Mercer | mettl

The state of learning & development

Report 2022

welcome to brighter

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Introduction

In business, what's dangerous is not to evolve.

Jeff Bezos
CEO, Amazon

When he speaks, people take notice.

Bezos is arguably one of the most successful entrepreneurs and the poster child for the startup mania, which has reached a crescendo in the past few years.

His view on evolution as a necessity for businesses to remain fighting fit, let alone to ensure a place of prominence, reverberates loudly in the backdrop of the contagion years. There have been more questions than answers and more challenges than opportunities -such has been the pandemic's impact on the corporate world since it first came knocking.

The L&D (learning and development) landscape has been no exception to the upheavals that have engulfed organizations globally. That its contours have changed dramatically because of a once-in-a-century disruption is no revelation, and perhaps stating the obvious.

However, if one agrees to the proposition that disruptions are the most significant catalyst to change, then COVID-19 is a prime example of its manifestation.

The future of work is here! Digitization, remote work, AI (Artificial Intelligence), ML (Machine Learning), cloud-based systems and Learning Management Systems (LMSs) are no longer vanities, "good-to-have" mechanisms if you will.

Instead, they have assumed center stage in a race to survive. Anything less may simply not suffice; now, 'status quo' is a death knell!

Organizations have oscillated between despair and hope amid fluctuating cases of COVID-19, from living to fighting another day to arming themselves with new-age tools and untested strategies to embrace the future confidently. Amid this see-saw of emotions and outlook, however, the past eighteen plague months have established the need for harnessing technologies and adopting ways of work that were long considered part of some distant future.

However, changes are not limited to technology adoption. The changing work culture has ushered new and peculiar challenges, such as enforcing DEI (Diversity, Equity, Inclusion) in letter and spirit, where a more diverse workforce is expected to collaborate, working remotely or in hybrid setups.

That reskilling, upskilling and relearning will acquire new definitions, mandating companies to significantly revamp their processes and competency frameworks is a given.

But how will this pan out? Is there a piecemeal, cookie-cutter approach to L&D requirements now and in the post-COVID-19 era? Or will it mean a unique canvas for each organization to create their own paintings?

Also, COVID-19 and its vagaries have forced organizations to rethink their spending, put a cap on their expenses, to create a more sizable war chest to ensure no such future disruptions can mar their short-term business objectives.

Cash is king again. Or so would popular wisdom have us believe. But has that brought about a cost rationalization, and has that come at a higher price than money? Have L&D interventions taken a backseat? If so, how are organizations prioritizing learning and development amid an unprecedented spending rationalization if at all there is one?

There is yet another aspect to the discourse. Some believe that the share of the opprobrium heaped on COVID-19 is incoherent. Disruptions, large and small, are intrinsic to the modern-day world. Therefore, organizations must also shoulder the blame for their lack of preparedness and not hold the virus responsible for their distress.

They must equally take responsibility for favoring a traditional outlook on many aspects of work, which spills on to L&D, some commentators believe.

Q. Should they have been better prepared? What safety mechanisms have they incorporated to ensure they are not caught off-guard again? Because disruptions will continue to manifest and expecting smooth, unabated sailing in this tumultuous global environment is but a fallacious notion. They must be wiser than this!

These are some of the many questions that need answers to gain a holistic understanding of the emerging and transient L&D landscape.

Mercer | Mettl's L&D Report 2022 is a step in that direction.

It is not a definitive commentary on what has become but an attempt to understand and document the underlying churn in the broader L&D ecosystem in the backdrop of a challenging timeline.

This report pieces together survey responses from diverse industries and companies of all sizes, ranging from two hundred employees to upward of ten thousand personnel, to offer you a comprehensive overview of how the L&D and skills requirements have evolved.

It also dives deep into examining the elements companies are prioritizing and their budgetary allocations for employees' upskilling and reskilling initiatives.

We have broadly segregated the report into two sections, the first of which offers a sweeping overview of the evolution of L&D in these past two years. It assesses the objectives of L&D functions that COVID-19 has impacted the most.

We will unravel whether organizations find maintaining employee engagement in a remote work setting, formulating upskilling and reskilling strategies for employees, or initiatives focused on improving employee wellness, motivation and productivity, etc., as the objective most hit by the pandemic.

That COVID-19 has derailed or, at least, impacted L&D functions is a no-brainer, primarily when organizations have found it difficult to adjust to the newer challenges the contagion has ushered. We have already established that companies have been fighting for survival and, therefore, blaming them for losing sight of their learning and development-related commitments is certainly avoidable. However, their desire and commitment to boosting their employees' learning curve, to keep pace with ever-changing perspectives because they are intrinsically tied to their fortunes as business entities, must also be examined.

Section division

In the report's initial paragraphs, we have established that L&D budgets may have been the first casualty of the recalibration that happened because of the pandemic as companies, and rightfully so, hit the brakes on every "avoidable" expense to conserve their coffers to stay afloat. One cannot blame their knee-jerk reaction as uncertainty has prevailed over how the pandemic may manifest. But these arguments are hearsay! We have no evidence to back these claims.

Therefore, the report seeks respondents' views on how their companies have tweaked the financial allocations amid the COVID-19 pandemic.

Section 1

Assessing COVID-19's impact on L&D objectives, functions and budgetary allocations

The outcomes of this section will help us establish where the organizational focus has been and whether they are thinking long-term or strictly short-term, at least for now.

Section 2

Making sense of the skills ecosystem, priorities, tools and processes and ROIs

The second section of the report focuses majorly on skilling-related challenges and opportunities. Even the uninitiated would know that the skills requirements have turned upside down since the past two years, beginning the first wave.

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Remote work, DEI-related issues, and the use of LMSs have assumed unprecedented significance. Companies are stepping into a new, perhaps forever altered, business landscape. Thus, gaining clarity on what's trending in the skills ecosystem is critical for deciphering the overall trends in the L&D universe.

Thus, the report first explores how organizations across the board have upped their skilling game. It examines their approach toward skilling by understanding whether they are taking a centralized approach where the company's leadership decides the skills required and the preferred mode of skills acquisition for employees. Or whether they employ a fully decentralized approach where employees figure out their required skills, and the company facilitates with tools and monetary support. Or whether they prefer a mix of the two, which is a blended decentralized approach where organizations map the skills required at a department and skills level, but employees are free to acquire them as they like.

Further, the report assesses whether the skills priorities have undergone a shift. While the answer to this question may seem obvious, the idea is to establish the facts without ambiguity and understand the extent of change. Therefore, respondents share their views on whether the skills requirements have evolved significantly, marginally, or remained the same.

Should skills requirements change, then the tools and processes to identify, acquire, nurture and measure them must change too.

Thus, following this assumption, the report asks respondents if they have increased the use of skill assessments for training needs identification or adopted tools like 360-degree feedback for feedback and development. Or whether they have adopted virtual means for conducting senior-level initiatives like assessment centers, defined processes and metrics to measure training effectiveness or adopted the use of LMS (Learning Management System) and internal employee certifications?

The new work setup (remote work) mandates enhanced focus on soft skills, primarily because communication is critical in the absence of in-person meetings and face-to-face interactions. Therefore, we can assume that soft skills have become crucial for employees to remain relevant, not only now but for the foreseeable future. So, the report digs deep into the types of soft skills that have gained the most traction among employees and organizations. Respondents share their views on a range of skills, from communication, ownership, empathy, tech-savviness, adaptability, resilience, to teamwork and organizational planning and their standing in the pecking order.

Let us assume that organizations have altered their budgets allocated for L&D interventions. Then, it mandates understanding the share of the allocations based on the seniority of employees to establish organizational priorities vis-à-vis their workforce. Usually, the middle-tier workforce shoulders the most responsibilities. It acts as the most critical chain in the chain of command, lending cohesion across employee levels, ranging from entry-level to the leadership-level workforce.

The report assesses the organizational focus:

Senior/C-suite-level employees

Mid-level employees

Junior/entry-level employees

The answer to this question may also offer directional cues about the momentous changes unraveling in the jobs market, commonly termed the Great Resignation.

The second section of the report also looks at the levels of success that organizations are attaining in achieving the desired ROIs from their L&D programs. The report assesses whether they are highly successful in achieving complete ROI (return on investment) on their programs, or partly/somewhat successful, or they require more work and currently do not achieve the desired ROIs.

The report also attempts to establish the reasons for the lack of success in getting the desired outcomes. The reasons could range from employees not finding relevant training content, to the training not being engaging enough or the quality of instructors not being up to the mark, to employees not finding adequate time to dedicate toward training from their work schedule. Or whether the lack of tracking of training completion and effectiveness metrics at an employee level or reskilling or employee development goals not being built into the overall objectives or KPIs (Key Performance Indicators) of the employee are the reasons companies are unable to gain the most from their L&D interventions.

Finally, the report attempts to identify the most significant L&D-related challenge. For example, the report has identified whether organizations view the absence of structured organizational focus and strategy for L&D or the lack of proper planning and budget allocation or the lack of defined processes and tools to identify current and future skills requirements and the skills gaps their most pressing concern. Or perhaps there is another issue that attracts their attention. We will establish the facts.

Executive summary

Objectives

A. Strategies for upskilling and reskilling are the biggest casualties of the COVID-19 disruption

Almost 64 percent of respondents believe that COVID-19 has had the most impact on strategies for reskilling and upskilling of employees, indicating a lack of clarity on the skills of the future.

Also, the pandemic has caused considerable uncertainty on how the business may pan out in the coming months and years, which has impeded L&D planners' attempts to chart out a definitive learning curve, the data suggests.

64%
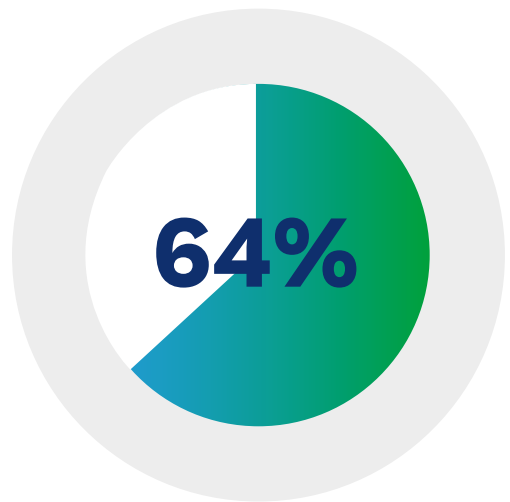
B. Remote work blues: employee engagement is a problem statement!

Employee engagement is hit, the findings indicate. Companies, perhaps, have, thus far, not devised strategies and SOPs (Standard Operating Procedure) for engagement in the remote work and hybrid setup. This lack of foresight and the current predicament indicates a preference for established protocols. Moreover, it underlines the need for an urgent pivot toward new ways of work that look well-poised to assume more prominence as organizations rush to insulate themselves from the current and unforeseen disruptions to ensure L&D continuity.

