



Challenge the Status Quo with a Smarter Approach to the Global Talent Crisis

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Executive Summary

HR execs are not finding their budgets rising at the same levels as their workforce requirements. By 2020, the global labor market faces a shortage of 38-40 million college educated workers and 45 million secondary educated workers¹. Despite the change catalyst that the mounting crisis demands, many organizations have not adjusted their strategies. Why would an organization race to develop skills by investing the same portion of their budget in classroom approaches and build training that they could buy? To help organizations find a smarter way out of the talent crisis, the Director of Research at the world's leading learning analytics firm compared the results of Skillsoft elearning to classroom and internally developed elearning benchmarks. The results were clear; Skillsoft provides a solid answer to the global talent imperative.

¹ *The World at Work: Jobs, Pay, and Skills for 3.5 Billion People*, The McKinsey Global Institute, June 2012.



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Address the economic challenges of talent development with Skillsoft

The stakes for developing effective talent are rising quickly. Lloyds Risk Index² indicates that the talent and skills shortage is tied with customer loss as today's most salient organizational risk. CEOs cite that their businesses are more prepared to address disruptive cyber security threats, defunct investments and supply chain failures than they are prepared to face the talent crisis. In the 15th annual PwC Global CEO survey³, one in four CEOs said they were unable to pursue a market opportunity or have had to cancel or delay a strategic initiative because of talent challenges. One out of three CEOs is concerned that skills shortages will impact their company's ability to innovate effectively.

While the talent pressures amplify, millions of workers remain unemployed and yet businesses have vacancies they cannot easily fill. This puzzling dysfunction is occurring because traditional educational institutions and organizational development practices fall short of addressing labor market shifts.

As the difficulty of maximizing talent rises along with its importance, finance teams are becoming more involved in the picture, working to fine tune the critical balance between helping employees do more and carefully managing a constrained budget.

Finance executives suggest that workforce management starts with developing robust systems and processes for managing talent costs. Organizations will prioritize maximizing employee output by managing performance and promoting training and development. Controlling costs is step one; everything else is step two⁴. The next step—the step that most companies will focus on over the next few years—involves working to improve employee performance, training and development.

Therefore, the old rules for building talent won't apply going forward. With constrained budgets and a need to improve speed to competency, HR teams will need to better optimize their learning investments. The financial side is asking the obvious questions; Why spend more than necessary? Why build what we can buy? How can we scale our learning approach to reach more employees?

Organizations will prioritize maximizing employee output by managing performance and promoting training and development. Controlling costs is step one; everything else is step two.

CFO Research, 2012⁴

Organizations should feel compelled to explore how they can maximize their investments, scale learning to reach more employees and implement solutions that truly enable an agile enterprise.

*Jeffrey Berk
COO, KnowledgeAdvisors*

² Lloyds' Risk Index 2011, Lloyds.

³ Delivering Results through Talent: The HR Challenge in a Volatile World, PwC Global CEO Survey, 2012.

⁴ Human-Capital Strategies in a Slow Recovery, The Finance Perspective on Workforce Management, CFO Research, 2012.

To address these important questions, Skillsoft engaged KnowledgeAdvisors, the world's leading learning analytics company, to build on the results from Skillsoft's 2011 [Moving the Needle: How Skillsoft Learning Impacts Performance of Individuals and Organizations](#)⁵ study and compare the findings to two new benchmarks: classroom training and in-house developed elearning. KnowledgeAdvisors found that Skillsoft elearning was as good or better than in-house developed elearning. KnowledgeAdvisors also found that Skillsoft elearning is as effective as classroom training in its ability to positively impact the job. Because elearning typically costs less, leveraging learning solutions from Skillsoft is a smart way to navigate talent development challenges.

What did we learn from the analysis of the data?

Right now, organizations have an ideal opportunity to optimize the most important investment they make—their people investment. While many businesses are feeling the pain of finding skilled talent and they know a sizable part of their workforce may retire soon, few talent teams have quantified the size of their skill gaps nor do they have a solid plan in place to close them. Our study revealed four key findings that make Skillsoft a solution to that problem:

- 1. Skillsoft impacts critical areas of business performance.** The first study statistically proves that Skillsoft elearning develops skills in employees that impact business performance. This statistical analysis found that Skillsoft is better at reducing the time it takes to perform tasks, increasing sales and decreasing costs than classroom training and internally developed elearning.
- 2. Skillsoft delivers remarkable outcomes.** Skillsoft learners are 43% more satisfied than classroom learners and twice as satisfied as learners who are using internally developed elearning. Skillsoft is equal to classroom training and 29% higher than internally developed elearning in its ability to impact job performance.
- 3. Skillsoft is applied on the job at a higher rate.** If learning is not applied to the job, it cannot have a business effect, nor can it produce ROI. With Skillsoft, 86% of what is learned by employees is applied to their job. According to KnowledgeAdvisors, employees typically only apply 20-50% of what they learn to the job. What employees don't use goes to waste.

