AVADO

LEARNING THAT WORKS

LEARNING AT THE PACE OF CHANGE

HOW L&D IS CRITICAL TO ADDRESSING
THE DIGITAL SKILLS GAP

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EXECUTIVE
SUMMARY

We live in an age where digital is disrupting business models at breakneck speed and machines are mastering many everyday jobs. While technological change is occurring evermore rapidly, human capability is not adapting at the same pace. Simply put, the world is facing a crisis in the development of skills that businesses need to address to be successful.

However, the companies and individuals that survive and thrive are those that best adapt and enhance their knowledge. The data is clear: re-skilling a substantial part of organizations' workforce is essential for our collective prosperity. But this problem is being hugely underestimated by leaders. AVADO's new research shows that CEO's are not engaging with L&D professionals quickly or deeply enough in their plans for transformation. In many cases leaders are also under-estimating the scale of the impact of digital transformation on their organization

Tech-driven opportunities to achieve best practice. Most online learning solutions have not created the impact that individuals and businesses need. The need to deliver learning at scale has never been greater, but current solutions aren't fit for that purpose. Highlighted opportunities such as Agile L&D and the deployment of AI can help.

We believe in a world where the highest quality professional learning is accessible to all, letting everyone acquire new skills and fulfill their potential. We want to hear from you! AVADO continues to mobilize around the global challenge of skilling workers fit for a digital world, so please let us know whether you agree, disagree or have some successes to share.

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FACING THE DIGITAL BUSINESS CHALLENGE

THE WORKFORCE
DISLOCATION PROBLEM

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There is a job security crisis sweeping the workforce today. As technology changes at an exponential pace, its advancement threatens to wipe out not just roles, but whole career paths. Employers and employees alike feel powerless to stop the machines from mass takeover. But what if they had the ability to problem-solve now? What if this instability was preventable?

The issue is simple, yet seemingly insurmountable: the rate of change is moving faster than humans can adapt, and **technology is outpacing human capability**.[1] Companies are currently failing to solve the training problem and close this capability gap. Existing digital transformation programs are ineffective, and it appears that attempted solutions are falling flat.

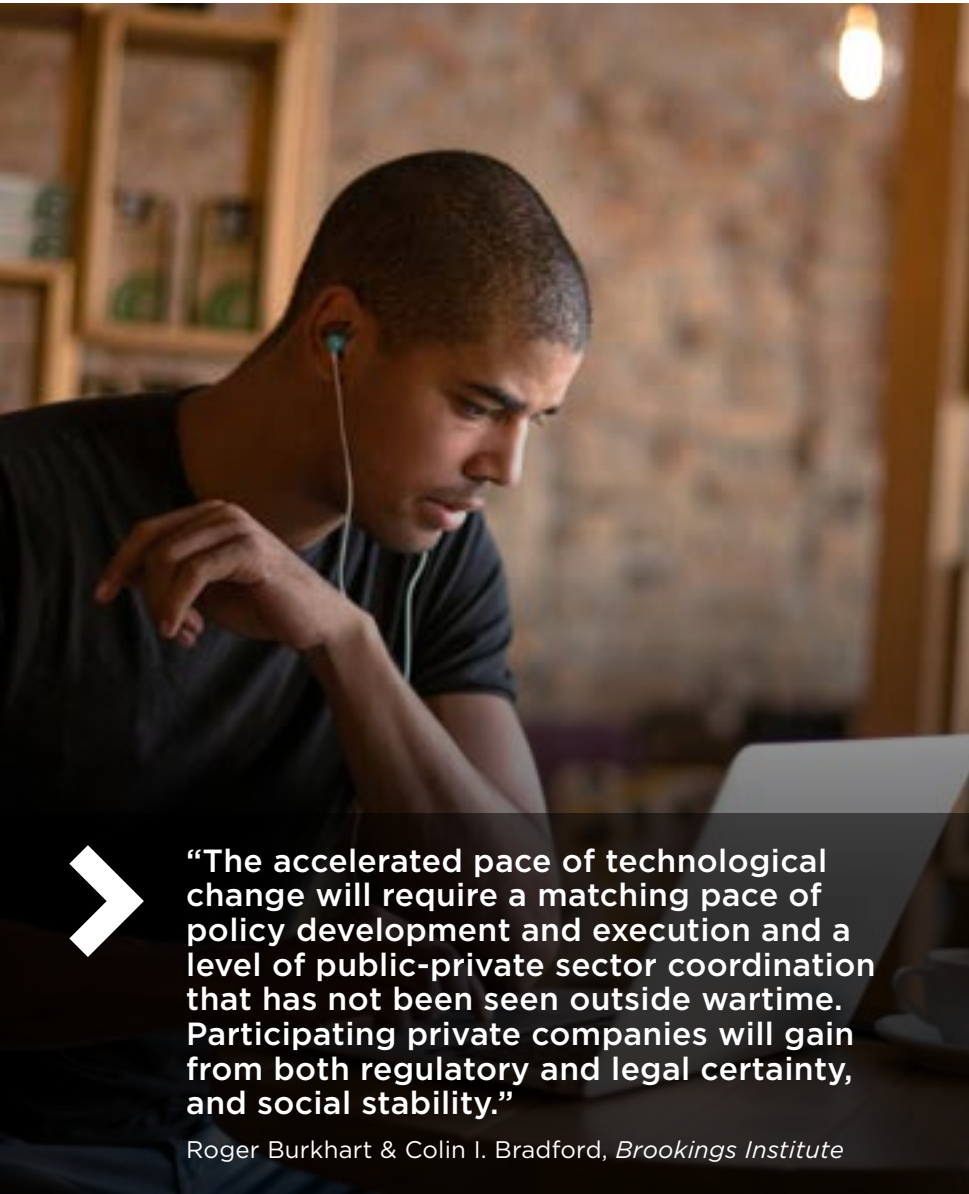## TECH IS OUTPACING HUMAN CAPABILITY
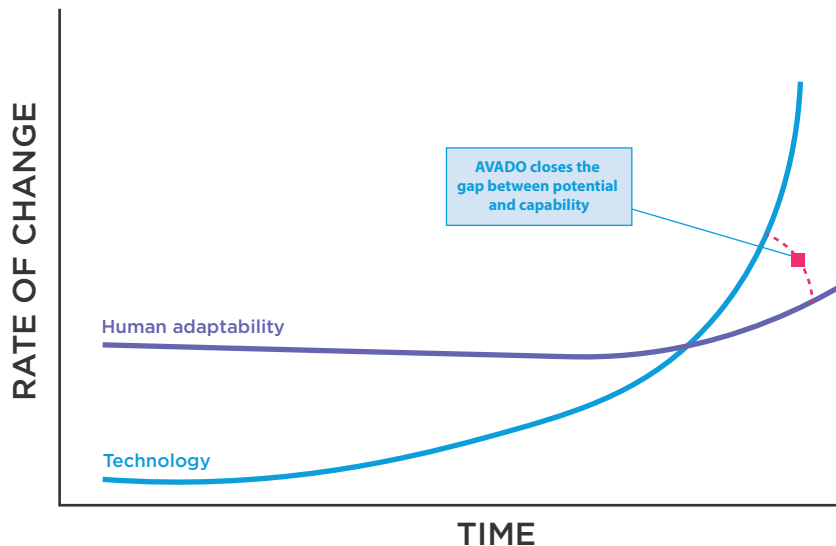
> **"When the rate of change eventually exceeds the ability to adapt, you get 'dislocation.' 'Disruption' is what happens when someone does something clever that makes you or your company obsolete.' 'Dislocation' is when the whole environment is being altered so quickly that everyone starts to feel they can't keep up."**
>
> Craig Mundie
> *former Chief of Strategy at Microsoft and computer designer, quoted by Friedman*