7/10 **Almost seven out of ten respondents (close to 68 percent) believe that the contagion has profoundly impacted organizational abilities to engage with employees in a remote work setting.**
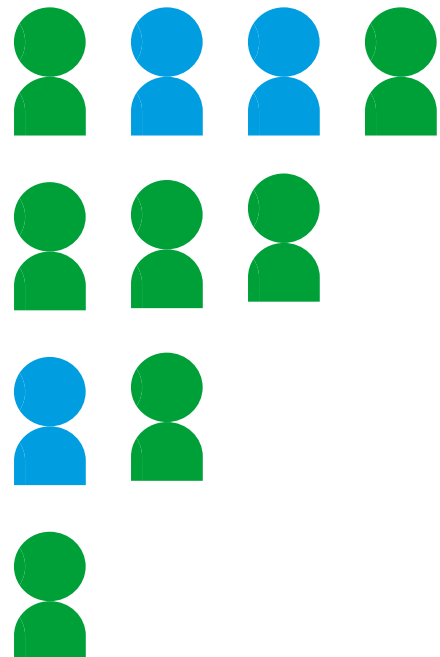
C. Motivation, wellness and productivity are taking a big hit

6/10

Close to six out of ten survey respondents believe that COVID-19 has severely dented L&D initiatives centered on employee wellness, motivation and productivity.

This finding implies that organizations are having a difficult time decoding ways and means to ensure optimal employee motivation, which, in turn, affects productivity. Also, the broader transition to remote and hybrid setups from the traditional office-based format has made it challenging for L&D planners to devise meaningful and impactful programs that proffer employee wellness.

It means that organizations, moving forward, will need to focus more on employee wellness vis-à-vis their L&D interventions and that employee wellness may acquire completely newer dimensions in the backdrop of the remote work setup.

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Challenges

The most notable challenge:

The absence of structured organizational focus and strategy. That the absence of organizational focus and strategy has come out as the biggest L&D-related challenge indicates how the contagion has created a notable lack of clarity at a leadership level, which cuts across industries and sectors.

Perhaps, this L&D function needs more strategic focus, particularly amid fast churn and change and emergent ways of business and work, thanks to COVID-19.

Companies would hopefully better understand their focus areas as they are able to establish their medium and longer-term goalposts as COVID-19 recedes, or they are better accustomed to operating in a nebulous business environment.

38% respondents, have listed "the absence of structured organizational focus and strategy" as their main L&D-related challenge.

It is followed by "organizational focus on L&D but lack of defined processes and tools to identify current and future skills requirements and the skills gaps" listed by over 27 percent of survey respondents.

Budgets and spending

L&D budgets have grown despite COVID-19

The numbers underline the importance that companies continue to accord to L&D interventions despite pressing challenges. It also highlights their belief that such programs are central to their aspirations of becoming future-ready enterprises that are primarily hinged on employees possessing the requisite skills and expertise in an ever-evolving business environment.

In addition, more than 13 percent of respondents have affirmed a 30-50 percent hike in their companies' budgets.
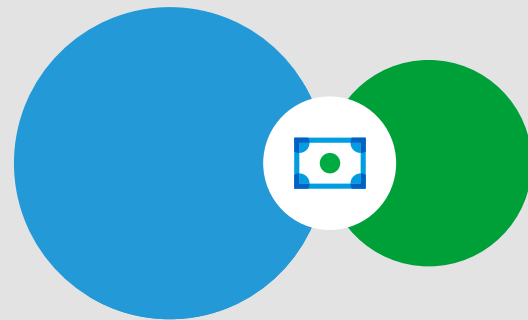
55%
of respondents have reported a hike in their organizational L&D budgets.

10%
of respondents suggest a 50 percent hike in their funds earmarked for L&D initiatives.

Focus remains firmly on mid-level employees

Yet another exciting development seems to be unfolding in the global Inc.

Organizations are laying overwhelming emphasis on mid-level employees, perhaps because they are the vital link that brings the two ends of the spectrum together (read entry/junior-level employees and C-suite).

However, there may also be another reason for this development. Organizations may also be eying a robust pipeline of worthy successors to replace C-suite employees as and when the circumstances mandate. Such a strategy seems in sync with what's brewing in the corporate world, with 'The Great Resignation' being the big trending story.

52% percent of respondents report allocating the highest share of their L&D budgets to mid-level employees.

For a majority, training programs are not delivering the expected ROI.

6 / 10 Most respondents, almost six out of ten, say their programs are only partly successful, which means the scope for improvement exists and remains untapped.

There is an obvious lack of efficiency in strategizing and implementing training programs. It is a major problem statement and organizations will need to find urgent and innovative ways to plug the gaps to achieve the desired ROIs.

Skills

Skills requirements are undergoing a dramatic shift

The big news is that skills requirements have undergone a significant shift since the onset of COVID-19, which seems in line with the tectonic shifts occurring in the workplace ecosystem. Companies attest to the change by highlighting that functional skills (new job-specific technical skills required to perform jobs in the changed scenario) have changed most.

The finding underlines the pivot organizations have made to align themselves, making them more future-ready and tech-savvy.

Much of the businesses that previously operated without tech inputs and interventions are taking the technology route to insulate themselves from the current disruption, with an eye on future troubles.

36% of respondents site functional skills to have changed the most.

This discovery means that remote working has brought about the need for new types and kinds of skills that were not so important for organizations and employees alike, at least not for those not in client-facing roles. A quarter (25.57%) of all respondents have listed soft skills as their foremost priority.

Communication, ownership and empathy are important soft skills in a post COVID-19 workplace

Respondents list communication as the biggest requirement among companies when referring to soft skills. Their belief in communication as the most critical need for companies when listing soft skills, and its taking center stage underlines the change ushered by the new-age workplace ecosystem (i.e., remote and hybrid work setups).

Organizations expect employees, irrespective of being in client-facing roles, to possess exceptional communication skills.

The latter helps ensure seamless collaboration within and among teams as they can no longer communicate in person.

36.2% of all respondents have listed communication as the soft skill that has assumed the most significance.

The findings also indicate a notable thrust on ownership as companies now realize that employees do not have real-time input and guidance working in the remote setup. Empathy, too, has found mention among respondents. They have listed the two as 20 percent and 14 percent, respectively.

Organizations prefer a blended approach to undertake skilling initiatives

Most organizations are taking a blended approach for understanding the skills requirements, meaning they prefer to map them at a department and skills level. However, employees are free to acquire them as they like. This mode of approaching skilling initiatives ensures that employees have a say in the kinds and types of skills they wish to develop, ensuring that their unique needs are addressed. As a result, they can carve a more personalized development plan for themselves. Such an approach also works well in stifling attrition as employees feel more valued and taken care of, which ensures more extended association with their companies.

While less than 20 percent of all respondents suggest employing a fully decentralized approach where employees can decide on the skills they require, and the company facilitates with tools/ monetary support, it is an important development.

Moreover, it may be linked to the fallouts of COVID-19, where rampant attrition has caused serious concerns for HR (Human Resource) leaders. Perhaps, this indicates that organizational decision-making is becoming more democratized, allowing more elbow room for employees instead of adopting a top-down approach, with an eye on stymieing a frantic and sustained loss in the workforce.
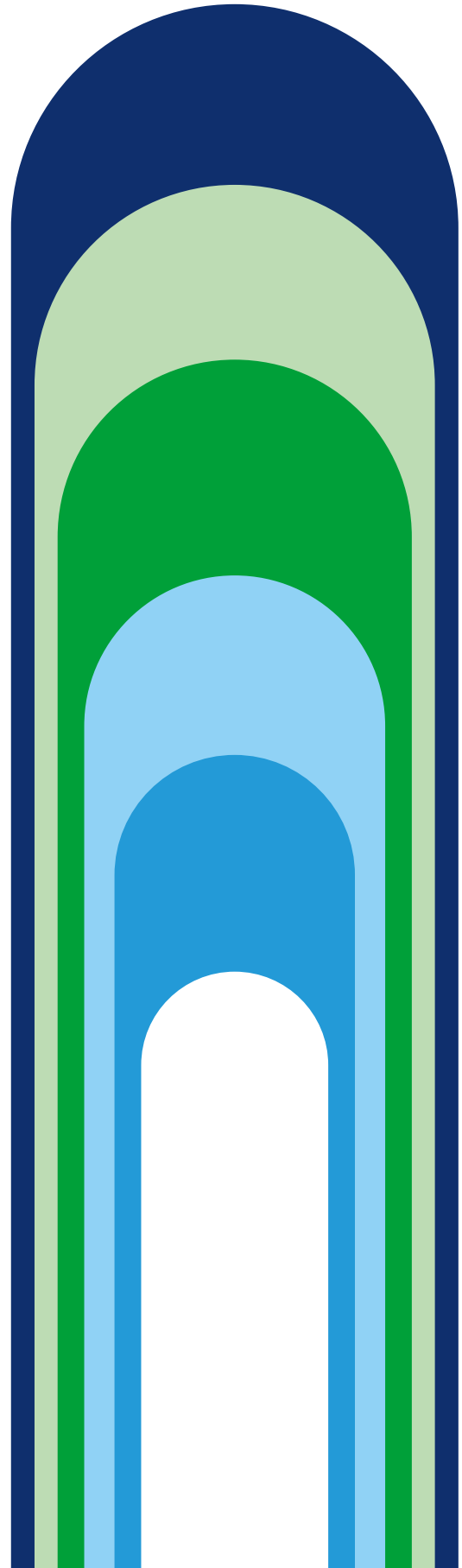
Tools and processes

Organizations are using skills assessments for training needs identification

Companies are now relying on scientifically validated tools to identify their employees' training needs, indicating that they are keen on zeroing in on their workforce's genuine gaps through structured processes. Identifying training needs involves recognizing the organizational workforce's training and development needs to design programs that meet business needs and provide excellent returns on investments.

This approach helps companies devise targeted training interventions and invest in relevant skills that are useful in the present and future.

The findings suggest a thrust toward future-proofing businesses and offering more personalized interventions, focusing on individual growth rather than adopting only a comprehensive and broad-based approach.

48%

More than 48 percent of respondents have attested to this approach.

Adoption of LMS and internal employee certifications is on the rise

For the unversed, LMSs bring about a plethora of benefits. They offer a consolidated approach to learning, tangible returns on investments and better employee satisfaction and retention. That aside, they are convenient in providing a better onboarding experience and are a fantastic practical and economical means of offering remote learning. Also, LMSs help preserve institutional knowledge.

No wonder over 46 percent of respondents agrees to be using LMSs. Likely, their high adoption is also being driven by a remote work environment. Besides, companies are also using internal employee certifications to upskill their workforces. These findings are no surprise, and their numbers are likely to go north in times to come.

