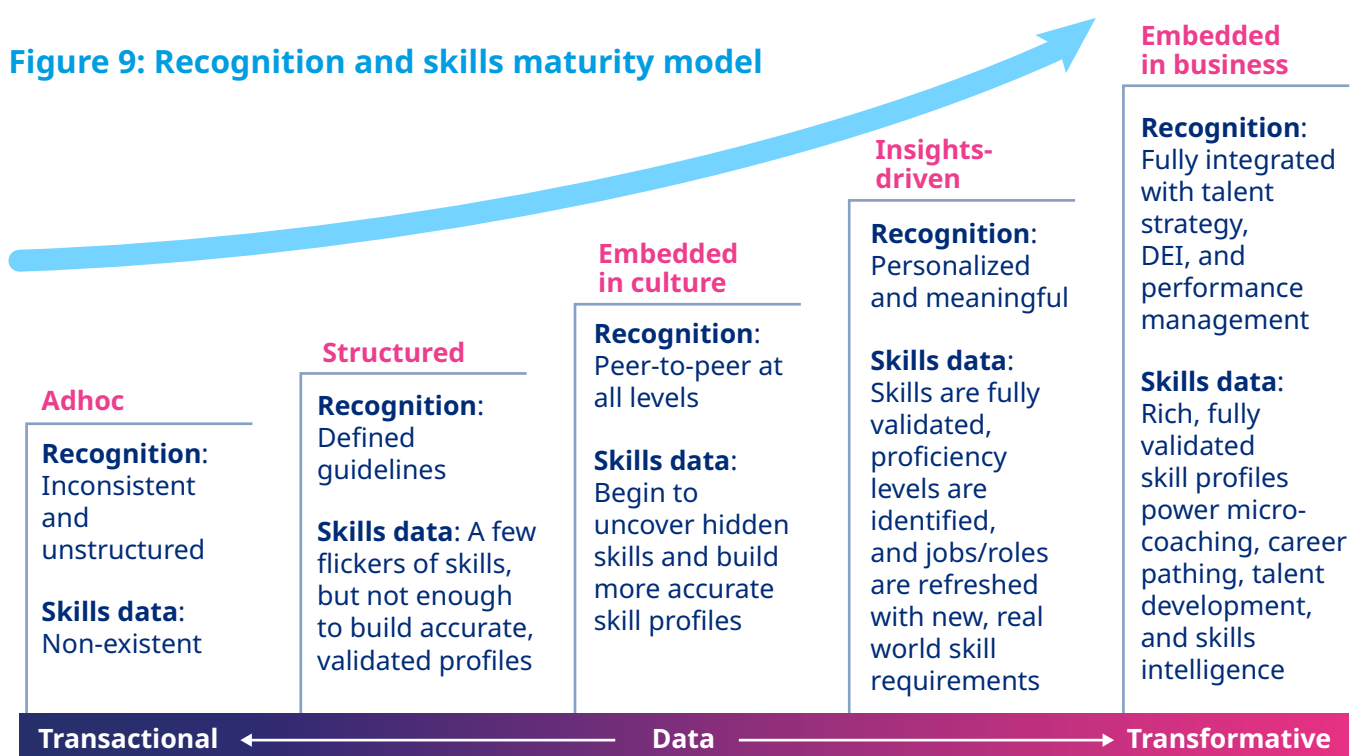
about skills across teams. This unlocks the power of collective skills intelligence, which is more accurate and reliable than skills data without this recognition component.

**Automating recognition away:** Automation might save time, but it strips all the meaning out of recognition. Real appreciation needs a human touch to fuel real skills intelligence. Without authenticity behind it, recognition will fail to deliver skills-rich data.

**Waiting for perfection:** You don't have to wait for a detailed skill competency model to get started with skills-rich recognition. Recognition data can provide a valuable starting point for understanding what success looks like in an organization, and across various roles, allowing companies to begin their journey toward a skills-powered culture without waiting for all the other pieces to be perfectly in place.

By recognizing these pitfalls and actively creating a meaningful, personalized, and inclusive recognition program, organizations can better support skill development and achieve positive business results.

**Figure 9: Recognition and skills maturity model**



# The bottom line

As conditions change rapidly, businesses must adapt to survive. To stay agile, companies need to break free from outdated job-focused work models; and flexible, skills-based strategies offer a solution. This transition is essential, yet it relies heavily on access to timely, relevant, and trustworthy behavioral data—data that until today, was unreachable.

## Enter skills' new hero: recognition data.

A hidden gem, recognition data offers a fresh new way to bring skills data to light. Unlike self-reported skills or old job descriptions, recognition data captures real behaviors in real time. It reflects what people actually do, not just what their job description suggests. On the flip side, it also helps create more accurate job descriptions that align with the skills needed for success. That makes it one of the most valuable sources of skills intelligence out there.

