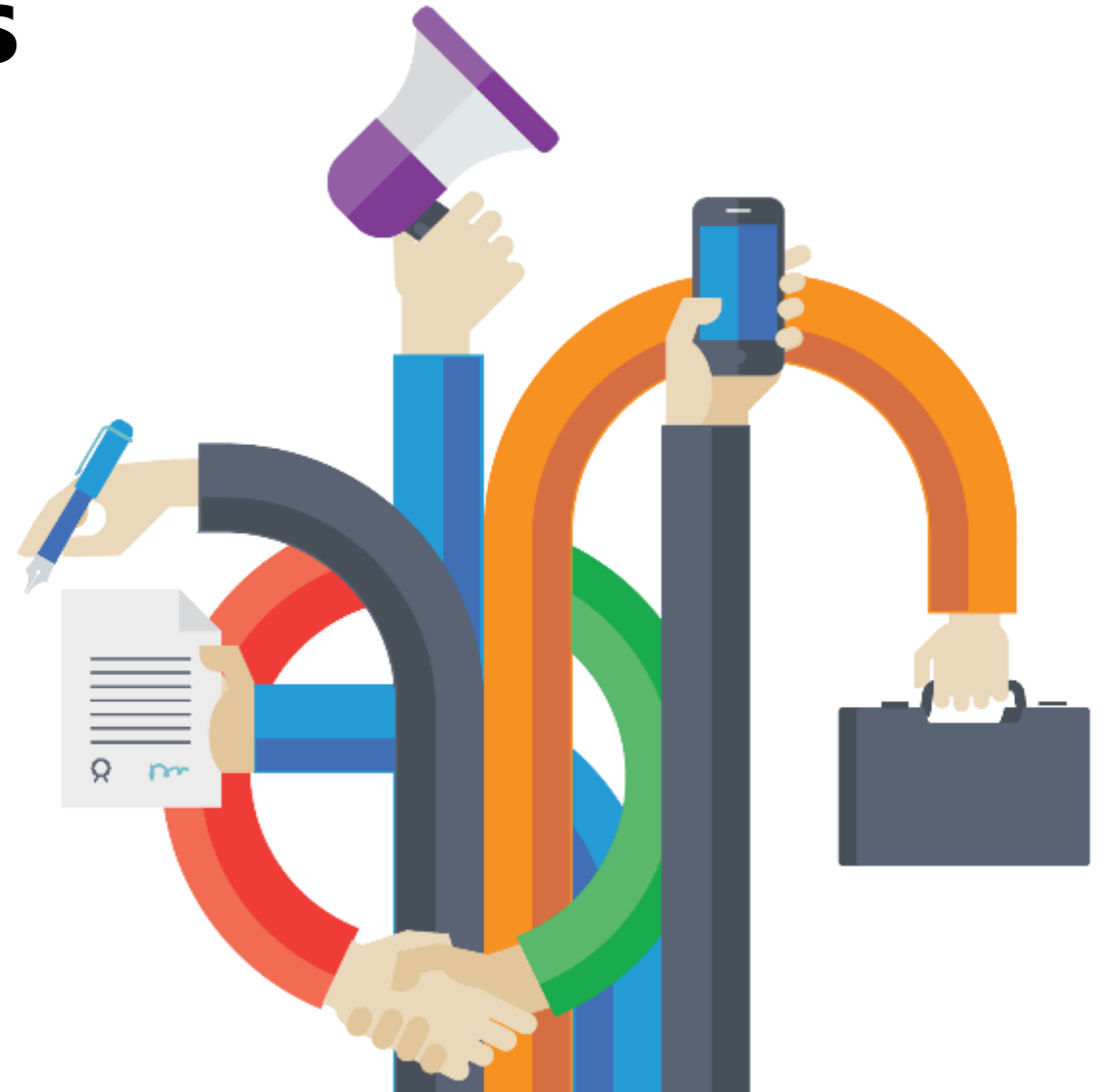


Create a culture of learning that supports the speed of business

Presented By:

Cheryl Lasse & Lesley Roddam, SkillDirector



Skill gaps are growing...

