

A photograph of three business professionals in a meeting. A man in a purple suit and glasses is shaking hands with a woman in a white top. A third person in a light blue shirt is partially visible on the right. The background shows a window with vertical blinds.

# Beyond Skills

How capabilities can bridge the skills gap for UK businesses

## Foreword by Mark Creighton

Conversations about the 'skills gap' are unproductive. Although the UK business community understands the value of future skills, it's the commitment to investing in them that will make the difference. The past year's events have only made the situation worse. **We're now at a point where the term 'skills gap' only scratches the surface.** It would be more accurate to call it a 'capability chasm'.

Business capabilities refer to the deep-rooted knowledge required across an organisation, not just in a single colleague or department. **The capability chasm is the gap between the different capabilities modern businesses need to thrive, and the ones they actually have.** Those capabilities can protect a business when it's required to quickly adopt new ways of working, as we've seen recently.

Every industry is complex and multi-functional. **At Avado, we felt that the recurring conversation around skills was missing that understanding.** For instance, there are very few roles today where an understanding of data and digital are not critical.

To this end, **we wanted to assess what the capability chasm looked like for different job roles across a spectrum of industries.** Then, we would map how this compared to attitudes around learning and development. We commissioned this research with those aims in mind, and found significant variations in the ways industries and people in different roles felt about learning and development, especially since 2020.

**The results paint a stark picture for those leaders who are failing to invest in their businesses' human capabilities.** The development of these capabilities is essential to business success. So, for those who haven't already taken action, we hope this report will move the conversation beyond skills. Instead, we hope to take that conversation towards an understanding of what capabilities could mean for **how businesses in the UK and APAC region can remain competitive within a recovering global economy.**



Mark Creighton,  
Chief Executive  
at Avado



## Executive Summary from Economist Miatta Fahnbulleh

The fight against COVID-19 has brought about monumental change. Our economy has been shut down, lives have been put on hold and governments across the world have taken extraordinary measures to control the pandemic. **The economic impact has also been immense, with the global economy shrinking by a staggering 4.4% in 2020.** This compares to a **fall of 0.1% during the 2009 financial crisis** when the world economy faced its last major shock.

Behind these headline numbers are the stories of millions of businesses that have faced massive challenges in a tumultuous year. **Businesses of every size and from every sector have been forced to adapt at pace,** to innovate, to show agility and to remain resilient in the face of huge uncertainty.

In this fast-moving and deeply challenging period, the capabilities that have built up within businesses are critical. Of the businesses surveyed, **71% of those that saw growth over the last year had increased their training budget,** and **40% had invested in upskilling through external training pre-2020.** By contrast, among those that saw a decline, **61% said that they either had no skills and training strategy, or that their strategy was not fit for purpose.** Put simply, the businesses that invested in developing their capabilities have weathered the storm far better than those that did not.

Businesses without the required capabilities have opted to recruit to plug the gap rather than invest in the skills they need, **with 45% cutting training and development budgets last year.** Whilst this approach of hiring in to plug capabilities gaps may help in the short-term, it is not an effective long-term strategy.

The lesson from the last year is clear. Investment in capabilities matters, and it can make a difference in achieving success. Yet we know that a capability chasm existed before the pandemic which has been exacerbated over the last year. **62% of people surveyed said that the events of 2020 have widened the capabilities gaps in their businesses. 60% worry that lack of investment in capabilities will impact its long-term productivity.**

As the economy begins to open up and recover, plugging this capability chasm will be key to productivity and growth. But we must go beyond this. To succeed in a future of profound change, we will need a capabilities revolution.



Miatta Fahnbulleh,  
Chief Executive at  
the New Economics  
Foundation

# Report Overview

Three integral things became clear from our analysis:

- **Investment in training is crucial to growth and productivity, despite the wider market context**
- **The focus on survival in the past year may have come at the cost of both upskilling and staff mental health**
- **There is remarkable confidence in rapid recovery—most respondents felt positive about the prospect of budgets returning within the next 12 months**

Investment in capabilities is necessary. Of the businesses surveyed, we saw a correlation between businesses that had seen growth over the last year and those that had increased training budgets (71%). By contrast, among those that saw decline, 61% said that they either had no skills and training strategy or that their strategy was not fit for purpose.

