



Skill Builders Versus Skill Buyers

Overcoming the skills deficit: the response of UK organisations to the workforce development challenge



Executive Summary

In 2014 we set out to investigate how UK businesses are approaching the skills deficit challenge, commissioning Censuswide, a specialist market research company, to speak with more than 500 directors and business leaders about staff training and talent development in their organisations.

Our study was designed to uncover organisational attitudes towards staff development and recruitment in large organisations, exploring if UK business leaders recognise the strategic benefits of using a formalised Learning and Development (L&D) programme to address their current and future skills shortage.

It was also to identify disconnects between business leaders' perceptions of learning and development in their organisations and the reality when it comes to investing in future leaders or up-skilling the workforce to adapt quickly to an evolving business environment.



Workforce skills should be on the boardroom agenda

As UK business leaders emerge from the global financial crisis of 2008/09 they're facing new challenges.

Reverse migration, the changing expectations of employees, an ageing workforce and anywhere/anytime working all represent unique hurdles for today's businesses that need to compete successfully in tomorrow's economy.

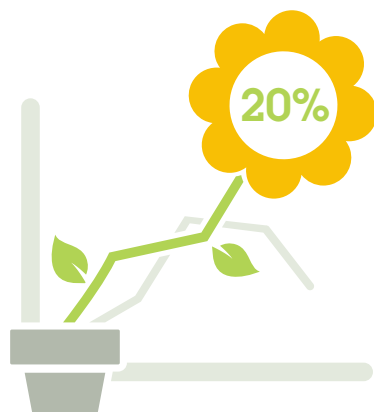
But as the economic recovery ramps up, UK businesses also report an endemic skills shortage¹ is hampering their growth efforts. This has put the search for innovative and effective ways to raise the bar on workforce skills high on the boardroom agenda.

Because, as our survey "Skill Builders Versus Skill Buyers" shows, some UK organisations are finding that market growth comes with a hefty price tag - one that sees them having to resort to the open market in a bid to hire in new skills and talent.

Providing a unique insight into how organisations approach learning today, our study reveals that many UK businesses need to adjust the way they think about employee development and ditch the mindset that the need for new skills often equates to hiring in new people.

Our findings also indicate that resource intensive and inflexible learning models – such as classroom learning – still dominate the learning culture of large UK organisations. This appears to be limiting the ability of organisations to respond quickly and effectively to workforce skills development – especially when it comes to nurturing future leaders and managers.

This failure to nurture the workforce may explain why, when it comes to filling middle management and leadership roles, 26% of the organisations said they find it easier to recruit externally for C-Level positions.



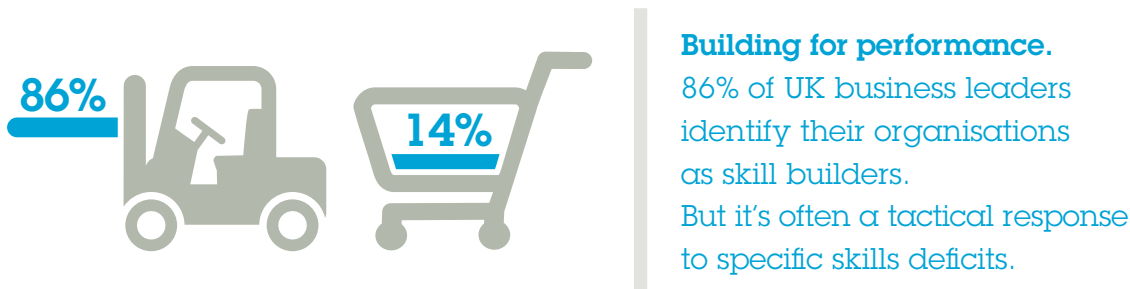
Buying for growth.

Just 20% of organisations have aligned L&D to organisational growth and development. Proactive management and leadership training is languishing.

¹ Price Waterhouse Cooper Global Survey 'The talent challenge: adapting to growth', May 2014

Key findings:

- While 86% of the UK business leaders surveyed identified their organisations as ‘skill builders’, in reality existing L&D programmes tend to be ‘reactive’ tactical responses to identified departmental or employee skills deficits and highly focused on developing individuals to perform in their current role. Longer-term succession planning and proactive talent development meanwhile languishes as organisations instead adopt a ‘skill buyer’ approach to plugging the skills gap – especially when it comes to middle management and leadership roles.