Do we think doing more of the same thing we've been doing will fix them??!!!

By 2022, the core skills required to perform most roles will, on average, change by 42%.

To remain relevant and employable, workers are faced with the need to re-evaluate and update their skillsets.

The change required is to move away from traditional learning to a system of lifelong learning.

2019 World Economic Forum: Strategies for the New Economy – Skills as the Currency of the Labour Market



Impact of Skill Gaps



A word cloud illustrating the various impacts of skill gaps. The words are arranged in a circular pattern around the central word 'STRESS'. The words are color-coded: red for 'TURNOVER', 'PERFORMANCE ISSUES', and 'DISENGAGEMENT'; green for 'LOW PRODUCTIVITY', 'HEALTH ISSUES', and 'FRUSTRATION'; orange for 'DISSATISFACTION'; and blue for 'STRESS' and 'LACK OF INNOVATION'. The word 'PROFIT LOSS' is in grey.

LOW PRODUCTIVITY

TURNOVER

HEALTH ISSUES

PROFIT LOSS

LOW SELF-CONFIDENCE

DISSATISFACTION

STRESS

FRUSTRATION

PERFORMANCE ISSUES

DISENGAGEMENT

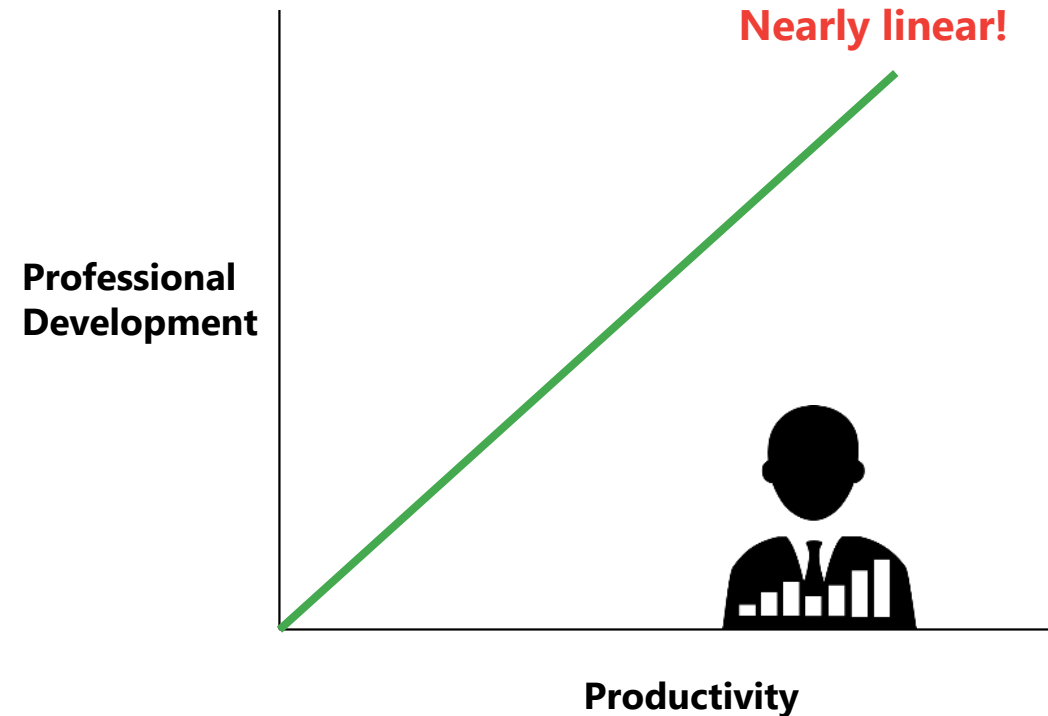
POOR CUSTOMER SERVICE

LACK OF INNOVATION

Loss of productive time

In contrast, an increase in professional development time by 10% leads to an increase in productivity of 8.6%.