Businesses are over-indexing on traditional skill sets, despite knowing that on their own they may not be enough to impact growth. Many respondents were concerned about the potential for future redundancies due to a lack of capabilities in their businesses. This was especially true for the finance sector, which also reported the lowest growth for 2020.

This sheds light on the need for wider investment to embrace a more agile and diverse workforce. Businesses must look past specific abilities and skills, and lean into wider capabilities. This will shift mindsets, drive business growth and foster transformation. The research revealed a disconnect between HR staff, who grasped this point thoroughly, and executive leadership, who thought differently.

Each sector has unique mindsets that place priority on separate concerns, and we will explore these in detail for both the UK and APAC throughout the report.



# Research Methodology

## How it worked

We ran this report in partnership with Opinion Matters, surveying over 1,000 respondents across progressive UK businesses with 5,000+ employees. 500 respondents were executive leadership level, whilst 500 were senior HR/ Learning and Development staff. The survey consisted of 15 individual questions. Respondents were split evenly across 5 sectors: technology and telecommunications, pharmaceuticals and healthcare, government and public services, financial services as well as fast-moving consumer goods (FMCG). This research was conducted twice with identical questions, once in the UK and once in APAC.

Screeners questions were used to accurately capture company size, job type and level, and demographic information. Respondents were then asked a series of questions related to the capability chasm within their business, and how they fared in 2020. We were interested to find out whether learning and development had been a priority, and what barriers were preventing this if not. These questions, in addition to others on a range of subjects such as mental health, were sent to respondents who were given a set period of time to answer. Research experts then processed the data to understand the results.

*[\*this report was conducted between 8th and 19th March 2021]*

# Key Research Findings

## UK key findings

High levels of concern over capabilities were identified in the UK research findings. This is unsurprising given that the skills gap conversation has been circling in this market for some time without much progress. Furthermore, the difficulties the country has had in overcoming COVID-19 have led to long, repeated lockdowns, hitting the economy hard.



**46%** of executives agreed that prior to 2020, their existing training strategy wasn't fit for purpose



**55%** agreed a lack of capabilities within their business would lead to future redundancies



**56%** said that lack of training investment would impact productivity long-term

Interestingly **57%** had looked at training outside of their current role



**57%** of executive leadership agreed that their business had prioritised survival over capabilities — however, their counterparts in HR felt more strongly with **69%** agreeing

**55%**

**55%** of executive leadership felt that the skills gap in their business would leave them unable to deal with future challenges



**45%** of HR respondents said their businesses' profits had declined in 2020



**57%** were confident budgets would return to pre-COVID levels in 5 to 8 months

## APAC key findings

Respondents in this region were generally more optimistic about the state of capabilities in their market. Equally, the fact that many countries in this region were able to minimise the impact of COVID means that the economic shock has in some cases been less severe.

**53%**

**53%** of respondents in the region agreed that people capabilities were more important to their business than people skills

When this response was broken down by job role **61%** of executive leadership agreed with the statement, compared to **45%** of L&D leaders



The APAC respondents reported that **40%** of businesses saw profits grow in 2020

**56%** increased investment in employee development and training in 2020

**56%** of those who had seen budgets reduced anticipated they would return to normal in 3 to 6 months



**48%**

of respondents worried a lack of capabilities would lead to future redundancies



**49%**

are concerned the capabilities gap will leave their business unable to deal with future problems



**43%**

of respondents said they tried to recruit new talent to fill skills gaps in 2020



**50%**

said they worry a lack of training investment will impact productivity in the long term

### In 2020



**39%** of respondents said employee reluctance to upskill was the biggest barrier to investing in training, followed by financial constraints and a lack of department knowledge



**49%** agreed a lack of skills impacts mental health



**51%** felt that their business had prioritised survival over capabilities in 2020

# Central Themes

Several key themes emerged from this research, consistent across all industries and job titles. Below, each is explained in more detail.



## Capability chasm

Over 60% of respondents in all sectors agreed there was a 'vast' imbalance between the capabilities their business needed and the ones they actually had. This rose to almost 70% in government and public services. It's clear that some core skills are not enough in a crisis. When we need to innovate and adapt, we look to wider capabilities. This is the reason why the skills gap has widened, and why we now face something more challenging: a capability chasm.