- Over half the respondents (55%) confirm they are more likely to recruit externally to address skills shortages in the existing employee base – indicating a high prevalence of ‘skill buyer’ behaviours.
- The failure to correlate L&D with tangible business goals is creating a ‘glass ceiling’ effect within organisations that in turn is limiting opportunities for the employees to progress within their current workplace – and hampering employers from accessing the talent they need from within their own organisations. Indeed, just one-fifth (20%) of organisations we talked to were utilising L&D to cultivate a pipeline of suitable leaders or multi-skilling employees to meet business growth and development strategies. All of this helps to perpetuate the costly cycle of staff ‘churn’ and skills leakage as employees seek career progression elsewhere. It’s also forcing employers to ‘buy in’ talent to plug any perceived skills gap.
- Fiscal restraint appears to be undermining the ability of organisations to resolve the skills deficit issue. Despite the fact that 44% of organisations view a full time continual L&D strategy as important, a disturbing 31% have no formal programme in place for the current financial year – adopting an ad hoc response to perceived training needs. Also, despite the improving economic outlook, a further 23.9% of business leaders confirm training budgets this financial year are lower compared to last year. The challenge for UK organisations is how to maximise value from L&D budgets and change perceptions that L&D is a cost burden – demonstrating the strategic value it can generate for the business, especially when it comes to generating the workforce skills and talent the organisation needs today and into the future.
- A widespread recognition that the opportunity for promotion and career progression increases employee engagement (68% of organisations) is at odds with apparent institutionalised inertia when it comes to cultivating a pipeline of suitable future leaders or a highly (multi) skilled workforce. Just 20% of organisations have aligned their L&D programmes to achieve business growth and development strategies.

Research highlights

1. Skill building for employee and organisational performance

The majority (86%) of UK business leaders surveyed categorise their organisations as being ‘skill builders’ and clearly voiced the benefits of internal training vs. external recruitment. Only a small minority of respondents (4%) said they would never look internally before recruiting externally.



When it came to quantifying the value of L&D to their organisations, respondents identified that it drives staff motivation (66%), demonstrates career development opportunities (70%), and makes employees feel valued (63%).

But while L&D is recognised as a powerful means for generating greater employee satisfaction, it appears that the training focus is primarily on enabling pragmatic day-to-day operational benefits. Around one-third of respondents (33%) cite eliminating the need to invest time and resources introducing new staff to company procedures/culture as a key benefit, while just over one-half (51%) are investing in compliance/regulatory/legal training to fulfil organisational responsibilities.

All of this suggests that decision makers are missing a vital link between L&D and better, more strategic business outcomes – especially when it comes to aligning workforce skills with broader marketplace goals. It seems that demonstrating this link remains a key challenge for the L&D community.

Indeed, better business performance was ranked fifth in importance in the table of benefits generated by L&D. Just 54% of respondents identified that L&D could generate longer term savings for their organisation – including eliminating the risk of employees looking outside the organisation for other jobs (35%). This highlights the very important message; that L&D must do more to demonstrate its contribution and value to business.

2. Skill buying for growth

While business leaders characterised their organisations as skill builders, eager to retain and motivate their existing workforces, in reality they're operating as 'skill buyers' when it comes to sourcing the skills they need to stay competitive within the wider business market.

Just one-fifth of the business leaders we spoke to stated they'd expect to fill open roles internally – with just 46% committing to looking at potential internal candidates first, more than 50% of the time.

When asked to review the skills deficits in their organisations, leadership development (41%) and business skills (31%) topped the list identified by business organisations.



A failure to nurture in-house talent.

26% recruit externally for C-Level jobs.

Top skill deficits are leadership development (41%) and business skills (31%).

This perhaps explains why over a quarter (26%) of the UK organisations surveyed expect to look externally when it comes to recruiting for C-Level job positions.

Clearly, when it comes to harnessing internal talent and investing in the development of employees, UK businesses are missing a trick. Because organisations that achieve sustainable growth have a built in capability to plan for changes in skills demand and supply – creating a multi-skilled workforce that can apply their skills whenever and wherever needed.