National Center on the Educational Quality of the Workforce



Long job vacancies

Nearly 60% of U.S. employers have vacant job openings for 12 weeks or longer.

The average cost HR managers say they incur for extended job vacancies is >\$800,000/year.

CareerBuilder



Excessive turnover

Research now shows that the No. 1 reason people quit their jobs is the “inability to learn and grow”

2019 Deloitte Global Human Capital Trends: Leading the Social Enterprise – Reinvent with a Human Focus

PwC calculates turnover costs as 1.5x salary





Loss of competitive advantage

People now rate the “opportunity to learn” as among their top reasons for taking a job.

2019 Deloitte Global Human Capital Trends: Leading the Social Enterprise – Reinvent with a Human Focus

Lack of engagement



**Companies with engaged workers
have 6% higher net profit margins.**

Towers Perrin

Lack of innovation

Recruiting guru Dr. John Sullivan places the loss from missing out on a single game-changer, purple squirrel or innovator at over \$1 million each

Impact of Skill Gaps

- 1. Loss of productive time**
- 2. Long job vacancies**
- 3. Excessive turnover**
- 4. Loss of competitive advantage**
- 5. Lack of engagement**
- 6. Lack of innovation**



The Business Case

Step 1: Identify relevant impacts

Identify which of these are most relevant to your organization.

1. Loss of productive time
2. Long job vacancies
3. Excessive turnover
4. Loss of competitive advantage
5. Lack of engagement
6. Lack of innovation



Step 2: Gather data by asking discovery questions

Make a list of discovery questions that will specifically quantify the “What Is” situation.

For Excessive Turnover:

- How many salaried/exempt employees have we lost in the last year that was undesirable? 25 people
- What are the salaries for those jobs? (or use an average salary) Average salary is \$120,000
- How many hourly/non-exempt employees have we lost in the last year that was undesirable? 0
- What are the salaries for those jobs? (or use an average salary) n/a

Step 3: Quantify the cost of the impact (1)

Use a formula together with your numbers to quantify the “What Is” situation.

PwC calculates $1.5 \times \text{salary}$ for exempt employees and $0.5 \times \text{salary}$ for non-exempt

What Is For Excessive Turnover (PwC method)

= Salaried Loss + Hourly Loss

= [# people * Average salary * 1.5] + [(# people) * Average salary * 0.5]

= [25 people * \$120k salary * 1.5] + [0 people * Average salary * 0.5]

= \$4,500,000 + \$0

= \$4,500,000

Comes from our discovery questions and answers

Step 3: Quantify the cost of the impact (2)

Use a formula together with your numbers to quantify the “What Is” situation.

CEB estimates the cost of an open position at \$500/day

What Is For Excessive Turnover (CEB method)

= (number of days any position was open) * \$500

= 25 people * (each position open 274 days) * \$500

= \$3,425,000

Comes from our discovery questions and answers

Step 4: Quantify what the future cost could be

Use a formula together with your numbers to quantify “What Could Be”.

- CEB says companies that improve development opportunities can see turnover drop by 1/3
- Robert Half says businesses with a strong learning culture enjoy employee engagement and retention rates around 30-50% higher than those that don't
- Be conservative and use 30% as the potential reduction in turnover.

What Could Be For Excessive Turnover (using PwC numbers)

$$= [\text{What Is}] * (1 - 30\%)$$

$$= [\text{What Is}] * 70\%$$

$$= \$4,500,000 * 70\%$$

$$= \$3,150,000$$

Step 5: Calculate the value of change (closing skill gaps through a culture of learning)

Put the What Is and What Could Be equations into the template and calculate the value.

Impact Of Skill Gap	What Is	What Could Be	Value
Excessive turnover	$= 25 \text{ people} * \$120\text{k salary} * 1.5$ $= \$4,500,000$	30% less $= \$4,500,000 * (1-.3)$ $= \$3,150,000$	\$1,350,000

Step 6: Document the intangible costs

Document costs that are hard to calculate but will make your solution even more valuable.