Companies are adopting tools like 360-degree feedback for feedback and development

Organizations are finding it challenging to ensure employee accountability in the backdrop of remote work and hybrid setups. Also, the lack of in-person collaboration has impacted the culture of openness that most organizations have painstakingly cultivated. Therefore, they seem to be turning to the 360-degree feedback mechanism. The process involves employees receiving anonymous, confidential feedback from people associated with them, such as supervisors, peers, and direct reports. **In addition, it helps leaders and managers determine the strengths and weaknesses of those being surveyed through this process.** As a result, over 42 percent of respondents report its increased adoption since the pandemic has set foot.

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Employee training

The argument that remote work has taken a toll on employees' mental and physical well-being and diluted the boundaries between personal and professional is getting more teeth with the finding.

Most respondents (upward of 36 percent) list "employees not able to find adequate time to dedicate toward training from their work schedules" as the foremost reason organizations are unable to achieve their desired outcomes from employee training.

Finding a balance between work and training will be crucial for companies to achieve their longer-term objective of developing employees in sync with future business requirements.

▶ Busy work schedules is a bottleneck in achieving the desired outcome from training interventions

The finding calls for rationalizing busy work schedules and switching off the "war mode" that companies have been in for the past two years.

36%

Employees not able to find adequate time to dedicate toward training from their work schedules

Section 1

Assessing COVID-19's impact on L&D objectives, functions and budgetary allocations

Organizations worldwide have found it difficult, at least in the initial months of the pandemic, to adjust to the changes that the disruptions brought about. They had to shift gears to adopt virtual workplace models, remote work setups, and many challenges that accompanied this unbelievably swift change. A similar change has come about in the skills required to operate in a new business environment. Skills considered critical in a pre-pandemic world may not be adequate to enable employees to tide over in a post-pandemic landscape.

It may sound cliché, but every dark cloud does have a lining too! It holds if one examines the benefits of the new workplace models. Organizations are saving vast sums in fixed costs, such as rent and transportation, etc., which they can divert to strengthen their L&D budgets. They may be tempted to save sizable sums to battle any such future disruption and cut down on activities such as L&D interventions. But it would be a short-sighted approach, and, hopefully, most organizations will see the benefits of bolstering their L&D spending rather than accruing short-term benefits by reducing employee spending for longer-term losses.

▶ First, let us take stock of the challenges that organizations face in undertaking their employee development initiatives. The absence of structured corporate focus and strategy for L&D in the organization has found the most traction among respondents.

Technology has become a necessity, even for companies that have long resisted change, preferring to work and learn using traditional ways.

They were perhaps driven by the philosophy of 'why fix it if it is not broken.' Such an outlook is now a relic of a bygone era.

The finding is on the expected lines as a transient skills landscape has created uncertainty in pinpointing the focus areas on which they need to focus.

Resultantly, this nebulous outlook has impeded their strategies. Close to four out of ten respondents have listed it as their most critical L&D-related issue.

The second most notable challenge is that organizational focus exists, but lacks defined processes and tools to identify current and future skills requirements and skills gaps.

It means that companies understand what needs to be done but are bereft of the tools and processes because they do not either know or possess suitable means to address their challenges. Before the contagion, their standard operating protocols were hinged on traditional approaches and had not factored in remote work models and hybrid setups that have entirely changed the skills requirements.

▶ Absence of structured corporate focus and strategy for L&D is the biggest challenge

Lack of proper planning and budget allocation for L&D, unclear means of measuring training effectiveness and the unavailability of a defined training process, either employer or employee-led training have also figured in the list of significant L&D-related challenges.

What is your most significant L&D-related challenge?

Challenge	Score
Absence of structured organizational focus and strategy for L&D in the organization	3.4
Organizational focus on L&D but lack of defined processes and tools to identify current and future skills requirements and the skills gaps	3.4
Lack of proper planning and budget allocation for L&D	3
Unavailability of a defined training process, either employer or employee-led training	2.5
Unclear means of measuring training effectiveness	2.5

(Scale: 0 1 2 3 4 5 6 7 8 9 10)

How the pandemic has impacted the objectives of L&D functions

There are no two ways that COVID-19 has impacted the objectives of L&D functions. Respondents believe that maintaining employee engagement in a remote work setting has been the most significant challenge of the COVID-19 pandemic.
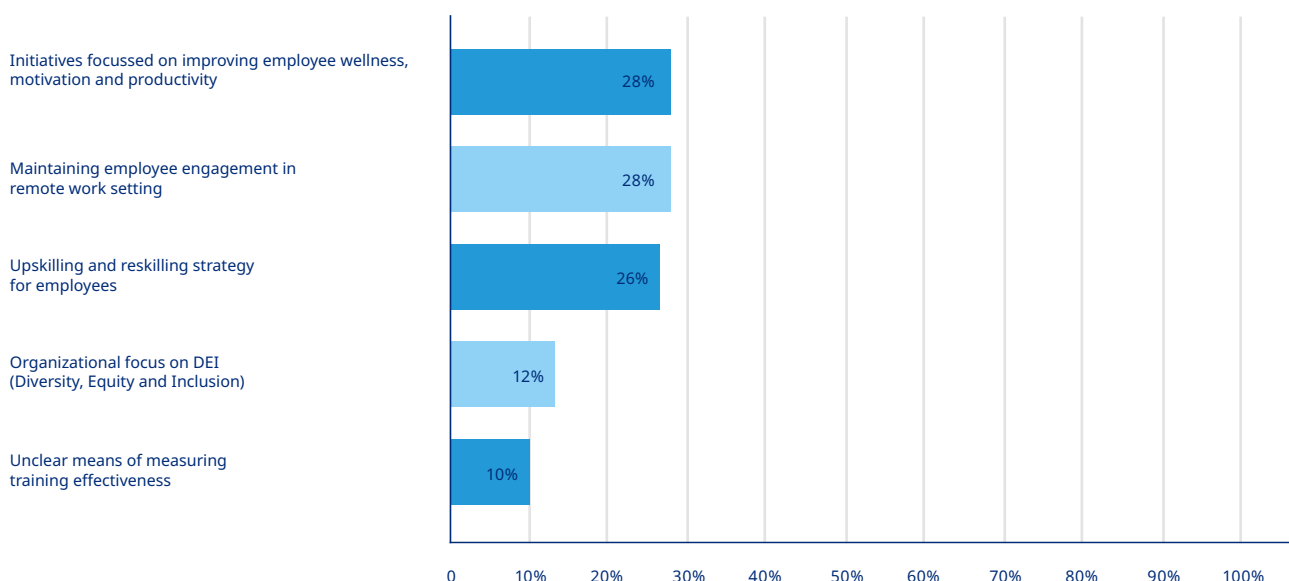
> **The finding underlines the lack of established processes and tools to continue with the functions in a virtual setup. Organizations have operated mainly from traditional office spaces.**

▶ Employee engagement, upskilling and reskilling strategies have taken a hit

Therefore, their employee engagement strategies never factored in the possibility of undertaking such programs from remote offices. It is a double whammy for employees who are already isolated and working long hours. Companies must double down to address this issue with utmost urgency. Another finding is the impact on upskilling and reskilling strategies, which makes sense as companies are yet trying to decipher the kinds and types of skills that will remain relevant in the future. Besides, the skills needed right now, too, are under tremendous churn and change.

However, the issue may subside in due course as planners understand the focus areas in terms of skills. A deeper assessment of the findings by breaking them down also suggests that the observations are reasonably consistent across industry levels and sizes.

Which of the following objectives of L&D functions have COVID-19 impacted the most?

Objective	Percentage
Initiatives focussed on improving employee wellness, motivation and productivity	28%
Maintaining employee engagement in remote work setting	28%
Upskilling and reskilling strategy for employees	26%
Organizational focus on DEI (Diversity, Equity and Inclusion)	12%
Unclear means of measuring training effectiveness	10%

	● Technology	● Manufacturing	● Telecom and Media	● Energy & Utilities
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Upskilling and reskilling strategy for employees	28%	26%	26%	26%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Maintaining employee engagement in remote work setting	28%	26%	23%	25%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Organizational development initiatives like HiPo (High Potential) identification and succession planning	16%	15%	16%	15%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Organizational focus on DEI (Diversity, Equity and Inclusion)	9%	12%	8%	8%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Initiatives focused on improving employee wellness, motivation and productivity	19%	21%	26%	26%

Observations are fairly consistent across company sizes

	● 200-500	● 500-2000	● More than 10000	● Over 2000-10000
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Upskilling and reskilling strategy for employees	24%	26%	27%	30%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Maintaining employee engagement in remote work setting	26%	26%	29%	27%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Organizational development initiatives like HiPo (High Potential) identification and succession planning	19%	17%	10%	16%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Organizational focus on DEI (Diversity, Equity and Inclusion)	9%	7%	6%	7%
Count of Which of the following objectives of L&D functions have COVID-19 impacted the most? (Tick on all that apply) Initiatives focused on improving employee wellness, motivation and productivity	22%	25%	27%	19%

We can conclude that companies' inability to accurately pinpoint the upskilling and reskilling requirements is an honest admission and reflects their willingness to make suitable course corrections. After all, making amends is possible only after admitting that a problem exists.

The findings below attest to the course correction that organizations have made after internalizing the right approach.

Virtual tools, LMSs and greater flexibility are in vogue

The adoption of modern virtual tools for skills gap analysis and measuring training effectiveness is growing among companies. Most respondents (upward of 32 percent) say they have witnessed their increased usage.

These virtual tools are helping companies continue with their desired skilling programs without having to call their workforce to offices.
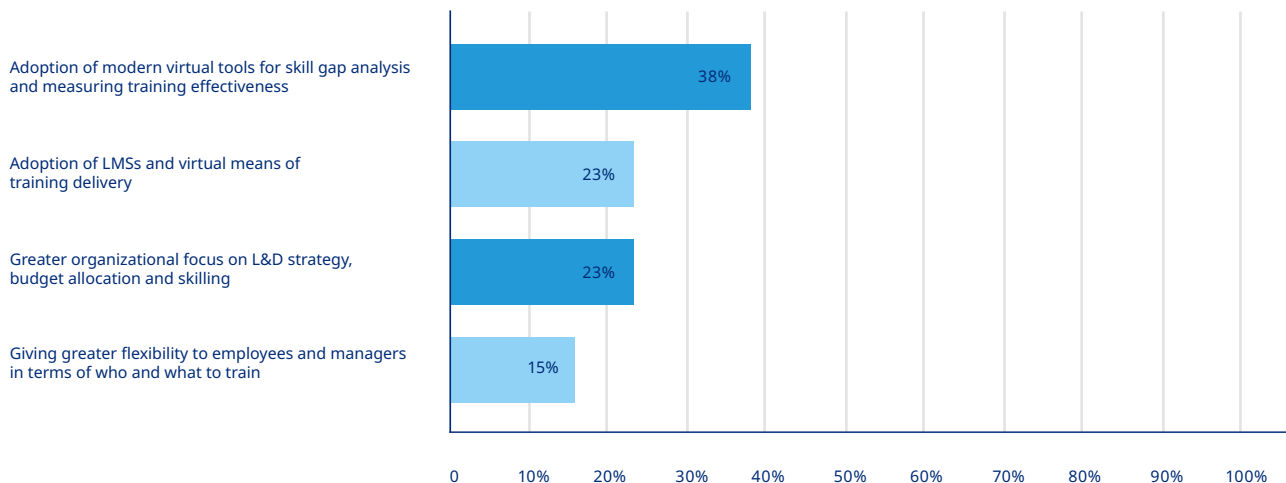
Also, a focus on measuring training effectiveness hints that companies wish to enhance the ROIs of their training programs, increasing their programs' efficiencies, which is always an intelligent move, irrespective of the business environment and cash flows.