This is where L&D can make a significant contribution to the long-term performance and adaptability of UK business. Especially when it comes to boosting the management and leadership capabilities of the workforce.

What's more, good management practices ultimately boost workplace productivity and staff engagement – all of which drives further growth. And that's good for everybody.

3. All talk and little action?

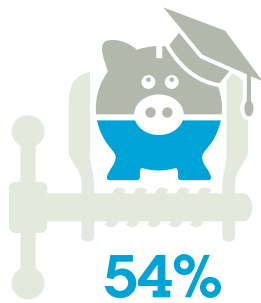
While UK business leaders were keen to promote their organisations as skill builders, in reality one-third (32%) admits to having no formalised strategy in place to achieve this goal – opting instead for ad hoc programmes that reactively address identified workforce skills deficits or needs.

Even more shocking, nearly 10% admitted to seeing no value in having a full L&D programme or strategy in place, with a fifth (20%) believing employees learn better on the job. Yet, whilst learning on the job is a highly valued approach in some situations, the most effective learning programmes harness a range of delivery approaches.

So, while businesses are happy to build skills to help with employees' daily tasks, when it comes to developing staff for future roles or job progression, skill building is clearly limited.

As a result, UK businesses are forced to go out to the open market to buy in leaders and talent – or source the key skills their businesses need to realise growth plans.

Just one-fifth (20%) of organisations we talked to were utilising L&D to cultivate a pipeline of suitable leaders or multi-skilling employees to meet business growth and development strategies.



Tight budgets require careful spending.

54% think L&D can generate long term savings.

10% see no value in a full L&D programme.

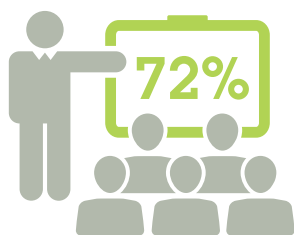
Clearly, UK businesses need to get out of the mindset that new skills equate to buying in new people. In reality, the most successful organisations will look to combine recruitment with internal mobility – developing their own people to be more adaptable to their evolving strategy and business environment.

4. Shaking off the shackles

The study reveals what's inhibiting the ability of UK organisations to address their skill builder aspirations and tackle the skills deficit that's hampering their growth.

The widespread prevalence (72%) of costly classroom, instructor-led training vs. a technology enabled training model indicates that widespread workforce access to quality training is being hampered. At a high cost per hour, classroom training represents an expensive overhead – one that's time consuming to administer and takes people away from their daily work responsibilities. This is an important contributing factor as to why talent pipelines are stalling and failing to deliver against expectations.

The lack of appetite when it comes to aligning L&D to business objectives is a further indicator that CEOs aren't taking advantage of HR data analytics (e.g. the increasing use of Big Data within the HR function), to create a high performing group learning culture. Instead, ad hoc training dominates the learning landscape for most UK businesses.



Ad hoc training hampers growth.

72% using costly classroom training.

51% are investing in compliance/regulatory/legal training.

33% investing for staff inductions.

Finally, fiscal restraint still appears to be defining L&D investment; as stated 23.9% of business leaders confirm their training budgets are lower this year, compared to last. But at what cost to the organisation? The failure to find innovative and effective L&D strategies that generate the skills and future leaders organisations needs means they're forced to compete in the wider marketplace for skilled employees. More importantly, they're unable to fulfil the career progression aspirations of the existing workforce who are in turn forced to look elsewhere to satisfy their ambitions. This exacerbates the recruitment and HR cost base of their organisation.

5. Final thoughts

A global Price Waterhouse survey² of over 1,300 CEOs in 68 countries reveals that UK business leaders are more concerned about the shortage of key skills than any of their Western European counterparts, ranking it as the biggest threat to their growth plans.

As our research shows, while the need for skill building is widely appreciated by UK organisations most engage in reactive L&D programmes that deliver tactical skills training – rather than business-focused learning or the development of future managers and leaders.

As a result, UK organisations are failing to achieve their skill builder ambitions and instead have to resort to skill buying to source the talent they need.