- Productivity cost of time to proficiency
- Impact on others:
 - Morale
 - Subsequent productivity
 - Talent loss



Step 7: Define the solution

What is it that is going to take our organization from What Is to What Could Be?

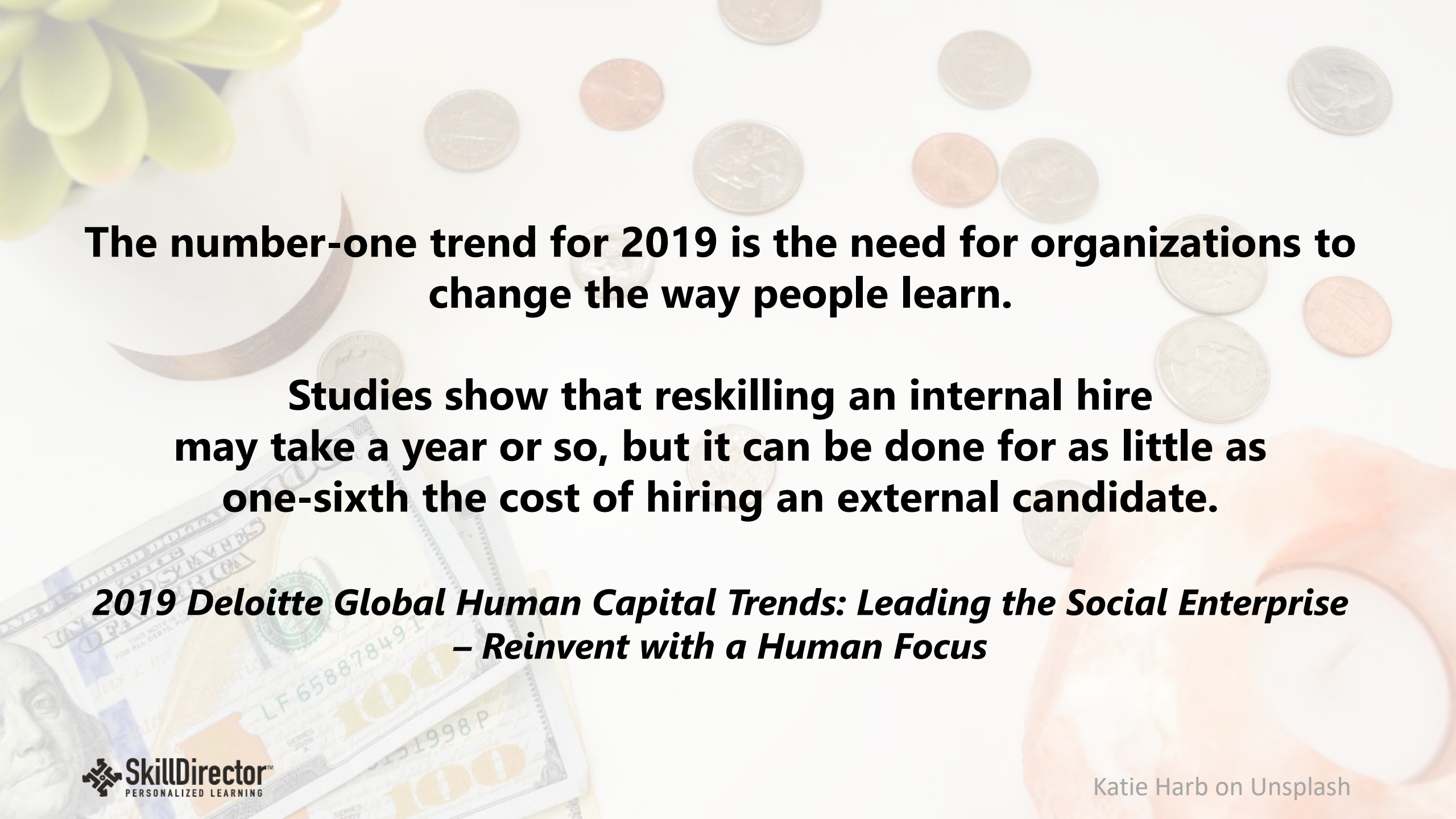
What will that cost?