Because the tools are working so efficiently, their abilities rapidly accelerate. With Friedman's 'age of acceleration' model at its apex today, the fear that humanity will be made redundant is increasingly visible and effectual.

Conferring technological advancement means that the tools start to become synchronistic—even synonymous. Essentially, all the tools start to do the same thing as they work together, which is to improve operations. In this fluidity, their power only grows.
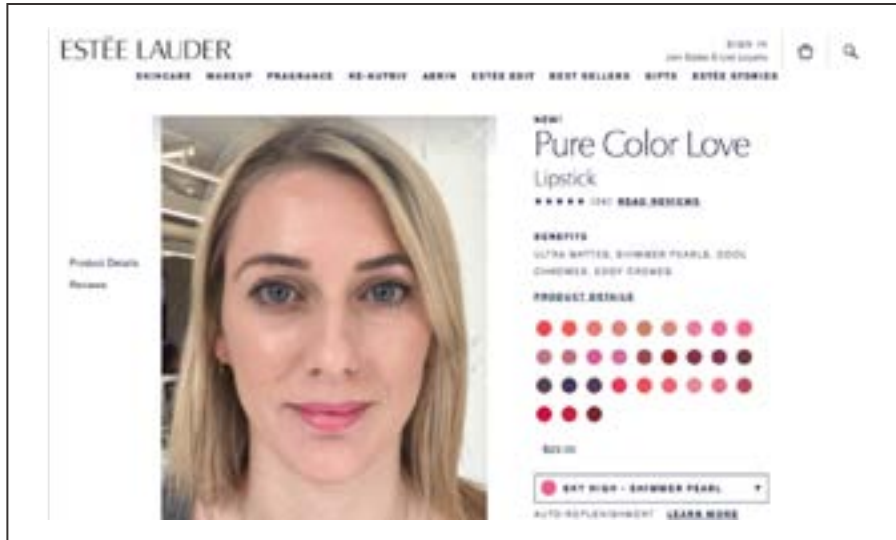
The Time to Act is Now

The corporate world is already battling the ramifications of social dislocation. In 2015, Air France cut 2,900 jobs, and 100 of what the Guardian estimated to be "several hundred" of the striking workers broke into a senior management meeting near Charles De Gaulle airport and ripped the shirts of many executives, including Xavier Broseta, Deputy Head of Human Resources, and Pierre Plissonnier, Vice President. Broseta had to bolt a fence to escape the angry mob.[2] The metaphor is acute: if you're a CEO and you're not managing this process correctly, then this is what happens to you. Your clothes get ripped off.

Corporate dislocation has also bled into politics, particularly in the United States, as workers searching for meaning grapple with the ramifications of being displaced. Pundits from Friedman to the Brookings Institute cite 2007 as a year of seismic industrial change, which in turn led to growing instability politically over the last decade.

Roger Burkhart, the former CTO of the NYSE, and Global Economic Fellow Colin I. Bradford cites the statistic that for white workers age 25-54 years old there has been a net loss of 6.5 million jobs since 2007. These Rust Belt states (Iowa, Ohio, Michigan, Wisconsin, and Pennsylvania) provided the swing vote necessary to elect Donald Trump, even when they had voted in Barack Obama from 2008-2012[3].

"The accelerated pace of technological change will require a matching pace of policy development and execution and a level of public-private sector coordination that has not been seen outside wartime. Participating private companies will gain from both regulatory and legal certainty, and social stability."