## Recruitment flexi-fix

Recruitment can often seem like a quick fix for a capability gap, but it isn't. Our research shows that many businesses responded to their capabilities problem with the recruitment flexi-fix. This could be related to the concerns around employee wellbeing. In addition to mental health concerns, hiring new staff can be more expensive for the business than investing in good quality learning.



## Confidence in capital

The vast majority of respondents were confident that learning and development budgets would return to normal within 5 to 8 months. A large number of respondents also felt their learning and development strategy was not fit for purpose pre-2020. Capitalising on this confidence in the coming year while ensuring learning and development budgets are used effectively to train workforces will be a crucial step towards economic growth.



## Survival shift

In 2020, all industries prioritised survival over investment in their people. This was particularly pronounced in the case of business and finance (80%). As we look to the future, all sectors must aim to transition away from this 'survival shift' and plan for a less emergency-focused approach. Businesses must prioritise ongoing adaptation and change without regularly implementing a burning platform strategy.



## Move to mental health

Concerns about the mental health impact of the capability chasm were marked across all respondents. 63% of UK respondents and 48% of APAC respondents agreed it was a concern. This gives rise to the idea that capabilities can act as a confidence or wellbeing boost, protecting against insecurity, worry, and poor self-esteem. For this and other reasons, employee wellbeing must be a core focus for businesses across all sectors in 2021 and beyond.



# Technology and Telecommunications

Recent events have amplified the need for digital skills. In the past 12 months, the technology and telecommunications sector underwent epic growth, a stark contrast to other industries surveyed. Whilst this sector does suffer from a capability chasm, as this research makes clear, they are also highly aware of the value of digital transformation: it's their bread and butter. As such, learning and development was typically valued highly, with 52% of respondents saying that their business had increased training and development budgets during 2020. Nonetheless, 69% of the sector's respondents felt that their business had been stuck in survival mode at the expense of capabilities. Respondents in this industry had a greater appetite for further growth in learning and development than others surveyed. Confidence in the future was also strong, with 64% believing budgets would be restored within 5 to 8 months. For an industry so valued across the globe today, this confidence in capital is an important component in fostering the overall economic recovery.

Of course, this attitude towards training is not new for the technology and telecommunications industry. In 2019, 53% of respondents indicated that employee development was a priority. Whilst this remained important in 2020, priorities had slightly shifted, to place a greater emphasis on digital transformation (58%). While many leaders recognise the importance of upskilling, challenges such as a lack of infrastructure (44%) and financial constraints (82%) became barriers to real success. These barriers led 64% of respondents to worry that the capability chasm could leave them unable to deal with future challenges.

The need for change is immediate. If companies wish to accelerate a return to growth, capabilities are essential. Interestingly, 41% of respondents had resorted to recruitment to try and fix their capabilities gap in 2020. These recruits then largely carried the weight of responsibility for the missing capabilities – a heavy burden for a few employees.

In fact, the connection between capabilities and mental health was also evident in this sector. 63% of those surveyed expressed concern about the impact of a lack of skills on people's wellbeing. Overall, the sector faces a future fueled by possibility but severely underserved by a shortage of necessary capabilities.



# Case Study: Vodafone

## Shifting mindsets with data



Vodafone approached Avado with a clear objective, to help them accelerate their journey to becoming a digital telecommunications company. Their ambition was to lead a mindset shift and help everyone in the business understand the value of data and digital marketing. They had been proactively considering their skills strategy since 2018, which set them up well to manage the changing landscape ahead.

To give Vodafone's marketing teams exposure to the theory and knowledge underlying a great digital marketing strategy, we recommended a five-month Squared Online Digital Marketing Leadership Course. Within that bespoke programme, a bite-size data module was also implemented to increase data literacy. Together, this programme resulted in 4,600 digital marketing licenses and over 130,000 digital business licenses across the business. The business met its digital marketing needs through shifting mindsets and enhancing capabilities, thanks to the longevity this scalable solution provided.

Designed to inspire a more agile and innovative way of thinking, Avado delivered a two-day digital workshop that did more than just boost knowledge. Leaders were introduced to new ways of thinking through this learning experience, and employees were empowered to see the value digital transformation would bring. This Vodafone Digital Academy was activated across 23 markets.