As companies seek to operate more seamlessly to achieve new efficiencies, boost productivity and present a unified face to the customer, they increasingly want workers who have a diverse set of skills in multiple functional areas. To stay competitive in the face of such change, companies must be able to pull in required skills whenever and wherever they're needed, just-in-time.

Accenture, *Solving the Skills Paradox*⁶

⁵ *Moving the Needle: How Skillsoft Learning Impacts Performance of Individuals and Organizations*, by Kieran King, Skillsoft Corporation, February 2011.

⁶ *Solving the Skills Paradox*, Accenture, 2012.

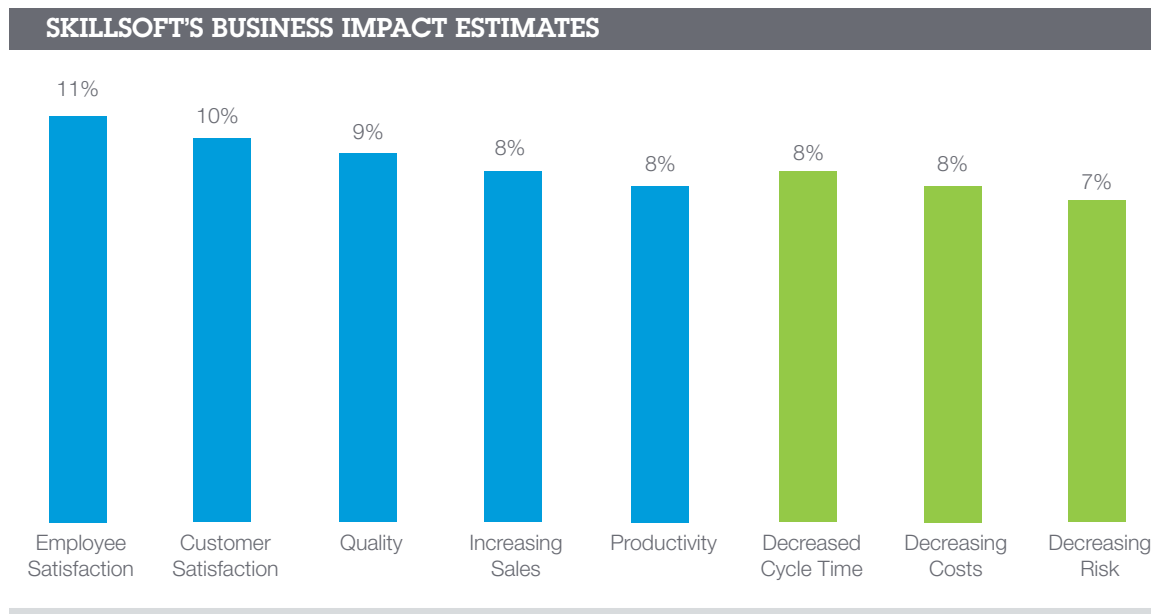
4. **Benefits of Skillsoft learning span across industries.** Across multiple industry sectors, Skillsoft learners applied what they learned to the job and had higher business results than internally developed elearning and classroom training for decreasing cycle time, decreasing costs and increasing sales. The seven industries included business services, computers, education, finance, government, telecommunications and business consulting.

As the balance of this paper details, Skillsoft elearning provides an effective and efficient way for organizations to address the pending talent crisis.

Key finding #1: Skillsoft impacts critical areas of business performance

Business leaders are most concerned with getting a return on the training investment in terms of business impact. The ROI Institute found that 96% of CEOs want to know about the impact that training has on performance, yet only 8% receive such information.⁷

KnowledgeAdvisors analyzed responses from Skillsoft learners to determine how much their performance improved and what percentage of that improvement was directly attributed to Skillsoft. The business results ROI scorecard methodology was applied to arrive at the results shown below:



Skillsoft learners estimated increases in employee satisfaction, customer satisfaction, quality, sales and productivity. Skillsoft learners reported reductions in the time it takes to perform tasks, costs and risk.

When KnowledgeAdvisors compared Skillsoft elearning to the internally developed elearning and classroom benchmarks, Skillsoft was comparable in all eight areas. Skillsoft significantly outperformed internally developed elearning and classroom training for its ability to build skills

⁷ "Measuring For Success: How Executives View Learning Metrics" by Patti and Jack Phillips, of the [ROI Institute](#), *Chief Learning Officer Magazine*, December 2010.

that decrease costs, increase sales and decrease cycle time.

Based on the comments from respondents, here is how Skillsoft training decreases cycle time, reduces costs and increases sales.