Roger Burkhart & Colin I. Bradford, *Brookings Institute*

2 https://www.theguardian.com/world/2015/oct/05/air-france-workers-storm-meeting-protest-executives-job-losses-paris
3 https://www.theatlantic.com/politics/archive/2018/10/democrats-midterm-chances-rust-belt/572065/

And the situation is worsening. In this volatile climate, variant businesses are allowing tasks to quickly becoming automated, only slowly helping the humans on their teams compensate. Examples are rife:

Hospitality – Amazon's Alexa is being purchased by hotel groups to reduce the number of staff required for check-in and room service requests. With Alexa, a human concierge may not be necessary.

Food systems – Amazon's grocery stores have no checkout staff

Beauty – Estée Lauder introduced five bots since 2018 to positive results. The AI operations reach consumers during hours where staffers would normally be off the clock, providing global audiences with product advice.

Coding – The idea that learning to code would provide security in a tech-driven market is also being made obsolete. Teleporthq, one of the companies using of AI to code, uses the slogan, "Create. Preview. Code. Release,"[4] an apt metaphor for all tech advancement and its impending impact.

" Chatbots are allowing consumers to reach our brands 24/7 on platforms they're already on, like Facebook Messenger. The company has seen both conversions and website traffic driven by the five bots it has introduced in the last year. "
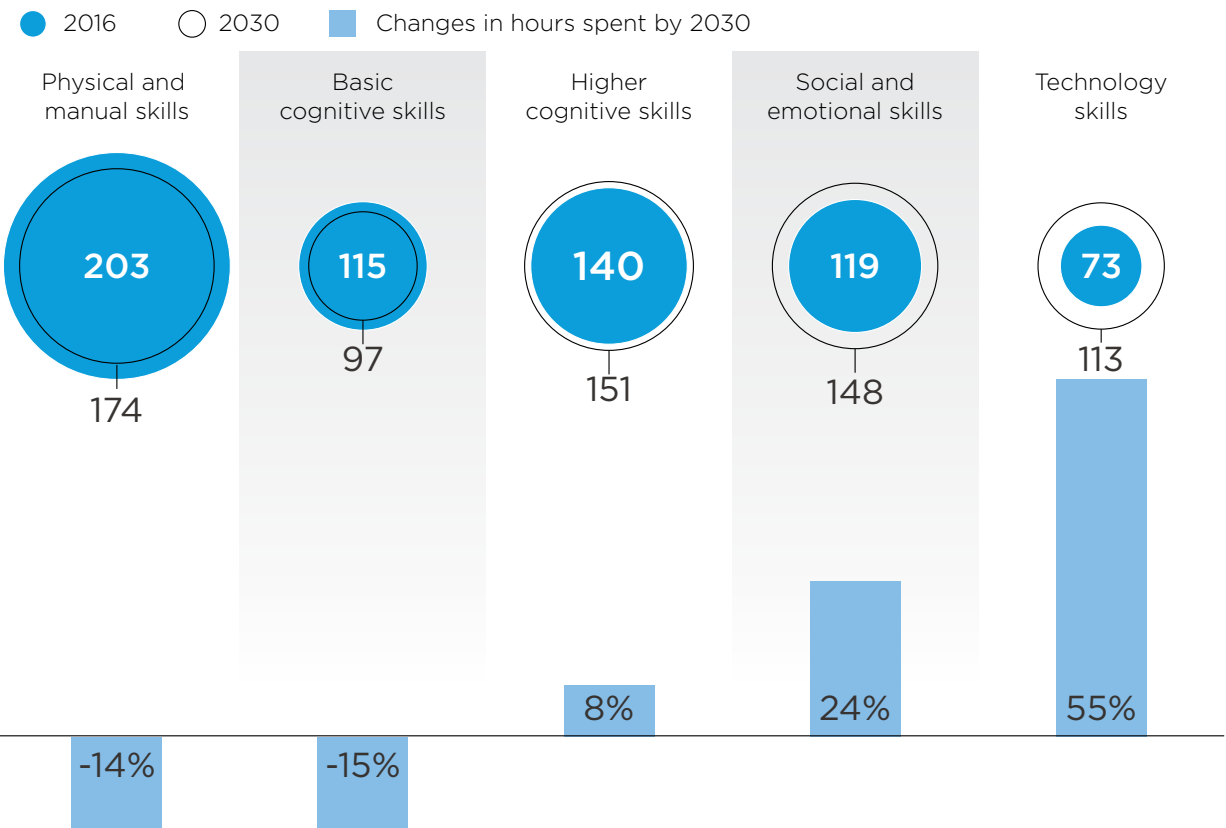
Divya Gupta
Executive director, Estée Lauder

AUTOMATION AND ARTIFICIAL INTELLIGENCE WILL ACCELERATE THE SHIFT IN SKILLS THAT THE WORKFORCE NEEDS.