**“ I never thought online training could be that well-structured, comprehensive and meticulously blended with various areas. ”**

**Abraham Georgakarakos, Vodafone's Head of Digital**



## Analysis from Economist Miatta Fahnbulleh

**The technology and telecommunications sector was one of the strongest performers** across those surveyed with **44% of respondents reporting that their businesses grew in 2020** compared to **38% that said it declined**. This reflects the central role the sector has played in our lives over the last year from allowing us to work from home, to staying connected through video conferencing to huge technological innovations as we have adapted to a new normal.

As the sector responds to new opportunities and challenges, it has continued to invest in capabilities, **with 52% of respondents reporting an increase in their training budget**. This made technology and telecommunications the **second-highest sector reporting investment in training surveyed** after the government and public services.

Those surveyed were less likely to say that their businesses' training strategies were not fit for purpose. **Nearly half of respondents said their business tried to implement upskilling and reskilling through external training courses before and during the pandemic**. But despite a relatively good track record, **66% of respondents in this sector believed there was a capabilities gap in their business**, and a similar number felt that events over the last year have increased this gap. **Critically, a majority of respondents (68%) still wished that their business had invested more in learning and development, signifying its value**. This reflects a broader pattern we have seen in this sector over the years. The need to operate at the leading edge of technological developments and upgrade products and services at pace has opened up new capability gaps that the sector is seeking to respond to. Unsurprisingly, innovation and marketing were identified as the top two capability gaps that would impact productivity and growth in the sector, **and 61% worried that a lack of training investment in these areas would impact the long-term productivity of their business**.



## Pharmaceuticals and Healthcare

Pharmaceuticals and healthcare have been in the eye of the storm during the COVID-19 crisis. For some in the sector, this has meant a predictable and significant increase in growth and profitability, whilst others have struggled to stay solvent. In terms of profits, equal numbers of respondents reported growth and decline for 2020, reflecting this unequal impact. It is probable that on the manufacturing side, growth will rise very quickly for the next few years due to the ever-increasing demand for vaccine production and modification. Perhaps, as a result, many respondents were confident in their capacity to return to growth. Most predicted that training budgets would return within 5 to 8 months or even sooner. On the other hand, high-street pharmaceuticals that have failed to adapt to online distribution may continue to face difficulties.

Due to the specialist nature of the work involved, this sector often has a high bar on traditional skillsets for entry: most employees will be graduates, and many have PhDs. In this sense, it's unsurprising that the sector had the smallest reported capabilities gap of any industry surveyed. On the other hand, what was interesting to note was that the capabilities this sector valued highly—agility, becoming data-driven, and innovation—are those that are not taught in university environments.

Given the sector's reputation for slow-moving change and reluctance to innovate on strategy, its relatively positive outlook on capabilities could come as a surprise to some. However, Avado has seen first-hand that this sector is becoming more willing to adopt new methods of learning. This finding translated to the lowest level of concern about the impact a lack of skills has on mental health (although the number was still significant at 59%).

The pharmaceutical sector was also the least likely to encounter reluctance from employees when introducing new training (financial services had the most). In line with other sectors, businesses in the pharmaceuticals industry that initially lacked the necessary capabilities entering 2020 turned to recruitment rather than training.

This group of respondents was least likely to wish more had been invested in learning and development during 2020 (66%) or to wish that people took it more seriously (61%). This is possibly a result of the sector's comparative maturity in development, hopefully pointing to a positive outlook for the future. However, one note of caution came from L&D leaders: 62% agreed they struggled to make business leaders appreciate the value of upskilling, one of the higher levels when compared to attitudes in other sectors.



# Case Study: GlaxoSmithKline

## Enabling marketing teams through digital capabilities



Innovative global pharmaceuticals business GlaxoSmithKline (GSK) was eager to empower their digital marketing team and enhance digital capabilities. GSK's challenge was to improve the marketing team's digital knowledge while also helping them focus on customer experience through strategically informed campaigns. In order to foster real behavioural and mindset change across the business in the face of rapid transformation, Avado built a learning structure for GSK's global workforce which ran over 18 months in 65 countries.

The programme emphasised social learning and application, including live-action classes, digital workshops and online resources. Three quarters of the learners reported increased confidence, and 88% believe the training drove a positive business impact. In fact, GSK's senior executives decided to completely rewrite their 'Marketing Ways' programme in light of what they had learned through Avado. The business also based its 2019 planning process on one of the main tenets of the programme. GSK has levelled up its marketing, strengthening employee capabilities and enhancing processes across the business, thanks in part to Avado's learning structure.