Cycle time

Respondents indicated that the time it takes to perform a task (cycle time) improved 8.1% with Skillsoft compared to 4.3% with internally developed elearning and 5.9% with classroom training. This difference is 47% and 30% better, respectively, than the other benchmarks. Time spent performing job tasks is reduced with Skillsoft because of the following:

- References were easily available
- Programming training was accessible
- Time management improved
- Reports were generated more efficiently
- Process improvements were made

Costs

Respondents indicated that costs reduced 8.2% with Skillsoft compared to 5.1% with internally developed elearning and 5.5% with classroom training. This difference is 38% and 33% better, respectively, than the other benchmarks. The decrease in costs with Skillsoft is due to the following:

- Improved employee productivity and work efficiency
- Reduced training and travel costs

Sales

Respondents indicated that sales increased 8.2% with Skillsoft compared to 4.3% with internally developed elearning and 5% with classroom training. This difference is 48% and 40% better, respectively, than the other benchmarks. Skillsoft elearning helps increase sales because employees' skills were improved in the following areas:

- Understanding of customer needs
- Sharper negotiating skills
- Ability to be more assertive
- Better communication skills
- Higher levels of business acumen

The workplace is undergoing dramatic change.

Companies operate on a global basis and jobs are far more specialized, creating a global talent gap. Skillsoft's solutions address these evolving needs, and offer an expanded portfolio of resources that includes social, on-demand, mobile, storytelling and other next-generation methods. Such solutions go a long way to address the global talent crisis at all levels globally, and to equip employees with 21st-century skills."

Josh Bersin, CEO and President, Bersin & Associates, April 2012

Key finding #2: Skillsoft delivers remarkable outcomes

The study measured learning effectiveness using standard evaluation questions in the KnowledgeAdvisors methodology that aligns with Kirkpatrick's 4-Levels of Evaluation⁹ and Phillips' ROI Methodology.

When rated for effectiveness, respondent ratings indicated:

- Skillsoft content consistently performs as well as or better than elearning content developed in-house.
- Skillsoft content achieves results that are very similar to classroom courses which are generally more costly.

Why are these results important?

As an organization considers investing in learning, it should weigh options for effectiveness and cost efficiency. Given the current talent imperative, and the KnowledgeAdvisors findings, Skillsoft's value proposition should be part of every organizational learning program.

The analysis found that Skillsoft content is as good as or better than those created in-house. For organizations, it will also be more cost-effective to leverage Skillsoft rather than build elearning to fill talent gaps. That means that internal resources that were aligned to build content can be redirected toward accelerating blended learning efforts and projects that truly require proprietary expertise.

The analysis also indicated that Skillsoft content builds skills as well as classroom content. Compared to classroom delivery, Skillsoft has a distinct advantage because it has greater reach, more timely "anytime anywhere" access, faster application to the job and is continually maintained for currency. Skillsoft elearning also avoids the high costs associated with travel, lodging, absence from the office and loss of productivity.

Moreover, Skillsoft has innovated and matured the definition of elearning greatly since elearning's inception a few decades ago. Today's elearning is experience-rich, multi-media and incredibly varied. Skillsoft's award-winning solutions include online books, targeted portals, on-demand videos, digital job aids, practice labs, assessments, case studies, mentoring, virtual classroom and much more. Organizations can capitalize on even greater value from Skillsoft as they tap into Skillsoft's mobile and social learning innovations.



Skillsoft learners are able to apply their knowledge to their jobs faster and more often than classroom or in-house developed elearning.

⁹ *Evaluating Training Programs: The Four Levels. (2nd ed.)* by Donald Kirkpatrick. San Francisco, CA: Berrett-Koehler Publications, Inc., 1998.

Key finding #3: Skillsoft is applied on the job at a higher rate

The *Moving the Needle* study showed that Skillsoft content has a very high application rate. With Skillsoft, 86% of what employees learn is applied to the job within six weeks.

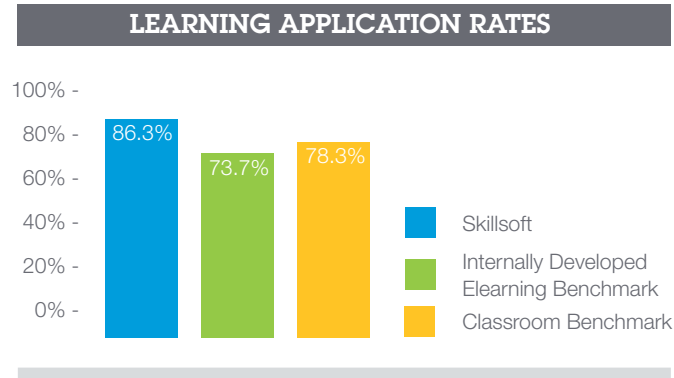


Figure 2

When comparing the Skillsoft application rate to the benchmarks for classroom and internally developed elearning, Skillsoft outperformed them both. Skillsoft content is applied at rate that is 8% higher than the classroom and 12% higher than in-house developed elearning.