Total hours worked in Europe & United States, 2016 vs 2030 estimate, billion

● 2016   ○ 2030   ▮ Changes in hours spent by 2030

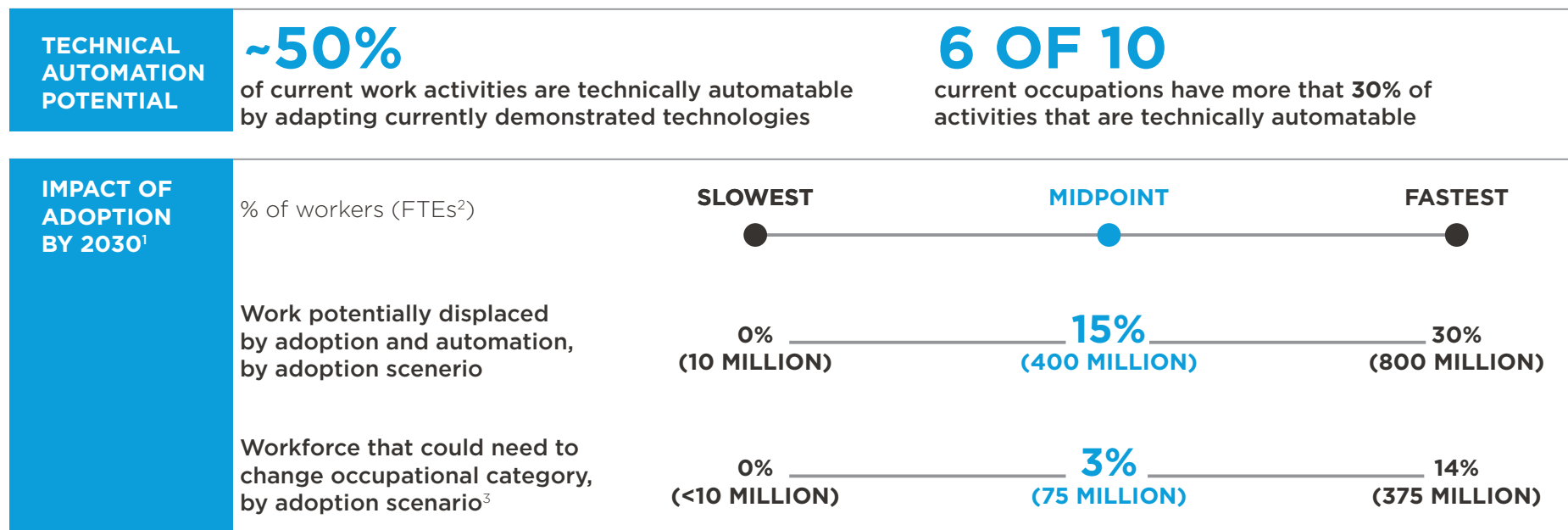| Physical and manual skills	Basic cognitive skills	Higher cognitive skills	Social and emotional skills	Technology skills
203	115	140	119	73
174	97	151	148	113
-14%	-15%	8%	24%	55%

Source: McKinsey Global Institute Workforce Skills Model; McKinsey Global Institute analysis

Change does not have to mean becoming irrelevant; it does mean adaptability. While at first glance it seems that business models are being rewritten to include less humans, in reality they can be rewritten with optimal gain for those same people. In other words, we all change.

Innovation does not mean that humanity serves no purpose. Instead, the rapid pace of innovation means that employers, employees, and individuals must keep pace with the analytical advancements of our tools by thinking and acting on higher planes.

Don't let humanity lag behind! Develop skillsets to stay relevant!

GLOBAL WORKFORCE DISLOCATION

TECHNICAL AUTOMATION POTENTIAL	~50% of current work activities are technically automatable by adapting currently demonstrated technologies	6 OF 10 current occupations have more that **30%** of activities that are technically automatable

IMPACT OF ADOPTION BY 2030[1]

% of workers (FTEs[2])

	SLOWEST	MIDPOINT	FASTEST
Work potentially displaced by adoption and automation, by adoption scenerio	0% (10 MILLION)	15% (400 MILLION)	30% (800 MILLION)
Workforce that could need to change occupational category, by adoption scenario[3]	0% (<10 MILLION)	3% (75 MILLION)	14% (375 MILLION)

1 "Slowest" and "fastest" adoption refer to the two extremes of the scenario range we used in our automation adoption modeling, the latest and earliest scenarios, respectively.
2 Full-time equivalents.
3 In trendline labor-demand scenario.

Source: McKinsey Global Institute analysis

TAMING THE TIGER

USING TECHNOLOGY
TO SCALE EFFECTIVE LEARNING

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Training is so essential because investing in people can reap long-term gains. With technological advancements in constant flux, and without the adaptability and elasticity of the workforce, no skill-set is ever permanently complete.

In a series of reports by McKinsey projecting the future of work, talent, and output by 2030, the numbers are staggering: 32% of people currently working, age 16-54, may need to retrain within the next 12 years, regardless of their position. Six out of 10 workers can be more than 30% automated with existing technology,[5] displacing 15 percent of the global workforce with automation over the next decade.[6]

This demands new skills, with physical and manual labor needs declining by 11 percent, and the time using advanced technological skills rising by 50 percent. While demand for basic data input skills will decrease by 19 percent, demand for higher cognitive skills to solve new, complicated problems with creativity will increase by the same amount.

When determining the best strategy to tackle the technology problem, the metaphor of tiger taming is well-suited. Like technology, the tiger can be ferocious or dutiful depending on human mastery— a vicious beast creating these problems, but also capable of solving them. How, like the tiger, can a business use technology to scale training for the better?