**// There's been a definite shift in our mindset about both the customer experience and the integration of digital channels into our daily marketing. This is a transformation. The change doesn't happen overnight, but thanks to our partnership with Avado I am confident that we have introduced and are now starting to embed a new way of Marketing at GSK. //**

**Steve Jamieson, VP of Global Marketing and Launch Excellence**



## Analysis from Economist Miatta Fahnbulleh

The UK has a fast-growing and dynamic healthcare and pharmaceutical sector, with a competitive edge in emerging fields, such as digital healthcare and artificial intelligence to enhance diagnosis and treatment. Despite this strong backdrop, the performance of the sector has been mixed with those responding to pandemic-related demand growing and others being squeezed.

In a fast-changing industry which is responding to old and new healthcare needs, investing in capabilities should have been key for both growing and declining businesses. **Yet nearly half (48%) of respondents had seen their business cut training budgets despite the fact that around 60% felt that the events of last year had increased the capabilities gaps and were worried that a lack of investment in training would impact long-term productivity.** This sector has huge growth potential with **133,000 jobs forecast to be created across life sciences businesses alone by 2030.** Collaboration, innovation, agility and being data-driven were identified as the key capability gaps that needed to be plugged to drive productivity and unlock this growth potential.

## £ Financial Services

Characterised by a tension between business-as-usual and disruption over the past decade, the business and finance segment reported the weakest growth of any surveyed in 2020. More than half of these leaders reported cuts to their learning and development budgets, mostly due to financial constraints. This segment was also the most concerned about the impact of a lack of capabilities, such as digital skills, on mental health by a significant margin (71%). This finding illustrated that lack of sustainable growth in combination with de-prioritisation of capabilities is likely already having a significant impact on staff wellbeing and business growth. The research projects the image of businesses whose learning and development budgets are under significant stress at a time where they are needed most. The segment's poor growth also seems to have left them less able to recruit. Despite these challenges, respondents were relatively confident in their training budgets returning within 5 to 8 months. This is a glimmer of hope for a strategy change as a more normal outlook resumes in the future.

Last year, many felt that their existing learning and development strategies were unfit for purpose. Respondents from the financial services sector were the most likely to agree that their organisation had prioritised survival over capabilities. This makes sense given the challenges in achieving sustainable growth. However, it suggests a short-term approach, significantly underestimating the impact of capabilities on survival and growth. This could have consequences for many years to come. Perhaps as a result, these respondents worried most about the future implications of their organisation's skills gap (63%), and they were least likely to deem learning and development essential to strategic decisions. Most did not think learning and development was taken seriously in the boardroom (65%), and the majority wished it was more of a priority across the whole of their business (74%).

With innovation, data, and digital cited as a key focus for capabilities development in the sector, it's clear that there is a lot of work to do. That work includes promoting the correlation between capabilities development and future growth, along with considering the role learning and development will play.



# Case Study: AXA

## Industry-first data academy



AXA are an insurance company that prizes innovation, supporting startups and new healthcare technology. The business had been pioneering alternative educational routes for years, utilising apprenticeships to diversify their candidate pool. However, after unprecedented digital acceleration in 2020, AXA approached Avado looking for a way to upskill those people on their team who had no formal training in data analytics. The goal was to give their people the capabilities needed to excel in their career and to help build a data-driven company for the future.

In partnership, they launched the first ever data academy spanning all divisions of an insurance business. The academy, delivered remotely over 18-months, includes apprenticeships, data literacy modules, and workshops. Learners are given real-life data sets from within AXA's own business to manipulate, as well as real-life challenges to solve. The academy particularly focuses on learning to use data responsibly. Upon completing this Level 4 apprenticeship, they will obtain a British Computer Society (BCS) Diploma in Data Analysis Concepts and Certificate in Data Analyst Tools, enabling AXA's culture of data-first thinking to develop and thrive.

**// As an insurer, we have been leveraging data for a while, from underwriting to claims analytics. We know how crucial these skills are, and we are thrilled to be expanding our wider capabilities throughout the business so colleagues in various functions will be able to leverage data insights to support our customer relationships. //**

**Shali Vasudeva, Chief Operating Officer,  
AXA UK & Ireland**



## Analysis from Economist Miatta Fahnbulleh

**The UK financial service sector is one of the largest in the world, contributing £132 billion to the UK economy** in the year before the pandemic. Despite being more resilient to the impact of COVID-19 because a large proportion of its staff could work remotely, the sector still took a hit during the pandemic. **46% of respondents reported that their businesses had declined compared to 34% that reported growth.** Against this backdrop, almost **half of respondents saw cuts to their training budgets despite the vast majority (67%)** saying that the capabilities gap in their organisation had widened last year.