In the process, they're creating a glass ceiling for their workforces – inhibiting access to training and advancement opportunities – and in the process, suppressing the internal talent pipeline and negatively impacting knowledge and skill retention strategies.

The increasing pressure of new business innovations mean today's leaders need to adapt their L&D fast. Competition for people with tech-based skills – such as cloud computing, mobile computing and data analytics – will be strong. The demand for leaders with the key soft skills organisations need to thrive and survive into the future is intensifying.

Moving from skill-focused training to business-focused learning represents a key shift in an organisation's thinking – increasing talent and accelerating organisational agility. Businesses that successfully integrate learning throughout their organisation will deepen their talent pool at every level, and create an agile, empowering, productive and creative organisation.

To address the changing nature of workforce and leadership development needs, Skillssoft's ever expanding portfolio offers development solutions that build talent and develop a more knowledgeable, productive and valuable workforce.

²PwC report 'The talent challenge: adapting to growth', May 2014

Top 5 takeaways

86 percent of UK business leaders identify their organisations as skill builders

Be honest with yourself. Whilst 86 percent of UK business leaders identify their organisations as skill builders, the harsh reality of a competitive marketplace strongly suggests that this simply isn't true. Skill building is a process that will ultimately prevent employees from seeking career progression elsewhere. Failure to invest in a skill building strategy cultivates a skill buying environment.

Businesses can generate sustainable savings and build up a proficient, loyal and productive workforce as skill builders

As UK businesses now emerge from a 'just survive' mode to a more optimistic growth era following the financial crisis of 2007-08, the need for businesses to provide clear ROI figures is now more important than ever. L&D budgets are no exception, and while there is the opportunity to now invest in this more positive economic climate, these budgets will be subject to aggressive scrutiny and ROI proof points. By wisely investing in a long term Learning & Development strategy, businesses can generate sustainable savings and build up a proficient, loyal and productive workforce.

Align a Learning & Development programme to business objectives

Take advantage of HR data analysis to create a high performance group learning culture. Instead of using an ad hoc training process as a means to an end, align a Learning & Development programme to business objectives. Why is this important? Because failure to find innovative and effective Learning & Development strategies needs that fulfil employee career aspirations exacerbate recruitment costs in HR departments.

Recognise that opportunities for promotion and growth **increase employee engagement**

Effective Learning & Development strategies ensure employees are able to attain professional goals. Ignoring this will create a glass ceiling effect in the workplace, limiting opportunities for employee progression. It's important to recognise that opportunities for promotion and growth increase employee engagement, making for a much happier and settled workforce.

Good management practices **boost** workplace productivity

Businesses need to adjust the way in which employee development is approached. The mind-set that new skills equates to hiring new employees needs to be reset. This can only be achieved by going back to basics and educating organisations. If done correctly – the rewards are endless. Good management practices boost workplace productivity and staff interaction which drives growth and cultivates a beneficial working environment.

Research methodology

As a provider of learning and performance support solutions to some of the world's leading enterprises, Skillsoft is committed to understanding the issues faced by companies in learning, training and talent management. The "Skill Builders Versus Skill Buyers" UK-wide research report was designed to analyse the business attitudes of large UK organisations, currently not served by Skillsoft, towards staff development and recruitment.

Skillsoft commissioned Censuswide to survey business leaders in 500 companies with 1,000 or more employees. Participating organisations operated in the following industry sectors: professional services, legal, IT and telecoms, finance, media and marketing, retail, catering and leisure, manufacturing and utilities, architecture, engineering and building, travel and transport.

About Skillsoft

Skillsoft is a pioneer in the fields of learning and talent management with a long history of innovation. Skillsoft provides cloud-based learning solutions for its customers worldwide, ranging from global enterprises, government, and education to mid-sized and small businesses. Skillsoft's customer support teams draw on a wealth of in-house experience, flexible delivery platforms and a comprehensive learning e-library to develop off-the-shelf and custom learning programmes tailored to cost-effectively meet customer needs. Skillsoft's courses, books and videos have been developed by industry leading learning experts to ensure that they maximise business skills, performance, and talent development. Skillsoft currently serves over 6,000 customers and more than 19,000,000 learners around the world. Skillsoft is on the web at www.skillsoft.com/emea.



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