AVADO Research Methodology

Solicited research was conducted by Censuswide to determine why programs are ineffective, discovering the root of the problem to remedy unsustainable current solutions. 1,252 employees, responsible for selecting HR development programs, were polled at a managerial level and higher. In total, 1,002 adults in the US and 250 in Canada were polled between August 13th and August 24th, 2018. Censuswide abides by and employs members of the Market Research Society, which is based on the ESOMAR principles.
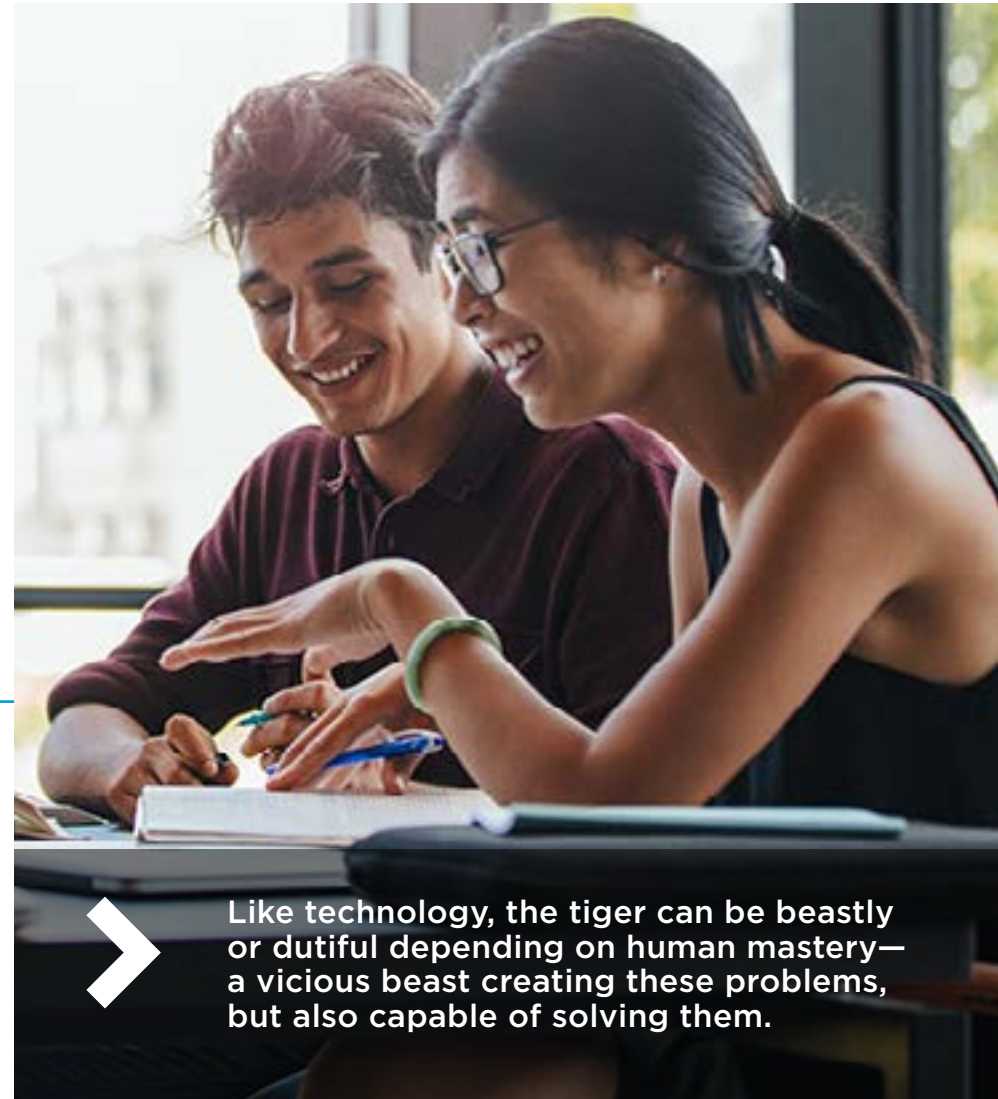
> Like technology, the tiger can be beastly or dutiful depending on human mastery— a vicious beast creating these problems, but also capable of solving them.

5 https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages#part1
6 https://www.mckinsey.com/featured-insights/future-of-work/ai-automation-and-the-future-of-work-ten-things-to-solve-for

Our findings can best be distilled as three key reasons for unsuccessful digital transformation:

1. **C-suite executives can be all talk and no action**

   The C-suite dominates Digital Transformation decision making, but businesses rarely brings in HR/L&D before the Digital Transformation roll-out.

   - 84% of all decisions on HR and L&D budgets are made by the C-Suite.
   - 35% of businesses had the foresight to bring in HR/L&D in advance of Digital Transformation programs.

   - Nearly half (47%) of all Digital Transformation plans are built without the help of an expert or third party, relying on a generic program or internal planning.
   - Less than half of all businesses either have no leadership program in place or have not started to implement one. The rest say their programs are incomplete.
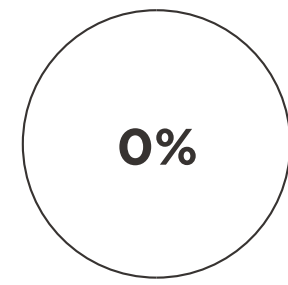
84%

of all decisions on HR and L&D **budgets are made by the C-Suite**

35%
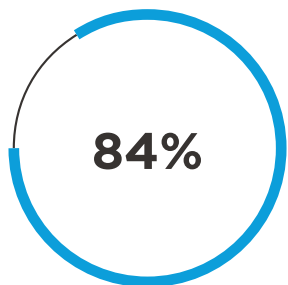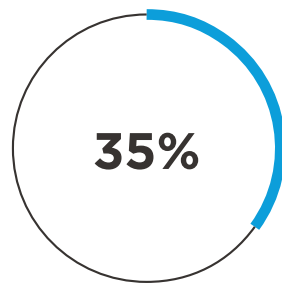
brought in HR/L&D in advance of Digital Transformation programs

47%
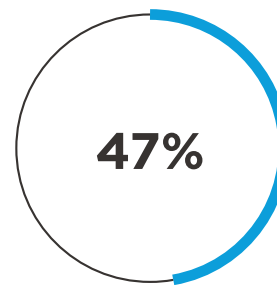
of all DT plans are built **without the help of an expert** or third party

0%

of all companies have completed their digital leadership program

>50%
have not started one.