Pulling back on investment in capabilities as the sector will simultaneously need to recover from the pandemic, adapt to its changing role in the European Union, operate in a new post-Brexit regulatory environment and access new overseas markets was short-sighted. **And 63% of respondents agree and are now worried that the lack of investment in training will impact the long-term productivity of their business.** To retain its position as a world leader, this sector will need to continue adapting and growing. It can only do this by plugging innovation, data-driven and digital capabilities gaps.



## Fast-Moving Consumer Goods (FMCG)

Fast-moving consumer goods (FMCG) is a complex category consisting of quick-selling packaged products. On the one hand, some goods—specifically those stocked in supermarkets and online retailers—saw business boom beyond expectations over the past year. On the other, restrictions and lockdowns caused some FMCG sales (specifically those of products stocked largely in brick-and-mortar locations) to freeze altogether. As a result, this industry reported the second-highest rate of profit decline in any sector, behind only financial services. It was also the sector that saw the most cuts to learning and development budgets (50%), perhaps because of the survival shift. Those who held jobs within FMCG were also the most likely to seek out education and training outside their current industry and role.

Nonetheless, respondents felt positive about capabilities development and were least likely to feel they had been disregarded for survival. On the whole, they were calmer about the future in the face of the capability chasm. They were also not as concerned about the negative impact on mental health. This is a strong contrast to other sectors like finance. FMCG placed the highest priority on gaining data confidence in 2019, and digital remained the focus into 2020. This is unsurprising, given the sudden shift to online that has affected so many businesses in this industry.

So, what does the future hold for FMCG? Demand will always remain high, but meeting it and remaining competitive will rely on data and digital capabilities. There is significant work to do. To address challenges and support the needs of consumers, businesses, and staff, the coming months will be crucial.



# Case Study: Colgate-Palmolive

## How Colgate-Palmolive navigated an evolving landscape



A great example of a business in this sector that has sought to enhance its data and digital capabilities is the household and consumer products company, Colgate-Palmolive. During the pandemic, the business approached Avado looking to create a professional development journey for its people. This journey needed to support the fast-evolving digital landscape and embed a consumer-centric mindset into their business.

Within a brief 12-week timeframe, the virtual workshop series—which had 100% attendance—rooted new ways of working based on data-led decision making. This impacted mindset change at the heart of decisions, strategies, and campaigns. These new skills and capabilities were reinforced by collaboration across teams, functions and markets, which helped to create cohesion across the business. The training resulted in a 100% increase in confidence, with learners stating they felt able to use 79% of the learnings in their day-to-day tasks.

**// The program and frameworks have been embraced by everyone in the organisation and embedded in how we work. It has been a huge transformation, achieved within a very, very short period of time. //**

**Sara Scrittore, VP Customer Development,  
Colgate Asia Pacific**



## Analysis from Economist Miatta Fahnbulleh

The effects of the pandemic on the consumer goods sector will be profound and lasting. The past year has transformed what we consume and how we consume it—and this is driving big change across the sector. **FMCG performance has been mixed, with 45% of those surveyed reporting a drop in their profits and 40% reporting growth.** As the sector looks to recovery, businesses will need to continually flex and adapt to rapidly changing conditions and build the capabilities to respond. Yet, this sector was more likely to cut training budgets in response to financial pressure. That happened despite a majority saying there were huge capabilities gaps in their business that had widened over the past year.

As the sector recovers, businesses will need to respond to consumers' changed needs and behaviours and create agile solutions. In this context, innovation, marketing and leading change were identified as the key capabilities required in this industry to drive growth and productivity. Despite this, **69% of respondents felt that L&D wasn't taken seriously enough in the boardroom and 61% worried that the lack of investment in training would impact long-term productivity.** It's clear this sector needs to re-evaluate its L&D investment to make sure it has the capabilities to prosper this year and in future.