The constant change of methods and objectives of business will require a flexible and adaptable workforce in terms of skillset, which can only be provided for by creating a culture and setting up mechanisms of lifelong learning and upskilling.

2019 World Economic Forum: Towards a Reskilling Revolution – Industry Led Action for the Future of Work





The number-one trend for 2019 is the need for organizations to change the way people learn.

Studies show that reskilling an internal hire may take a year or so, but it can be done for as little as one-sixth the cost of hiring an external candidate.

***2019 Deloitte Global Human Capital Trends: Leading the Social Enterprise
– Reinvent with a Human Focus***

Companies that (1) practice a growth mindset, (2) create designed growth and stretch assignments, and (3) openly promote learning are 3 times more profitable and have up to 4 times better retention than those that do not.


***2018 Deloitte Global Human Capital Trends:
The Rise of the Social Enterprise***



**Shift from an employee mindset to a learner mindset.
Learner, by definition, is a state of ongoing change, growth
and limitless capability.**

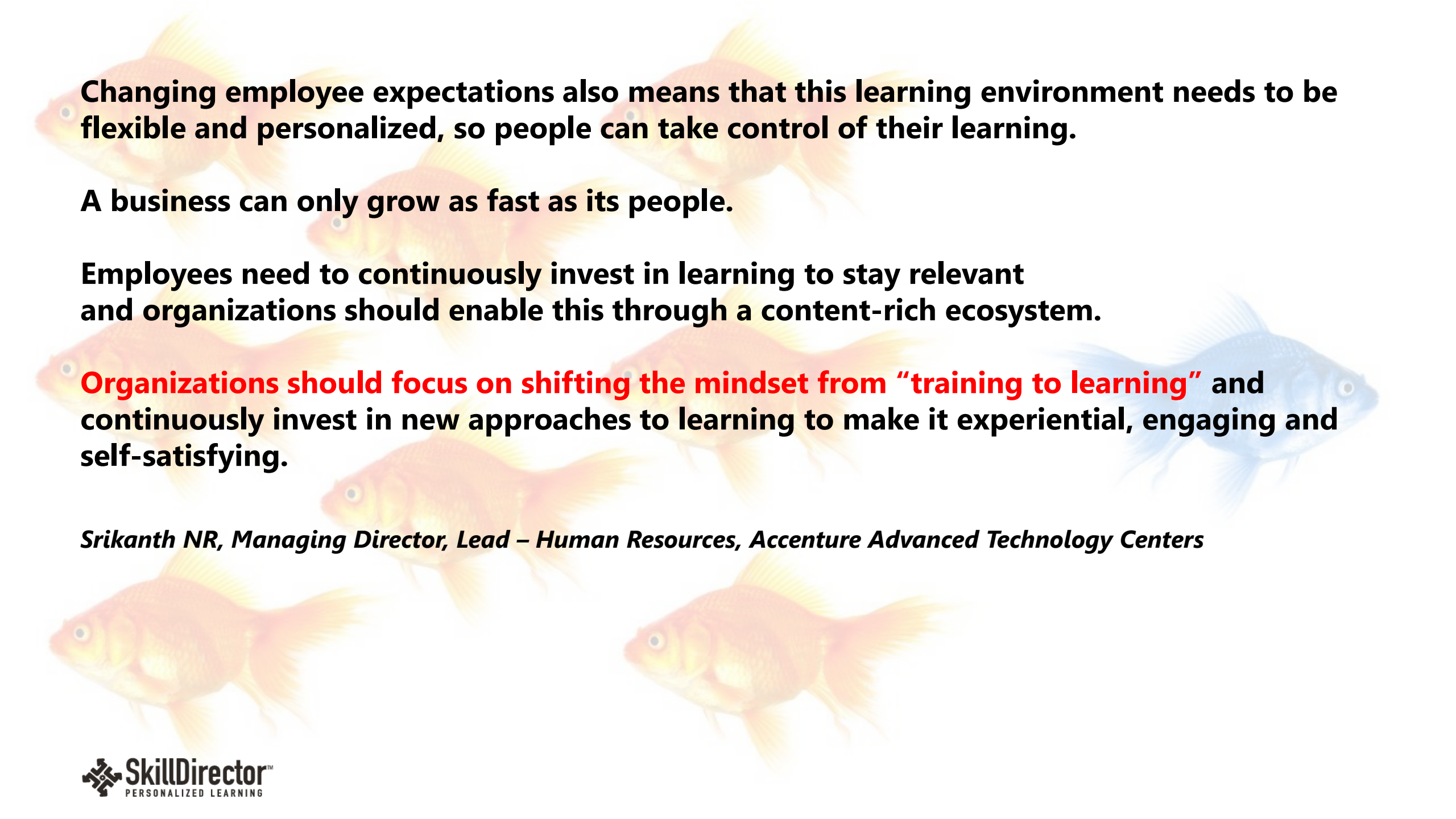
**Redefining people as “learners” broadens expectations,
point-sets the organization for change and innovation,
and redefines the employment relationship.**