The portion of training that is not applied is called “scrap learning.” By minimizing scrap learning, organizations can improve learning’s transfer and reduce wasted training investments. Industry experts estimate that some scrap learning rates have been as high as 80%.¹¹

Key finding #4: Benefits of Skillsoft learning span across industries

In the analysis there were sufficient responses to produce reliable results across seven industries: business consulting, business services, education, telecom, computers, finance and government.

- **Business impact:** Skillsoft had higher business impact values than internally developed elearning and classroom for decreasing cycle time, decreasing costs and increasing sales across multiple industries.
 - Skillsoft’s ability to reduce cycle time is strongest in the business services, education and computer industries.
 - Skillsoft’s ability to decrease costs is highest in the business consulting, business services and computer industries.
 - Skillsoft’s ability to increase sales is strongest in the telecommunications, business services and computer industries.
- **Learning application rate:** This rate is comparable or higher for Skillsoft than the in-house elearning and classroom training benchmarks across six of the seven industries.

¹¹ “Manager Engagement: Reducing Scrap Learning” by John R. Mattox, II, Ph.D. *Training Industry Quarterly*, Fall 2010.

- Skillsoft is most effective in the business services industry with a 93% application rate or 7% scrap learning rate.
- The application rate of Skillsoft is also higher than the application rate for classroom and internally developed elearning within the computer and telecom industries.
- Skillsoft's application rates were comparable to classroom training and internally developed elearning within the education and finance industries as well as in the government sector.
- In the business consulting sector Skillsoft's application rate was within 5% of the classroom training and internally developed elearning benchmarks.

Conclusion

To get out in front of the skills crisis, HR organizations need to change their tactics. Many traditional strategies, including overinvesting in the classroom or building training internally, cannot solve the skills crisis because they are too costly and not scalable in today's global dispersed workforce. The most recent recession has put greater financial pressure on organizations to reevaluate investments they make. In response, organizations are becoming more strategic about where they focus their talent investments. Strategies that rely on outdated tactics will simply put their organizations at risk.

As organizations map out their plan to address this challenge, keep pace with rapid change and confront competition, they should turn to Skillsoft. Skillsoft solutions are highly effective, cost-efficient and contribute to improving individual and organizational performance across industries. Skillsoft will decrease cycle time, increase sales and reduce costs associated with training, as well as or better than classroom and in-house developed elearning. When considering how an organization can best stretch its talent budget, the results Skillsoft delivers provide a clear and compelling value proposition.

Study's measurement methodology

The company that conducted this study, KnowledgeAdvisors, is the world's leading provider of learning and talent measurement solutions and is a thought-leader in Human Capital Analytics.

A voluntary, web-based evaluation survey was distributed to 30,687 Skillsoft learners from which 7,817 responses were received (25% response rate) which provided a very robust and statistically sound dataset. Four-hundred sixty-five Skillsoft clients are represented in the study. The KnowledgeAdvisors Metrics that Matter® system was used to deliver the survey instrument as well as house the results. The survey asked the Skillsoft learners to reflect on Skillsoft training they had used between the months of June and November 2010. The survey structure and analysis method was based on the Kirkpatrick's four levels of learning evaluation model and the ROI Institute's ROI Process.

The new findings presented in this report reflect insights gained by comparing the original survey results to two additional benchmarks: elearning that was developed in-house and classroom training benchmarks. Respectively, each benchmark contained more than 6.1 and 7.3 million responses.

Responses were categorized by industry based on the company name contained in the respondent's e-mail address domain. Responses came from organizations of all sizes and industries, as well as across a geographic landscape that mirrors the learning industry as a whole. Some of these companies have been using learning tools for decades; others have less than a year of experience.

About Skillsoft

Skillsoft is a pioneer in the field of learning 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 and a comprehensive learning e-library to develop off-the-shelf and custom learning programs 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 maximize business skills, performance, and talent development. Skillsoft currently serves over 5,000 customers and more than 13,000,000 learners around the world. Skillsoft is on the web at www.skillsoft.com.

About KnowledgeAdvisors

For organizations that utilize learning and development to drive business outcomes, KnowledgeAdvisors offers learning measurement software that improves the effectiveness and business impact of learning. Unlike the standard reporting and dashboard features included in most learning and talent management software, we combine data from multiple enterprise systems with information collected through evaluations and assessments to paint a complete picture of learning and business performance. KnowledgeAdvisors can even benchmark your learning programs against other organizations. For more about KnowledgeAdvisors, visit www.knowledgeadvisors.com.



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