2. There is a generational divide in the prioritization and scale of digital transformation

People aged over 55 are often in C-suite and leadership roles at organizations that require change, but this demographic does not yet fully embrace and support the transformation process.

- Whereas 95% of 25 to 44-year-olds believe transformation is important, only 72% of those in the 55+ age range cite the same enthusiasm.

- 21% of 45+s do not rate transformation as important.

- For those who have not yet started programs, more than 60% of those polled do not plan to implement in the future. Ask that question to 55+ C-Suite, it leaps to over 93%place or have not started to implement one. The rest say their programs are incomplete.

95%
of 25 to 44-year-olds believe digital transformation is important vs. only

72%
of those in the **55+ age range**

21%
of 45+s do not rate digital transformation as important
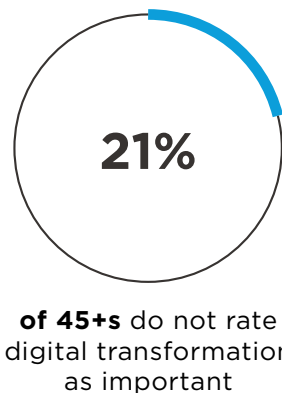
"There is a misconception that it makes sense to spend $300 billion to $400 billion a year on college students between the ages of 17 and 25 and then very little after that. But most Americans who need higher education and postsecondary training are 35, 45, 55."

Jason Palmer
general partner, New Markets Venture Partners
quoted by McKinsey

3. SMBs are more vulnerable than larger enterprises and at risk of being left behind

The impact on small business jobs in rural populations is potentially catastrophic. They operate in vacuums, generally ill-prepared to cope with death of digital in its initial phase, functioning as the digital have-nots.

- SMBs are the largest category of business size that have no digital transformation program at nearly 20%, compared to 10% of larger enterprises.
- SMBS without leadership programs are also the least likely to build out these programs in the future.
- While budgetary concerns face all companies, the amount of budget at SMBs could be allocated to HR/L&D for greater impact and optimization.
- SMBs are also more vulnerable concentrated as a percentage of employment in rural areas. In farm and ranch counties of Iowa, Kansas, Minnesota, Nebraska and the Dakotas, almost 60 percent of job growth came from self-starting entrepreneurs in the 1990s[7].
- Recent US Census data indicates adults in rural areas have a median age of 51[8], making them older compared with adults in urban areas with a median age of 45.

20%
of SMBs
have no digital
transformation program,
compared to

13%
of larger enterprises

TOTAL ANNUAL L&D BUDGET
SMB only

- $1,000,000 +
- $501,000 - $1,000,000
- $101,000 - $500,000
- $51,000 - $100,000
- $25,000 - $50,000
- $425,000 or less

7 https://www.cfra.org/news/170421/small-businesses-are-backbone-rural-communities
8 https://www.census.gov/newsroom/press-releases/2016/cb16-210.html

The gaps in age and technological advancement puts the critical SMB sector at risk of losing access to cutting-edge business practices. While budgetary concerns are undoubtedly a factor, honing key skill areas could have a substantial impact on SMBs, especially when combating automation.

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SOLVING FOR
INNOVATION

UTILIZING EFFECTIVE
L&D SOLUTIONS

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Many attempts at remedying the digital skills problem have thus far fallen flat. Human development can thwart redundancy by adapting and unlocking potential. Because while automation, AI, digitization and the ever-evolving Tech tiger all have enormous potential, both to create good and, as seen increasingly, for instability and uncertainty, the solutions must come from human innovation capital.

1. **Move quickly to incorporate L&D at the start of Digital Transformation Programs**

   Evolved leadership can provide a top-down example of adaptability and optimism. Not only will people with the right skills help you evolve your business model, but they can cope with hope and change. To solve a problem which is changing quickly, move with agility as you can to keep pace.

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Map	Sketch	Decide	Prototype	Test

> Evolved leadership can provide a top-down example of adaptability and optimism. Not only will people with the right skills help you evolve your business model, but they can cope with hope and change.
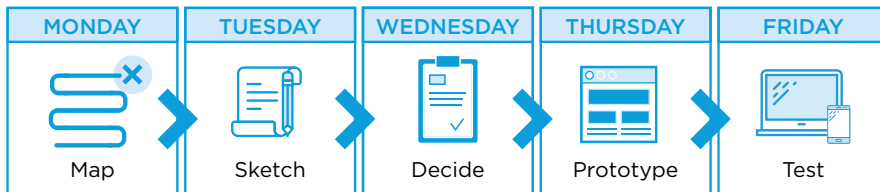
2. Reconcile the age divide

Invigorate the leadership demographic with top-quality learning tools. Only when the C-suite is passionate about innovation will businesses be impacted.