> ▶ Companies are adopting virtual tools for skills gap analysis, measuring training effectiveness, LMSs and virtual means of training delivery

The findings also suggest that organizations are increasingly using LMSs and virtual means of training delivery. LMSs are a great way to make learning fun and interactive, reduce turnover rates and save financial resources.

What is the most significant change observed in L&D as a function since the pandemic?

Category	Percentage
Adoption of modern virtual tools for skill gap analysis and measuring training effectiveness	38%
Adoption of LMSs and virtual means of training delivery	23%
Greater organizational focus on L&D strategy, budget allocation and skilling	23%
Giving greater flexibility to employees and managers in terms of who and what to train	15%

In addition, using them and virtual means of training delivery circumvent the lacunae created by new work setups that have made in-person and traditional training programs difficult propositions.

> **The report had argued that changing business demands have forced organizations to recalibrate their strategies and change their outlook. Some of it is reflected in the data findings.**

For example, upward of 17 percent of respondents share that their organizations give employees and managers greater flexibility to choose what to train in and who to train, which means that the pandemic has somewhat democratized the process.

These numbers are expected to go up in the years to come, and more organizations take the 'ground up' approach instead of 'top down' and let their department heads decide the most suitable course of action than involving CEOs and CXOs. Greater organizational focus on L&D strategy, budget allocation and skilling has also come up as one of the critical changes observed in the L&D function since the pandemic. It means that companies are revisiting their strategies, re-evaluating their budgets earmarked for such activities and perhaps investing more in learning and development, which is contrary to the popular perception.

Taking a look at the budgets

It is a heartening and welcome development that shatters the general understanding that companies have tightened their purse strings on matters concerning L&D.

> **The data findings suggest that most organizations have increased their budgetary outlay, reflecting that they are keen and willing to invest in creating the needed processes and onboarding tools to boost their employees' skilling graphs.**

In another interesting finding, over 27 percent of respondents share that their organizational outlay has remained the same, meaning despite the challenges and a likely short-term squeeze in finances, companies have continued to accord the same importance to their employees' learning and development. This finding gives another lie to the myth that businesses have prioritized their ledgers over their employees.

Only 10 percent of respondents report a decrease of up to 20 percent in their budgets, and a minuscule 7.6 percent share that their L&D funding has dwindled by upward of 20 percent.

▶ Almost 38 percent of companies have increased their L&D-related budget outlay by 20 percent to upward of 50 percent

Over 10 percent of respondents report a hike in their budgets by more than 50 percent, which is substantial. More so, over 28 percent of respondents attest to a 20-50 percent increase in their financial allocations.

What is the outlook of your organization's L&D budget in the post-COVID-19 scenario?

Has remained the same	35%
Has increased by 20-30%	24%
Has increased by 10-20%	12%
Has increased by 30-50%	9%
Has increased by more than 50%	8%
Has increased by up to 10%	8%
Has decreased by up to 20%	8%
Has decreased by more than 20%	8%
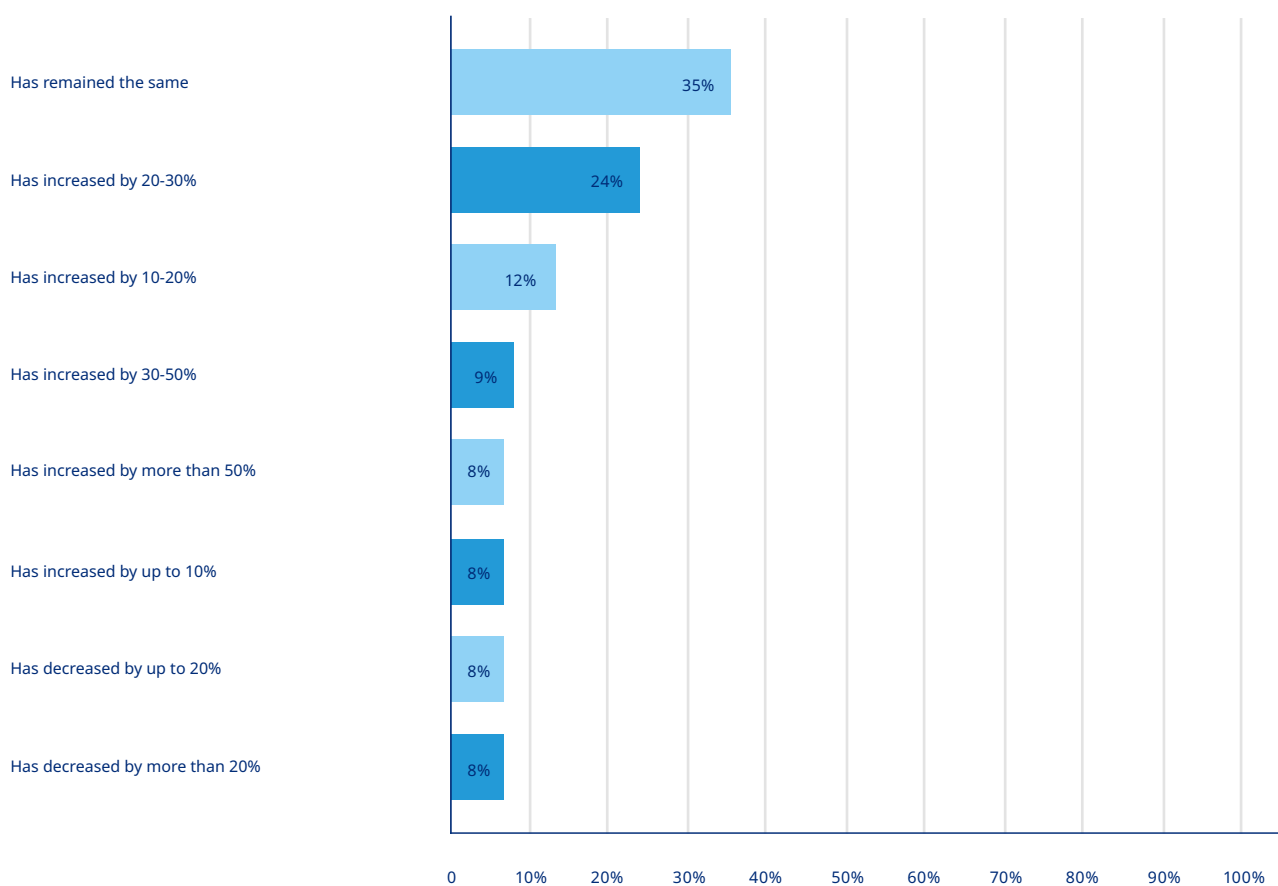
Where is the money going?

The focus now shifts to budgetary allocation at an employee level, which will help determine which level of employees are benefiting from it the most and why. They are the vital link that brings the two spectrums of personnel together.

> **The findings tell us that organizations are according the utmost priority to their mid-level employees. At this level of the workforce, the rubber meets the road.**

▶ Organizations are allocating the largest share of employee development budgets on mid-level

They gain more importance in the organizational scheme because they are most prone to switching companies because of career mobility options. They are also suited to replace the C-suite leadership, positioning them ideally for succession planning initiatives. These multiple factors seem to be influencing respondents. Close to 52 percent of them share that their organizations allocate the highest share of employee development budgets on mid-level employees.

A quarter of all respondents inform that their organizations are spending more on their leadership and close to 23 percent share that their companies are prioritizing the entry-level workforce.

For which group of employees is your organization allocating the highest share of employee development (L&D) budget?

| Employee group	Percentage
Mid-level employees	48%
Junior/entry-level employees	28%
Senior/C-suite-level employees	23%
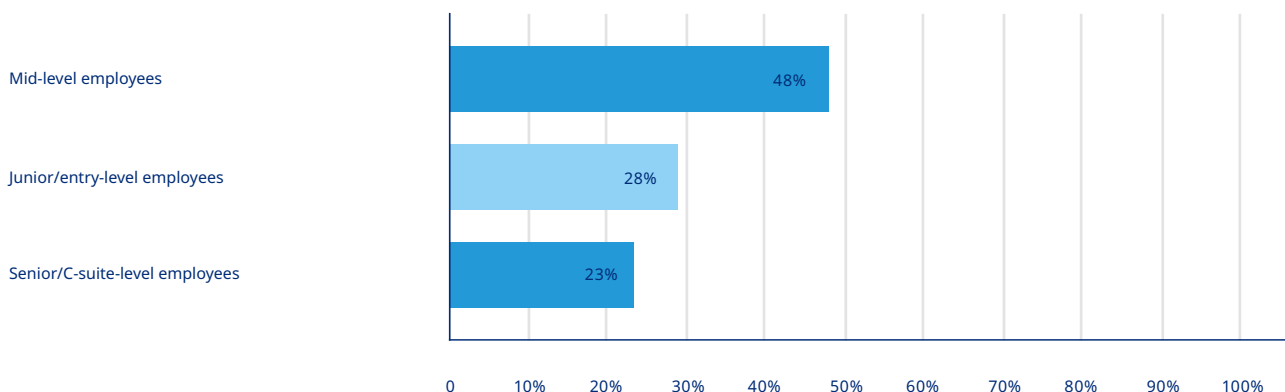
Connect with an expert

Prelude to the next section

The next section of the report takes a more comprehensive look at the skilling strategies that organizations have adopted in the wake of COVID-19.

It will deep-dive to examine the broad approaches companies have taken to undertake their skilling initiatives. Next, it assesses whether their skills priorities have changed since then.

Besides, the upcoming section also evaluates the skills requirements that have undergone the most change and soft skills that are now finding the most traction among employers. Then we will examine the tools/processes that have witnessed increased adoption since the pandemic, explicitly concerning skills and whether their employee development programs are achieving the desired ROIs. We will conclude by analyzing why employee training does not reach its expected outcome.