Chief Learning Officer Magazine, May 2019



**Skills are your renewable asset,
and you need to treat them like that.**

Ginni Rometty - IBM CEO



Changing employee expectations also means that this learning environment needs to be flexible and personalized, so people can take control of their learning.

A business can only grow as fast as its people.

Employees need to continuously invest in learning to stay relevant and organizations should enable this through a content-rich ecosystem.

Organizations should focus on shifting the mindset from “training to learning” and continuously invest in new approaches to learning to make it experiential, engaging and self-satisfying.

Srikanth NR, Managing Director, Lead – Human Resources, Accenture Advanced Technology Centers

Tactics to create a culture of continuous, lifelong learning

You must influence 3 groups



Leaders



**Frontline
managers**



Learners

Step 7: Define the solution

You must influence 3 groups

- Competency models
- Competency assessment system
- Personalized learning plans
- Dashboards/analytics for measurement
- Communication & change management tools



Leaders



**Frontline
managers**



Learners

Step 8: Define the final business case value

Subtract the costs to calculate the savings.

Example includes \$15,000 one time to purchase role-based competency models, and \$60,000 for annual technology to support the initiative.

Impact Of Skill Gap	What Is	What Could Be	Value
Excessive turnover	= 25 people * \$120k salary * 1.5 = \$4,500,000	30% less = \$4,500,000 * (1-.3) = \$3,150,000	\$1,350,000
		Year 1 savings (- solution costs)	\$1,275,000
		Year 2+ savings (- solution costs)	\$1,290,000
	year 1 savings + year 2 savings + year 2 savings	3-Year value	\$3,855,000
	year 1 savings + year 2 savings + year 2 savings + year 2 savings + year 2 savings	5-Year value	\$6,435,000

Summary

Skill gaps can negatively impact your company in numerous ways

1. Loss of productive time
2. Long job vacancies
3. Excessive turnover
4. Loss of competitive advantage
5. Lack of engagement
6. Lack of innovation



Prevent it from happening and save millions!

Build your business case and present it to leadership.
If they don't get on board, prepare them for what's coming.



Contact Information & Resources



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- **Download business case materials** (<https://bit.ly/30gzc2k>)
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 - White paper on other ways to sell this to leadership (<https://skilldirector.com/employees-take-charge-paper/>)
 - Competency Models For Professional Development LinkedIn Group (<https://www.linkedin.com/groups/8467576/>)