GLOBALLY, UP TO 375 MILLION WORKERS MAY NEED TO SWITCH OCCUPATIONAL CATEGORIES

Number of workers needing to move out of current occupational categories to find work, 2016–30 (trendline scenario)
1 Million (1 block = ~5 million)

■ Additional from earliest adoption scenario

■ Midpoint automation scenario
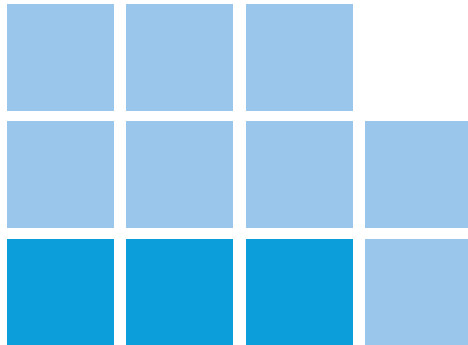
UNITED STATES
166 million
(up to 32%)

NET CHANGE IN TOTAL EMPLOYMENT BY EDUCATION REQUIRED, 2016–30 (not to scale)

| EDUCATION LEVEL	PROJECTED NET CHANGE TO LABOR DEMAND Million	% CHANGE IN JOBS Trendline to step-up
UNITED STATES		
Less than secondary	-2.8 to -2.3	-14 to -12
Secondary	-7.0 to -1.1	-12 to -2
Associate	-1.7 to +0.9	-5 to -2
College	+1.8 to +3.3	+6 to +12
Advanced	+0.8 to +1.0	+9 to +11

■ Trendline   ■ Step up
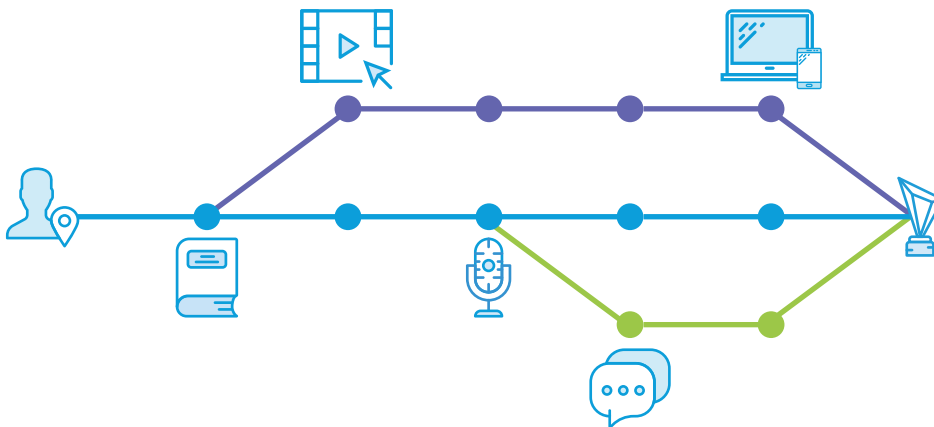
3. Help the SMBs

Utilize technology to help solve the problems technology is causing in the areas where it is needed most: Data & Automation, Agile L&D and Social Learning can all be utilized to harness, augment, and create top talent, even in rural areas where people are left out of the conversation.

4. Experiment with adaptive learning

Utilizing various channels—videos, books, blogs, podcasts, and courseware—can tailor to the exact demographic seeking support. Once the appropriate channels and audiences are determined, create customized training to ensure optimization.

| Video | Books | Blogs | Podcast | Courseware |

USERS CHOOSE THE RIGHT SOURCES AT THE RIGHT TIME
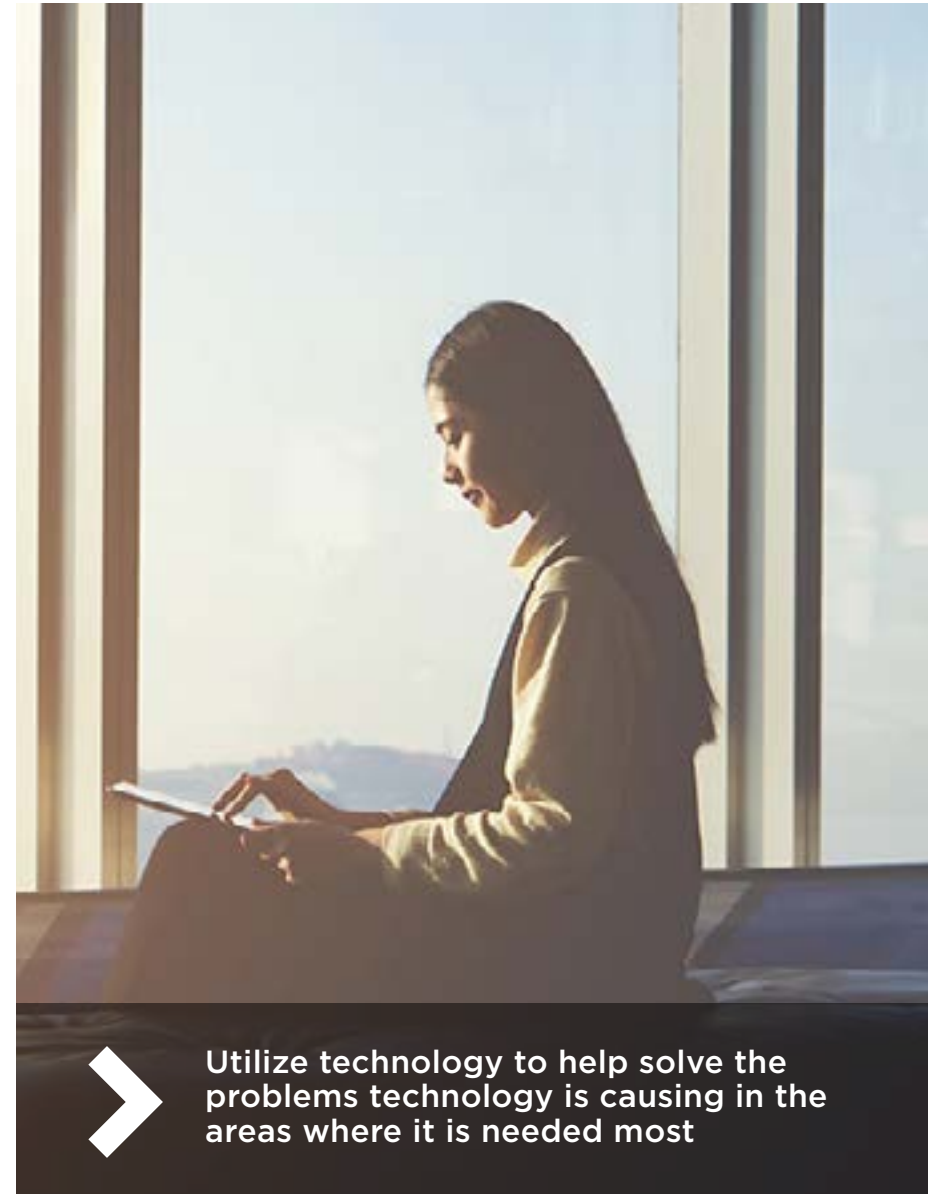
> Utilize technology to help solve the problems technology is causing in the areas where it is needed most
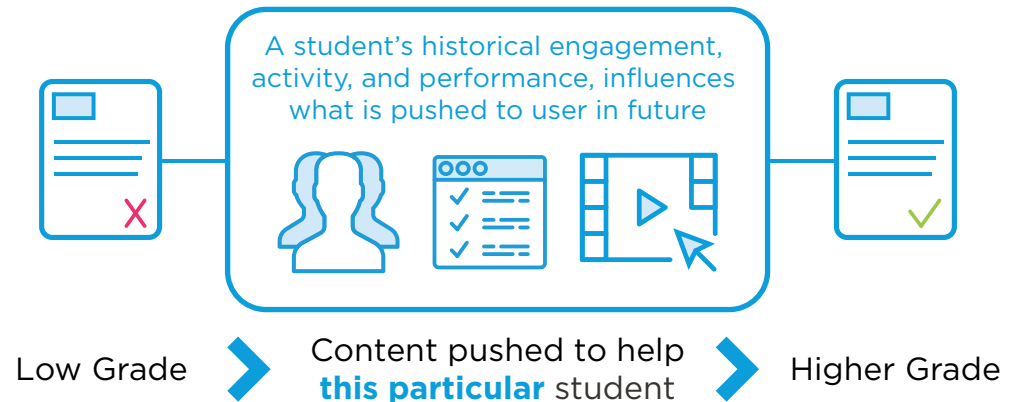
ENGAGEMENT AND COMPLETION
THROUGH AI