Recognition data does more than fill the existing data gaps we have around skills; it opens up exciting new possibilities for learning and development. With real-time insights at their fingertips, managers can deliver micro-coaching at scale. Micro-coaching lets managers give timely, specific feedback based on real-time behavioral data, rather than waiting for formal reviews or scheduled training sessions. This means they can tackle skill gaps and reinforce positive behaviors as they happen, creating a culture of always on learning. With actionable insights about their team members' strengths and areas for improvement, managers can customize their coaching to fit individual needs.

This improves employee performance and also helps the organization stay agile, allowing teams to quickly adapt to changing demands.

But not all recognition programs are built for this. Data-rich recognition initiatives are specifically designed to capture meaningful, in-the-moment behaviors that tell a deeper story about employee skills. Unlike AI solutions trained on biased or stale data, a data-rich approach relies on millions of real-world recognition moments to deliver insights that reflect true performance and potential. Workhuman has strategically designed their platform to take advantage of this data-rich approach, combining AI and human insights to deliver unprecedented skills data in what they call Human Intelligence™.

When you invest in a recognition program built around skills, everyone benefits. Leaders get sharper insights for workforce planning. Managers can spot talent, coach their team, and prepare for future needs. And employees gain a clearer view of their own strengths and where they can grow. All while reaping the benefits of effective recognition, like higher retention and engagement. And with the right recognition program, HR can evolve from merely enhancing culture to becoming a human intelligence partner that empowers leaders to boost both culture and business performance.

**So, if you're serious about becoming skills-based, start by reimagining your recognition program. Done right, it's not just a feel-good perk—it's a key to unlocking the skills-powered organization.**



# Contributing authors



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Tara has over 16 years of experience in the HR technology industry, focusing on innovative tech. As the leader of the HR Tech Analyst practice at Mercer, she uncovers and shares industry trends with HR leaders, tech buyers, and vendors. Previously, Tara developed go-to-market strategies for companies like HireVue, SmashFly, and Beamery, prioritizing talent acquisition and retention. She also advised early-stage work tech founders on navigating the industry landscape. Tara lives near Ann Arbor, Michigan, where she enjoys audiobooks, true crime, and hiking with her family.



## Jess Von Bank

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Jess Von Bank is a 24-year industry veteran and advocate for the modern work experience and future of talent. With a background in recruiting and expertise in workforce solutions, she aims to shift executive mindsets to create digital-first cultures that meet talent expectations and business needs. A global thought leader in HR transformation, digital experience, and workforce technology, Jess specializes in recruiting, talent strategy, employer branding, DEI&B, and storytelling. She leads Mercer's global community for HR and work tech, Now of Work, and is the President of Diverse Daisies, a non-profit empowering girls. Jess lives in Minneapolis, where she enjoys racing for free swag and raising her three daughters.



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Meisha leads innovative research to enhance the employee experience and advises clients on creating human-centered workplaces for better business outcomes. With a PhD in Industrial/Organizational Psychology and nearly two decades of experience, Dr. Martin is an expert in People Analytics and Employee Experience. She has held key positions at organizations like Flex, JetBlue, and Raymond James Financial, and was previously Head of Talent Management at ServiceMaster. A respected thought leader, Dr. Martin speaks on employee recognition, leadership, well-being, inclusion, and psychological safety. Her insights appear in top publications such as Forbes, Fortune, and Bloomberg, and she was named one of the Top 100 HR Tech Influencers by HR Executive.

# About

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## Mercer

Mercer designs and deploys innovative digital strategies to transform how HR delivers value to an organization and how people experience work. We fuel the success of digital transformation programs by offering market-leading advice, human-centered consulting, knowledge, research, and tools to enterprises and solution providers. We believe workforce technology should make work smarter, not get in the way. We help organizations evolve from technology implementation to holistic digital deployment. Turn your challenges into successful solutions by partnering with the most experienced and passionate bench of HR thought leaders who deliver on vision, strategy, design, deployment, and continuous innovation.

**For more information,  
please visit: [www.mercer.com](http://www.mercer.com)**

## Workhuman

Workhuman® is the world's leading recognition and rewards platform, serving organizations of all sizes—from the Fortune 500 to fast-growing mid-market companies—across more than 180 countries. With over 25 years of category leadership, we support 7 million employees worldwide and have facilitated more than 100 million moments of connection that elevate culture and drive performance.

With over a decade of consistent profitability, Workhuman® stands as proof that investing in people delivers lasting business value. Our pioneering Human Intelligence™ technology transforms recognition into strategic insight, empowering organizations to unlock the full potential of their people while driving measurable business impact and culture transformation.

**Learn more at: [www.workhuman.com](http://www.workhuman.com)**

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