Before that, here is a quick snapshot of the findings thus far:

1. Companies are finding it challenging to ensure employee engagement and formulate upskilling and reskilling strategies

2. Organizations are laying greater focus on their L&D strategies, budgetary allocation and skilling initiatives

3. Companies are increasingly democratizing L&D strategies and execution, giving greater flexibility to employees and managers to decide on what to train in and who to train

4. The adoption of modern virtual tools for skills gap analysis and measuring training effectiveness is on the rise

5. Most organizations have increased their budgetary outlay for L&D initiatives

6. Mid-level employees are the focus of companies and they are allocating them the largest share of their employee development budgets
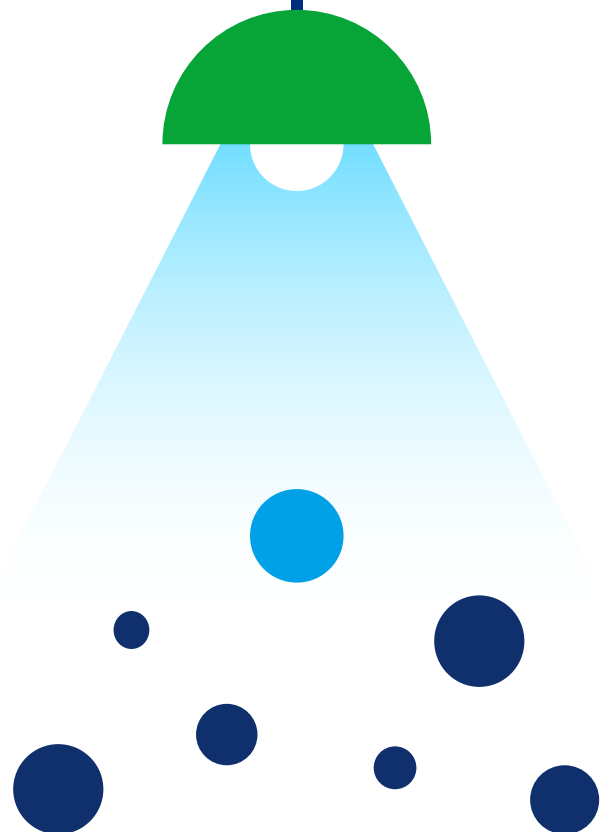
Section 2

Making sense of the skills ecosystem, priorities, tools and processes and ROIs

The first section of the report established that companies are finding it challenging to ensure employee engagement and formulate upskilling and reskilling strategies. It will examine and establish the skills that organizations are finding more critical to make themselves less vulnerable to the current and future challenges that may come about unannounced. It would help ascertain how the corporate world views the ongoing disruption and its world view on what may come about soon.

This section also maps out the extent to which the skilling priorities have changed. The answer may be obvious, but its dimensions could shed more light on what's trending among organizations and how they view the changes around them. For example, among the many skills, soft skills have become significant, more so since the contagion commenced. Therefore, the report also assesses the types of soft skills organizations believe are critical and their order of importance.

▶ Following this, the report will evaluate the tools and processes concerning skills that companies are adopting. Then the section's concluding paragraphs will establish whether or not companies are attaining success in achieving the desired ROIs from their training interventions and the reasons why the expected ROIs elude them.

The findings also attest to greater organizational focus on L&D strategies, budgetary allocation and skilling initiatives.

This section will dig deeper into the changes happening in the skilling universe.

The approach to undertaking skills initiatives

The blended approach where the skills requirement is mapped at a department and skills level, but employees are free to acquire them as they like has emerged as the most favored means of undertaking skilling initiatives.
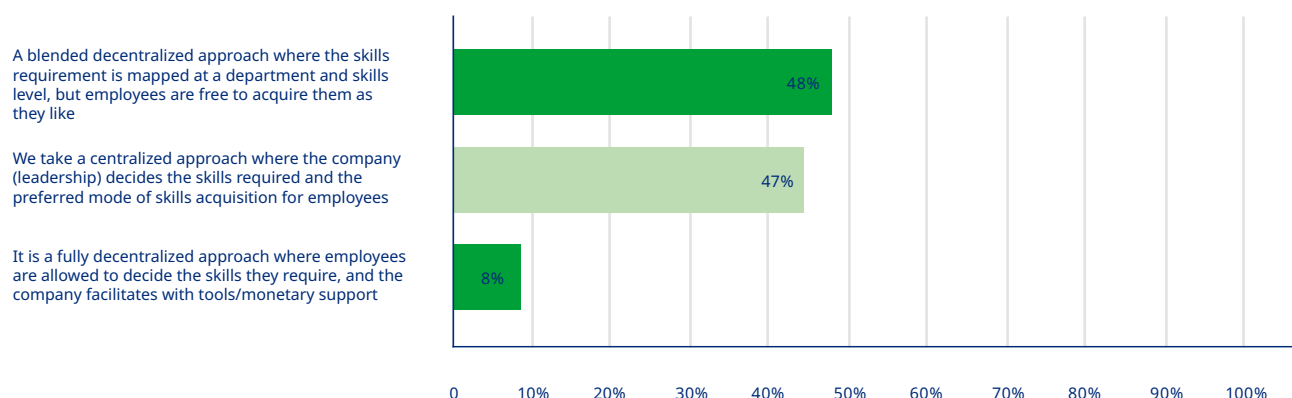
This development may be an outcome of the pandemic where a sizable number of companies are choosing to involve employees, allowing them the flexibility to decide how they wish to acquire the laid down skills.

▶ Organizations are preferring a blended approach to skilling initiatives

Respondents inform that a centralized approach where the company (leadership) decides the skills required and the preferred mode of skills acquisition for employees remains the second favorite for companies. Over 38 percent of them say that their organization prefers a centralized approach. In a pre-pandemic world, these numbers could have been higher, perhaps the most taken to approach.

Close to one-fifth of all respondents share that their organizations have adopted a fully decentralized approach, leaving it entirely to the wisdom of their employees to choose the skills they wish to acquire.

Describe the broad approach your organization undertakes for skilling initiatives

Approach	%
A blended decentralized approach where the skills requirement is mapped at a department and skills level, but employees are free to acquire them as they like	48%
We take a centralized approach where the company (leadership) decides the skills required and the preferred mode of skills acquisition for employees	47%
It is a fully decentralized approach where employees are allowed to decide the skills they require, and the company facilitates with tools/monetary support	8%

The company merely provides the necessary tools and financial backing, without interfering in the decision-making process. This development seems more recent and an outcome of the pandemic.

Perhaps taken by more progressive companies from the lot, the move seems aimed at creating an enabling learning environment, with also an eye on arresting employee turnover.

Skills requirements have changed, and how!

Only those completely oblivious to what's happening in the corporate ecosystem would even wonder if the skills requirements have changed since the onset of the pandemic. That they have changed is a given.

> **Technology-related skills, communication skills and people skills have perhaps gained more currency in the current landscape.**

▶ Organizational skills priorities have undergone a dramatic shift

The idea worth examining is its extent, which is significant, data findings reveal. Upward 77 percent of all respondents agree to the proposition that the skills requirements have altered in the past two years, either significantly or marginally. These data insights give weight to the arguments made in the initial sections of the report, where it was suggested that the skills sought-after in a pre-pandemic world were no longer the most needed in a changing business environment.

Only 22 percent of all respondents suggest that the skills requirements have largely remained the same.

Have your organizational skills priorities changed since the pandemic?

Yes, employee skills requirements have evolved marginally	42%
Yes, employee skills requirements have evolved significantly	40%
No, skills requirements have largely remained the same	18%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
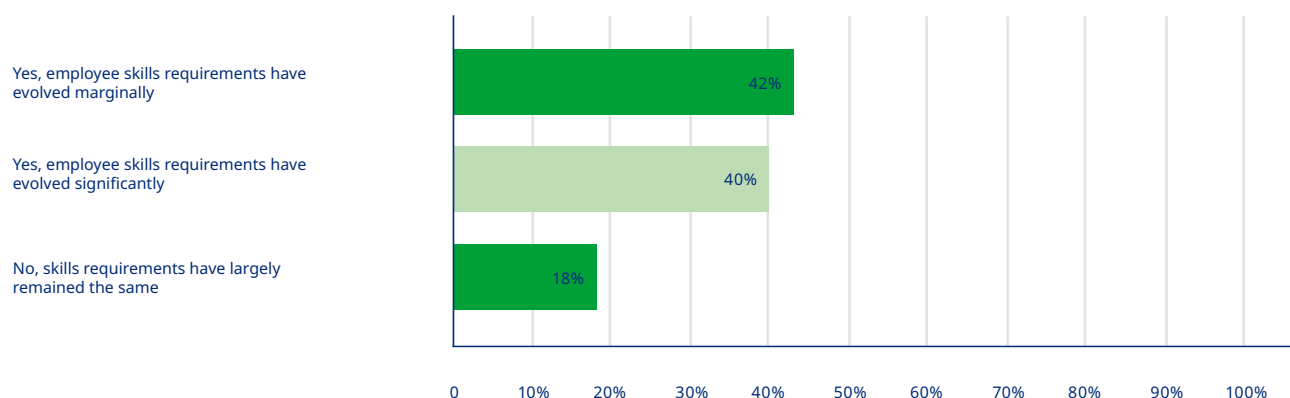
Types of skills

Coming now to the types and kinds of skills that have transformed the most, it is no secret that technology has come to the forefront, more so in the past two years. Therefore, it is expected that related such skills would also assume importance. A similar finding has emerged from the survey data.

It indicates that the job requirements themselves have evolved and now require some form of technology infusion. For instance, jobs that did not require technology input now require computation and Machine Learning to expedite processes, reduce human dependence and understand consumer behaviors better. This is just one example of how job requirements, and consequently the skills set desired to perform them, have undergone a metamorphosis.
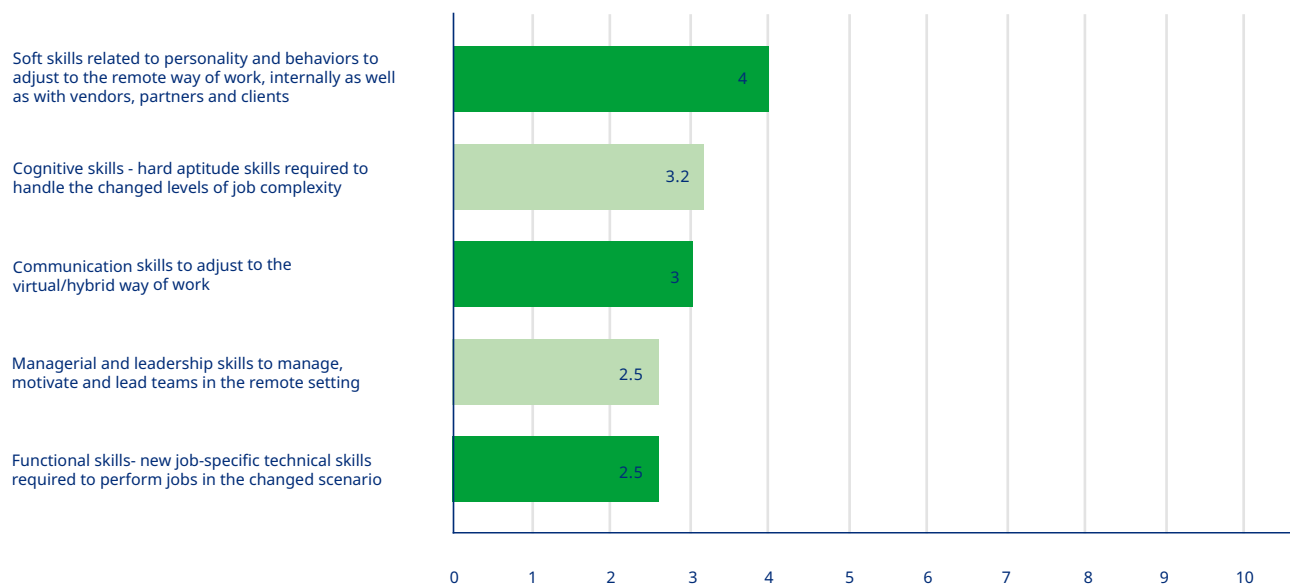
Most respondents report that functional skills- new job-specific technical skills - required to perform jobs in the changed scenario have undergone the most transformation.