## Government and Public Services

Government and public services employees were put to the test this year. Adapting to new ways of working, having to halt non-essential services, and calls for a focus on immediate front-line needs were all major challenges. As in many other areas of the economy, there was a reduction of service scale, as highlighted by our research. Some public services were run on minimal staff as departments were paused due to lockdowns. Where possible, service support moved online (remote GP appointments and virtual classrooms). Perhaps due to the wider capabilities required and the longer-term structure of funding in this sector, it's unsurprising that there was an increase in training budgets, unlike in some other areas (for instance, FMCG).

Looking more closely at learning and development in the sector, lack of time was identified as the biggest barrier (43%). This could reflect the stretched workloads many were facing with increasing demand for services (in areas such as healthcare), as well as working from home or changes in working structure. Pre-2020, more than one-fifth of our HR respondents said they had tried to get a training strategy in place but couldn't get approval. This rose to almost a quarter in 2020, highlighting the increasing discrepancy between executives and their learning experts on this issue.

Government and public services employees were less concerned about the impact of the capability chasm, although it very much exists. Concerningly, respondents indicated the least worry about the skills gap being a drain on the economy, and the least concern about its impact on productivity. Despite this, they were most likely to wish more had been invested in development (74%) and that they had more time for it (72%).

There are well-documented capability challenges in the government and public services. Whilst the specific challenges vary depending on department and area of public service, it is evident a reset is needed after a turbulent year. As organisations recover from lockdown, leaders will have more autonomy to make decisions as opposed to reacting to legislation, thus providing an opportunity to implement innovative strategies and agile ways of working. Activating investment in training, especially for a workforce struggling with burnout, will help ensure they do not need to turn to recruitment to patch over the problem (79%).





// There have been shining examples of excellence in public service, at pace, throughout the pandemic. HMRC's rollout of the furlough scheme and the continued success of the vaccination programme are just two of those instances. Throughout the pandemic, the vast majority of learning investment was to enable public sector organisations to react, to adapt and to respond to critical need. As the sector emerges from those pressures, the focus now shifts to organisational capability to continue to deliver digital-focused services, with a lens on transferrable, future-proof skills and employee wellbeing. //

Simon Baker, Director of Government and Public Services at Avado



## Analysis from Economist Miatta Fahnbulleh

Government and public services at every level have faced an extraordinary year, placing huge demands on staff and infrastructure. Whilst staff growth has been mixed, what is clear is that both **government and public services departments have been forced to adapt**, innovate and deliver at a pace not seen for decades. However, unlike other industries under pressure, **organisations in this sector opted to continue investing in training. 55% of respondents saw an increase in their training budget—the highest of any area of the economy we analysed.** But even with this commitment to L&D, **69% of respondents still believed there was a vast imbalance between the capabilities their department needs and the capabilities their people possess. And two thirds wished that there had been more investment in the past year.**

The demands on employees in the government and public services space are likely to get **more challenging as we recover from the pandemic.** Expectations of government are rising with people demanding greater online access to public services and a more personalised, seamless digital experience. **The public services sector will have to respond to ongoing challenges from an ageing society to climate change.** Success in the future will depend on building capabilities in digital first, innovation, customer-centricity and adaptability.

## An APAC focus

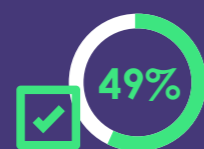
APAC is a huge region consisting of 4.3 billion people, representing many diverse markets and experiences that vary widely. In our survey, which focused on Singapore, Hong Kong, Malaysia, Thailand, Australia, and the Philippines, we identified four key trends:

- Respondents in this region felt less concern about the capability chasm
- Broadly, they were more positive about the future
- Gaps nonetheless became more apparent throughout 2020
- Mental health remains an area of concern

### Business leaders

We found that the majority of both executive leaders (80%) and learning and development leaders (74%) agreed that it was important to their business in 2020 to have training conducted through external courses. This suggests that all surveyed industries were struggling with existing employee capabilities in a time of rapid change. More than 3/4 of executive leaders also agreed that recruitment has been important to their business in the last year, compared to 7 in 10 learning and development leaders. This finding reflects how the recruitment flexi-fix was used to repair the deepening capability chasm throughout 2020.

In the survey, 39% of executive leaders admitted that their pre-2020 training strategy wasn't fit for purpose. This increased to nearly half (49%) in 2020-1, suggesting gaps became more obvious in a time of business crisis. Tellingly, almost 1/3 of learning and development leaders said that they tried to implement training through external courses in 2019.