▶ Functional and soft skills have transformed the most

Soft skills needs, too, have changed significantly. A remote work environment demands distinctly different personalities and behaviors. It requires patience and better listening and empathy-related skills.

If yes, what kind of skills requirements have transformed the most?

Skill	Value
Soft skills related to personality and behaviors to adjust to the remote way of work, internally as well as with vendors, partners and clients	4
Cognitive skills - hard aptitude skills required to handle the changed levels of job complexity	3.2
Communication skills to adjust to the virtual/hybrid way of work	3
Managerial and leadership skills to manage, motivate and lead teams in the remote setting	2.5
Functional skills- new job-specific technical skills required to perform jobs in the changed scenario	2.5

Irrespective of being a client, vendor, partner or colleague, the new-age work environment has impacted everyone equally. Everyone is now operating from unfamiliar territory. Such minor nuances can notably impact cohesion between teams and the outcome of business deals. Therefore, respondents' emphasis on soft skills having transformed the most makes complete sense.

1/4 Over a quarter of respondents have listed soft skills as the skill requirement that has changed the most.

Another important finding is the respondents' stress on managerial and leadership skills to manage, motivate, and lead teams remotely.

He came from a time when no one had even remotely thought about computers. But he would be delighted to know the value his statement still holds and its ever-increasing relevance in a post-pandemic office setup, driven singularly by computers, video conferencing tools and virtual meetings.

Organizations have always accorded a premium on communication skills. How something is said or conveyed is equally, if not more important than what is communicated.

The mental pressure of working remotely, in the absence of any direct, physical interaction with colleagues, coupled with the pandemic-induced health worries, can take a toll and deflate even the most gritty and determined individuals. Dealing with such situations and thoughts requires able leadership that can catalyze teams and individuals, helping them achieve more than they think they can. Managing teams' work is only one aspect of leadership in this changing office setup. The findings reflect the changed reality, and over one-fifth of all respondents have listed it as the most vital skill that has undergone the most change.

> **The single biggest problem in communication is the illusion that it has taken place,**
>
> **Said by George Bernard Shaw**

However, these skills are worth their weight in gold in a remote work setup. Unambiguous sharing of information and insights, expectations and goals and thoughts are critical for any office setup to maintain the desired level of cohesiveness among teams and between team members. They also impact business outcomes in equal measure.

Therefore, it is fitting that respondents have listed communication as the most crucial skill, in the order of importance, in a remote work setting.

Communication and ownership are vital skills in a remote work setting

Soft skills needs, too, have changed significantly. A remote work environment demands distinctly different personalities and behaviors. It requires patience and better listening and empathy-related skills.

Which of the following soft skills have assumed more importance from the remote work perspective?

Soft Skill	Value
Communication to ensure effective and unambiguous sharing of information, insights and expectations	5
Ownership because of the lack of real-time oversight mechanisms available in the work from office setup	4
Empathy because remote work has altered the workplace setup, requiring more flexibility and understanding	4
Teamwork and collaboration because teams are distributed geographically, needing effective coordination	4
Tech-savviness because of increasing use of technology to undertake routine job responsibilities and expected increase in tech assimilation	3
Adaptability and resilience to ensure that employees continue to remain productive in the remote work setup	3
Organizing and planning to ensure that priorities are well-defined, scheduled and executed	3

Managerial focus is now shifting to output metrics more than the input metrics in the absence of monitoring on input metrics in remote work settings. This shift in focus has resulted in a greater need for better communication and ownership, which is reflected in the survey findings.

Data reflects an enhanced standing of 'ownership' as an attribute. Over 20 percent of respondents have listed it as the most important soft skill in remote work.

Empathy, too, has found an honorable mention, which is a welcome development. It is a crucial attribute for employees and the larger corporate universe. They have relentlessly operated in a high-stress environment for close to two years now, battling personal and professional challenges, losing family members and confronting ill-health. Also, understanding among colleagues on work and personal issues creates stronger bonds, resulting in more fine-tuned teams, leading to better organizational cohesion and outcomes.

Tools and processes

The changes have not been limited to skills but have permeated to include tools and processes, which is a natural extension of things. Any change in skills requirements is sure to impact the tools and methodologies using which companies can map and assess them.

> **The respondents were asked about the tools and processes that have witnessed increased adoption since the pandemic. One of the most notable findings is the increased use of skills assessments to identify training needs.**

Organizations are now relying more on technology and scientifically validated evaluations to ascertain their employees' training needs.
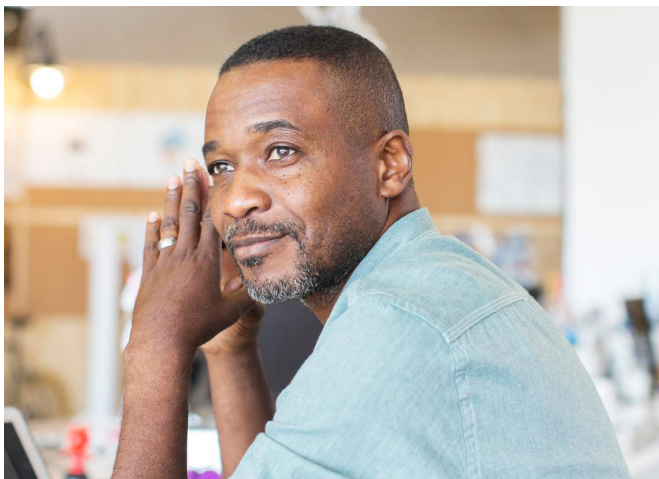
The idea worth examining is its extent, which is significant, data findings reveal. Upward 77 percent of all respondents agree to the proposition that the skills requirements have altered in the past two years, either significantly or marginally. These data insights give weight to the arguments made in the initial sections of the report, where it was suggested that the skills sought-after in a pre-pandemic world were no longer the most needed in a changing business environment.

This approach leaves nothing in the realm of speculation and offers pointed details on the gaps that organizations need to address. The process of training needs identification helps create a personalized and targeted upskilling and reskilling program for each employee. It helps companies move away from run-of-the-mill, assembly line skilling initiatives that do not usually factor in individual preferences and strengths and weaknesses. They also help companies invest in the right skills for the present and future, besides helping accrue enhanced returns on training investments. These advantages seem to be contributing to their increasing popularity among companies.

LMSs are gaining high traction as well. They offer a consolidated approach to learning, tangible returns on investments and better employee satisfaction and retention. The tool can be deployed quickly and offer a better onboarding experience. Besides, they are convenient and economical means of providing remote learning. Also, LMSs enable conserving institutional knowledge.
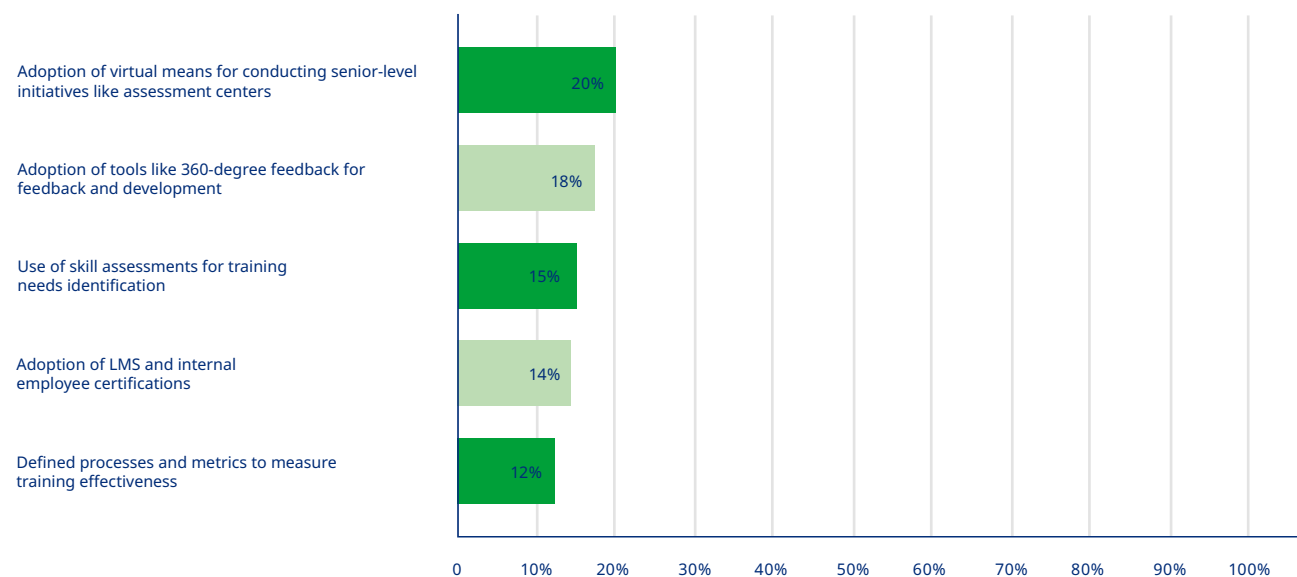
A predominantly remote work environment is also swaying public opinion in their favor. Besides, companies are also using internal employee certifications to upskill employees, which helps create a more future-ready workforce and positively impacts employee turnover rates too.

Remote and hybrid work setups are likely catalysts of its swifter adoption as the lack of in-person meetings and feedback has lent more opaqueness to the feedback mechanism. This development also points toward the increasing democratization of the L&D ecosystem, which the pandemic has induced.

▶ Companies are now using skills assessments, LMSs and 360-degree feedback to drive their skilling

There seems to be a greater thrust on comprehensive feedback from all employee levels, data findings show. Resultantly, companies are adopting tools such as 360-degree feedback for input and development.

Which of the following tools/process has seen increased adoption since the pandemic, particularly w.r.t skilling?

Tool/Process	Percentage
Adoption of virtual means for conducting senior-level initiatives like assessment centers	20%
Adoption of tools like 360-degree feedback for feedback and development	18%
Use of skill assessments for training needs identification	15%
Adoption of LMS and internal employee certifications	14%
Defined processes and metrics to measure training effectiveness	12%

Three-sixty-degree feedback involves employees receiving anonymous and confidential feedback from professionals they work with, such as supervisors, peers and direct reports.

Besides, it enables leaders and managers to comprehensively analyze and present the strengths and weaknesses of those being surveyed through this process.
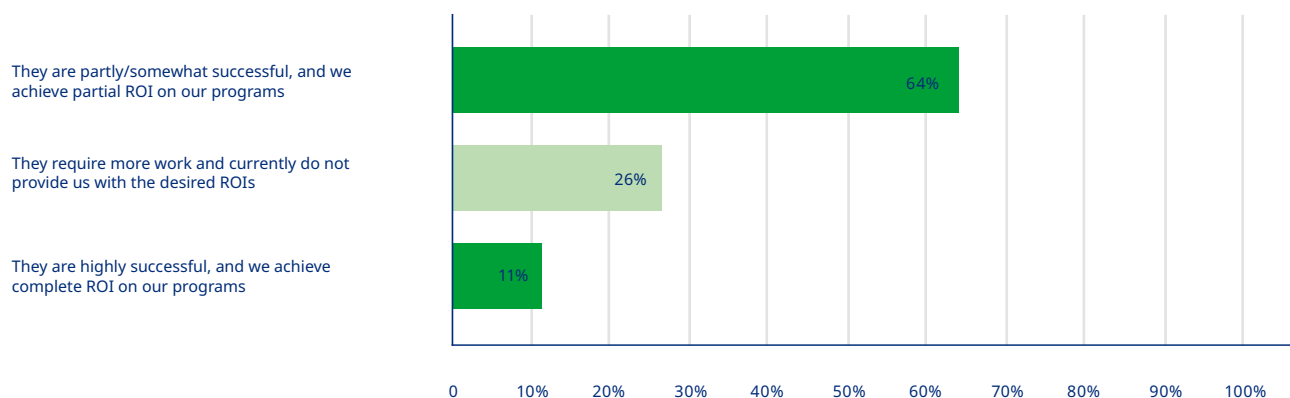
Over 42 percent of respondents report its increased adoption since the onset of the contagion.

Aside from the tools and processes mentioned above, respondents also inform that the adoption of virtual means for conducting senior-level initiatives like assessment centers and defined processes and metrics to measure training effectiveness are on the rise.

▶ Decoding why companies are unable to achieve the desired ROIs

Respondents report significant scope for improvement in achieving the desired outcomes from their L&D programs

How successful are your L&D programs in achieving their desired ROI outcomes?

They are partly/somewhat successful, and we achieve partial ROI on our programs	64%
They require more work and currently do not provide us with the desired ROIs	26%
They are highly successful, and we achieve complete ROI on our programs	11%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

There are two ways to interpret this data. And some may say that organizations are largely successful in achieving the desired ROIs from their learning and development programs. After all, a whopping 72-plus percent of all respondents share that their programs are either highly or somewhat successful.

However, we view it differently and differ in our understanding of the findings. At the risk of being labeled pessimistic and a nitpicker, the data indicates a lack of efficiency in companies' modus operandi. We certainly do not encourage diverting resources earmarked for learning programs to other heads.

However, it is equally critical to get the most from every penny invested, more so in a tumultuous business environment where earnings have been erratic and shrouded in uncertainty.

Efficiency is an uncompromisable virtue in today's disruption-induced world. Close to six respondents out of ten say their programs are only partly successful, which means the scope for improvement exists and remains untapped. How companies fill in those gaps to become highly successful in getting the desired ROIs from being somewhat successful is a problem statement and needs to be addressed diligently.

Additionally, close to 30 percent of all respondents suggest that their programs need more work and currently do not meet their ROI expectations.

Again, this is a worrying finding because sustained losses can prompt the management to cut down on spending, causing serious skills shortages for employees leaving them uncompetitive in the longer term. Its impact on the employers is all too well enumerated already to be further substantiated again.

Connect with an expert
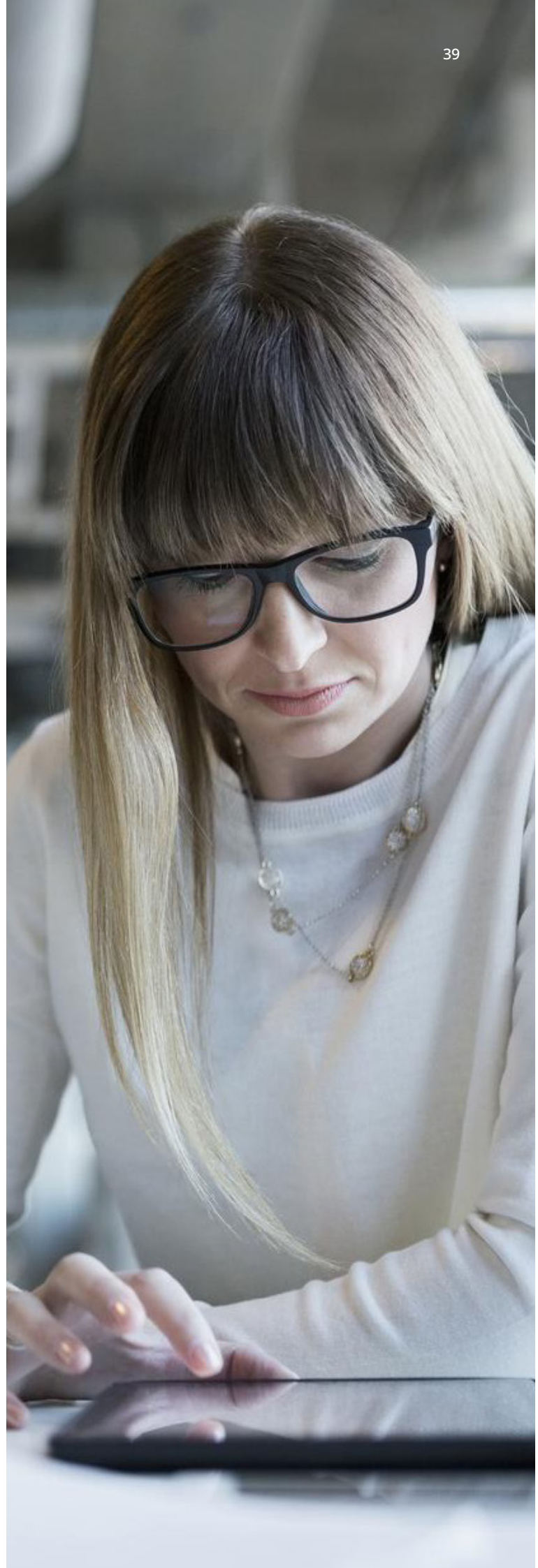
Reasons why the desired ROIs elude companies

There is no defined time at which employees can switch off. They are expected to attend meetings at odd hours. This aside, there is added work pressure, which has come about partly because companies are over-worked and under-staffed and partly as employees are also under tremendous stress of losing their livelihoods.

However, that is not all. There is another angle to the discourse. That employees are not keen on upskilling and reskilling and are not adequately motivated to undertake the development activities diligently may also be a reason why the desired ROIs continue to elude companies.
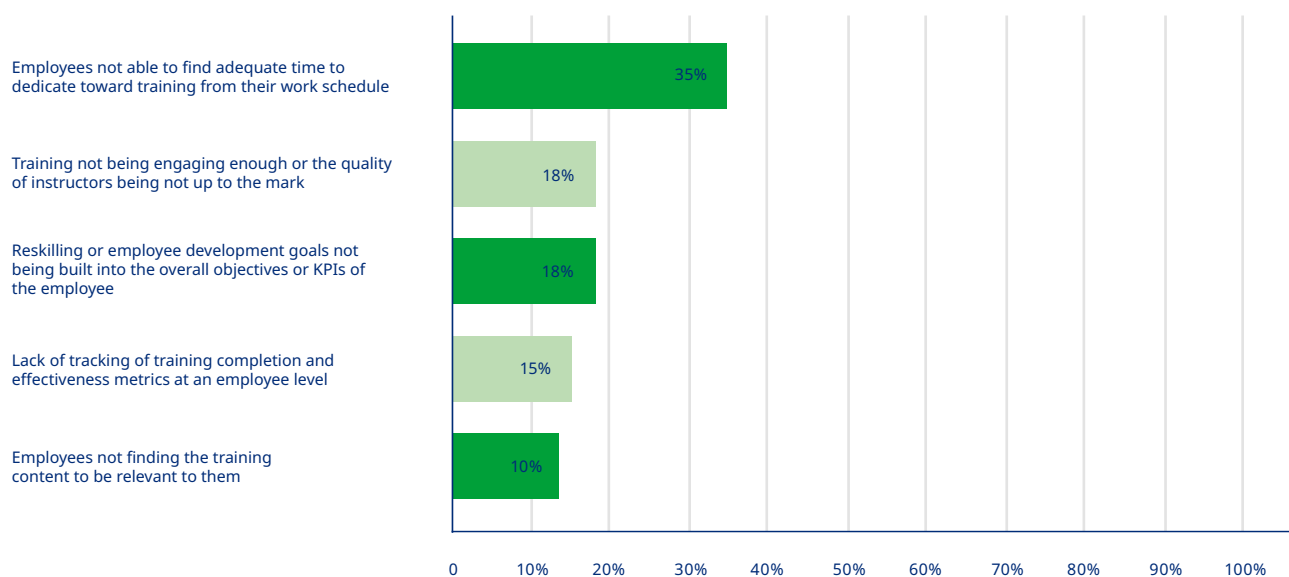
Stress, anxiety and burnout are not the only downfalls of a sustained 'work from home' model.

Remote working has also blurred the so-called office timings.

▶ **Lack of time and goals not being in sync with KPIs**

Close to 37 percent respondents, too, suggest that finding adequate time to dedicate toward training from their work schedules is the most prominent reason why employee training programs do not achieve expected outcomes.

What is the biggest reason for employee training not being able to achieve their desired outcome?

| Reason	Percentage
Employees not able to find adequate time to dedicate toward training from their work schedule	35%
Training not being engaging enough or the quality of instructors being not up to the mark	18%
Reskilling or employee development goals not being built into the overall objectives or KPIs of the employee	18%
Lack of tracking of training completion and effectiveness metrics at an employee level	15%
Employees not finding the training content to be relevant to them	10%

Respondents also list reskilling or employee development goals not built into the overall objectives or KPIs of the employees as the reason for the lack of their employee training initiatives' desired success.