49% of executive leaders admitted their training strategy wasn't fit for purpose in 2020



### Sector overview 2019 vs 2020

In 2019, the main business priority for the government and public sector in APAC was digital transformation (44%). Employee development also ranked highly with financial services (39%), FMCG (38%), and technology and telecommunications (43%).

However, business priorities shifted for all sectors in 2020. For example, the key business priority for FMCG was digital transformation, reflecting the industry's struggle to adapt quickly to new realities like e-commerce during the pandemic. Data confidence also became a key priority for financial services (50%) which is no surprise given that this industry saw a substantial decline in profits last year.

Interestingly, more than half of respondents working in the government and public sector agreed that the events of 2020 widened the capability gap in their business. Our research also identified that more than half have looked at education and training outside of their current industry and role. This finding tells us that government and public sector workers are concerned about the widening capability chasm, and are keen to protect themselves in case of future problems.

### Key comparisons

Much like in the UK, technology and telecommunications saw the most profit growth in 2020 (44%). It was fast-moving consumer goods (FMCG) that experienced the worst decline (46%). Pharmaceuticals and life sciences saw the biggest increase in investment (66%), larger than the highest UK sector (Government and Public Services, at 59%). Given the global impact of the COVID-19 crisis, which has called for fast-moving surveillance and knowledge sharing, it's logical that this sector would invest in employee development. Regardless, it's encouraging to see the evidence.

More than half of APAC respondents working in technology and telecommunications agree that a lack of skills impacts people's mental health. This is only 4% less than the same sector in the UK, suggesting wellbeing concerns transcend markets.



More than **50%** of APAC respondents working in technology and telecommunications agree that a lack of skills impacts people's mental health

# Conclusion

The conversation around skills is missing a fundamental understanding of the nature of our modern working landscape. This research clearly demonstrates that to be profitable long-term, businesses need to take stock of their priorities and their capabilities, putting a strategy in place now which is fit for the future.

It's clear from the responses we received that the capability chasm existed well before the pandemic, but the challenges of 2020 further exposed and exacerbated the gap. Even in sectors where concerns around the future were lowest, more than half of respondents tended to express worries about redundancies, mental health, and the health of the economy overall. This shows that the problem is not one any industry can put on hold. The fact that so many respondents admitted to looking for training outside their current role also speaks volumes about the potential business costs of not facing up to the capability chasm.

By becoming more agile and addressing the crisis that continues to hinder performance, productivity and overall working efficiencies, we can achieve economic recovery. Investment in learning and development is a crucial piece of this puzzle, separating the businesses that will thrive through future challenges from the ones that won't. Businesses that invested in staff development fared far better than those that had little or no strategy. Capabilities, both individual and business-wide, are the solution.

Any initiatives must aim to address all levels of the business to ensure that the individual capabilities developed also translate into business capabilities. This is a task that is never complete. As the world moves on, so do the capabilities and skills required, and even experts in a field can sometimes struggle with basic competencies. The huge gains which could be achieved for individuals, businesses, and our overall economy through properly developing staff across all job roles and industries cannot be underestimated.



**// The lesson from last year is clear. Investment in capabilities matters—and it will make the difference in achieving business success. //**

**Miatta Fahnbulleh, Chief Executive, New Economics Foundation**

**// Businesses simply cannot afford to not learn the lessons of this research. Without investing in capabilities, they harm not only their staff's prospects and mental health, but also their own bottom line through wasteful expenditure on hiring costs and lost business opportunities. The time for us to stop talking about the skills gap has long passed. It's time to act to tackle the capability chasm. //**

**Mark Creighton, CEO, Avado**





## Who is Avado?

At Avado, we believe in unlocking potential and changing lives. Learning with us makes real, lasting change happen for individuals, and entire organisations. Through our connected learning experiences in Data, Marketing, People, and Agility, we can help you drive real change.

Going beyond just technical skills, our award-winning programmes help teams find success in an ever-evolving world. With a strong emphasis on the behavioural and mindset shifts needed to embed new capabilities, we'll work together to develop leaders, teams and individuals through interactive learning experiences.

### Want to know more?

Reach out to us via [solutions@avadolearning.com](mailto:solutions@avadolearning.com), visit our website at [www.avadolearning.com](http://www.avadolearning.com)