> **Organizations can address this issue by adding these training programs to the KPIs of employees, which will incentivize them to take their training seriously and invest the time and effort to do them well.**

It signifies that employees lack the motivation to undergo their training programs well and perhaps even consider them a chore, which may reflect poorly on them. Irrelevant training content, the quality of training instructors and unengaging training and the lack of tracking of training completion and effectiveness metrics at an employee level are other reasons why companies have been unable to meet their desired ROI expectations.

Before that, here is a quick snapshot of the findings thus far:

1. Organizations prefer a blended approach to skilling initiatives

2. Skills priorities have changed significantly

3. Functional and soft skills have most profoundly transformed

4. Communication and ownership are the most sought-after skills in a remote work setting

5. Companies are now using skills assessments, LMSs and 360-degree feedback to drive their skilling initiatives

6. There exists significant scope for improvement in achieving the desired ROIs from L&D programs

7. The lack of time and training programs not linked to employees' KPIs are significant bottlenecks in making the most of interventions
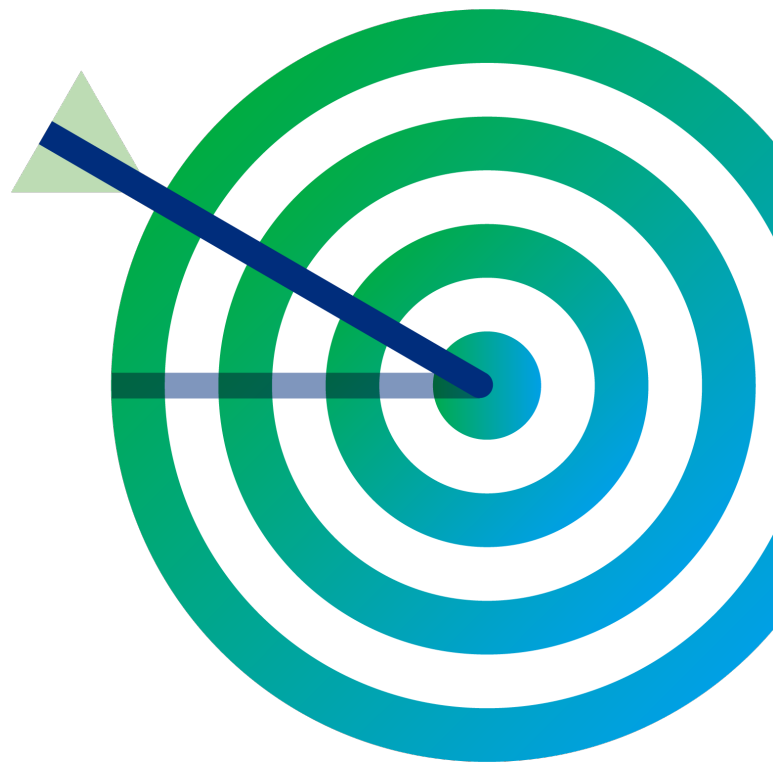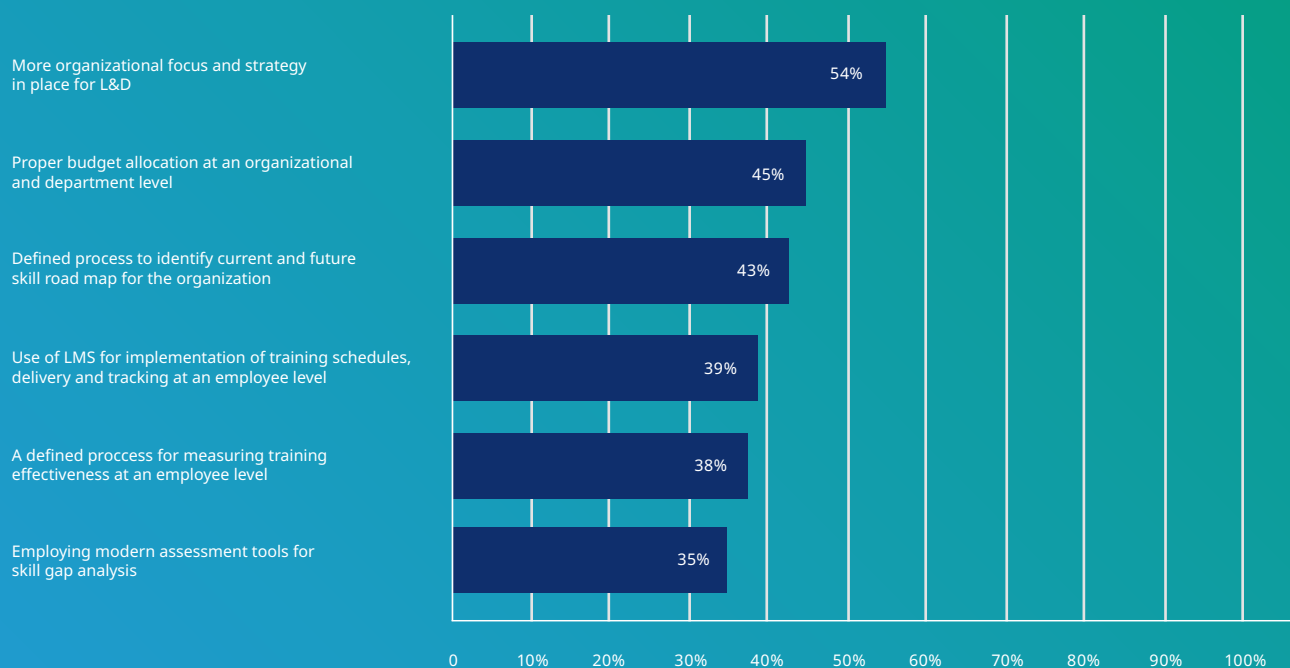
Outlook for the future

Let us take stock of the future now. Our assertion that the future of L&D would require reimaging existing strategies and processes find teeth with the findings. They unequivocally establish that greater organizational focus and strategy rank first among companies' wishlists for their L&D interventions. More focus on budgetary allocations at an organizational and a departmental level has also emerged as a critical finding.

Organizations wish to reassess how the money is being allocated, perhaps desiring better earmarking of sums to ensure a more rational distribution.

▶ Companies expect enhanced organizational focus, strategy and budgetary allocation from future L&D functions

Over 54 percent of respondents expect enhanced organizational focus and strategy for L&D in the coming months and years. In addition, close to 45 percent of respondents yearn for proper budgetary allocation at a corporate and department level. Also, almost an equal number of respondents expect a defined process to identify their organization's current and future skills roadmap.

What are your expectations from L&D functions from a future perspective?

Category	Percentage
More organizational focus and strategy in place for L&D	54%
Proper budget allocation at an organizational and department level	45%
Defined process to identify current and future skill road map for the organization	43%
Use of LMS for implementation of training schedules, delivery and tracking at an employee level	39%
A defined proccess for measuring training effectiveness at an employee level	38%
Employing modern assessment tools for skill gap analysis	35%

Conclusion

reimagining the
growth

The report's findings have put forth some clear takeaways. Foremost, organizations understand that they are caught in a swirling vortex of change and churn, coming out of which will require more than intent.

In addition, most organizations have been found wanting in terms of their digital preparedness to plan and execute their L&D initiatives in new-age workplace setups. Still, we must give them the benefit of the doubt as the pandemic-induced disruption has caused setbacks for even the most prepared.

However, they have been equally quick to make suitable amends, for which compliments are due. They have taken to LMSs, virtual learning and engagement, decentralized, albeit to some extent, decision-making processes concerning skills acquisition. They also realize that soft skills matter and are not a value add but core attributes, more so when human interactions are driven digitally, and handshakes are frowned upon.

It is also a delight that companies are increasing their budgetary outlay despite fighting an onerous battle to remain relevant. They are also utilizing technology to assess the gaps in their employees' skills and adopting progressive feedback mechanisms, such as 360-degree.

Communication is finally getting its due!

There is also a realization that employees are finding it difficult to make adequate time to upskill and reskill, which may bring about some respite for workforces who have seen the blurring of their professional and personal boundaries. Empathy may also take center stage for companies, as it becomes a sought-after skill among employees. The course correction is already underway, but

headwinds are persistent. There is still a lack of clarity on when and if COVID-19 will make way for lives to resume the olden way. Till then, technology will force organizations and employees to play a catch-up game, where continuous calibration of strategies and execution will remain a constant to align with a transient and ever-evolving business environment.

Afterthought

L&D will acquire new meanings and hues, requiring companies to find innovative ways to keep their workforce agile and learn on the go, often amid a rapid and continual turnover.

Leaders will need to see things with fresh perspectives and make available the tools, processes and strategies to ensure their employees can learn and grow at speed and scale. Rather than reacting to changes occurring around them, a proactive approach will decide which companies create a more future-ready workforce, determining their standing in the post-pandemic world.

Also, learning and development cannot continue using the old ways. It must become more interactive, entertaining and personalized to ensure that professionals enjoy their upskilling and reskilling journey.

▶ The focus should be on providing bite-sized and consumable information using video, infographics, etc., to offer higher knowledge retention.

A word of caution:

These are probables. No one knows for sure what will work and what won't. However, what is certain is status quo won't!

Respondent summary

The survey response includes over 650 participants across different geographies, including LATAM, North America, Europe, Asia, Africa, Mediterranean and West Asia. And respondents include CXOs/founders, directors, managers and entry-level professionals.

In addition, respondents represent diverse sectors such as technology, manufacturing, energy and utilities, healthcare and pharma, telecom and media, FMCG and BFSI, etc. Most respondents represent the technology sector, followed by manufacturing, energy and utilities.

17%

33%

25%

13%

12%
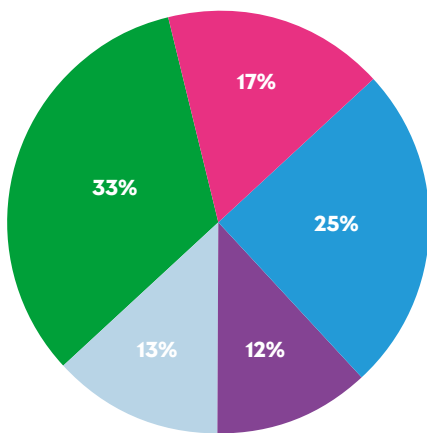
Over 17 percent of survey respondents come from companies with 200-500 staff members, and close to 13 percent of respondents have around 2000-10,000 office personnel. And almost 12 percent of respondents come from companies with over 10,000 personnel.

- 200-500
- 500-2000
- More than 10000
- Over 2000-10000
- Under 200

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At Mercer | Mettl, our mission is to enable organizations to make better people decisions across two key areas: acquisition and development. Since our inception in 2010, we have partnered with more than 4,000 corporates, 31 sector skills councils/government departments and 15+ educational institutions across more than 90 countries.

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