Facing Failure

The right programs, right experience, and right support mean learning at the right time - but flexibility is a must. Courses as intense as several months with a high time commitment can feel overwhelming. Students start to drop out of courses - or worse to fail.

If an individual starts to exhibit certain concerning behaviors, AI comes into play to push content that will significantly increase engagement and maximize pass rates. These indicators are also cues to instructors that different kinds of learning may be necessary, and the human connection takes over as the most successful approach.

A student's historical engagement, activity, and performance, influences what is pushed to user in future

Low Grade ❯ Content pushed to help **this particular** student ❯ Higher Grade

The right programs, right experience, and right support mean learning at the right time—but flexibility is a must.

The Stakes Are High

A lack of catering to different audiences results in a chasm. As the leader of a company, inefficiencies create massive gaps not just in your workforce, in the social sphere, resulting in disastrous miscommunications and talent divides. The stakes –and the performance gaps – are high.

On a larger scale, companies do not have to fail if they apply this model before being rendered outmoded. Before declaring bankruptcy, was there no alternative to Toys R Us in its ineffective response to Amazon's long-looming takeover?

This is not company or industry specific. For example, not only did 1,700 bank branches close in the United States in 2018, but the overall number of banks has been steadily declining since its peak in 1980[9]. It has been time to seek alternatives for 40 years.

MANAGING INTENSITY OF PROGRAMS
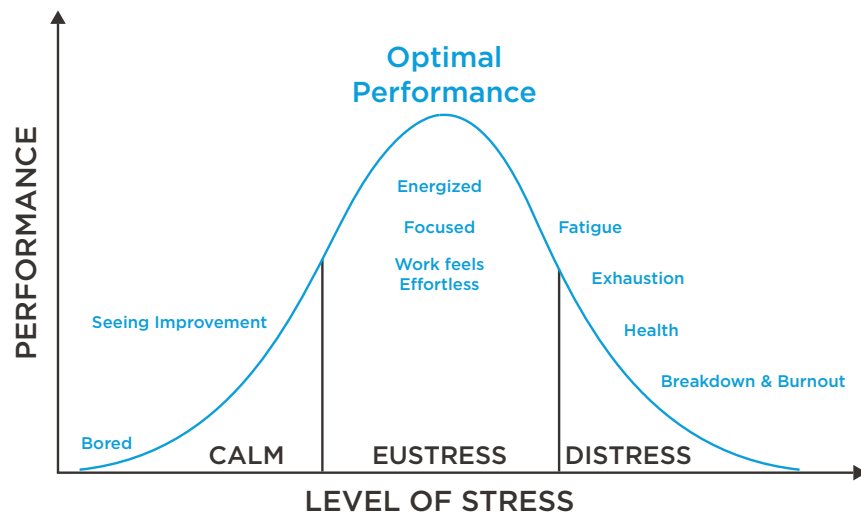
CATERING FOR DIFFERENT AUDIENCES

9 https://www.stlouisfed.org/on-the-economy/2018/february/why-banks-shuttering-branches
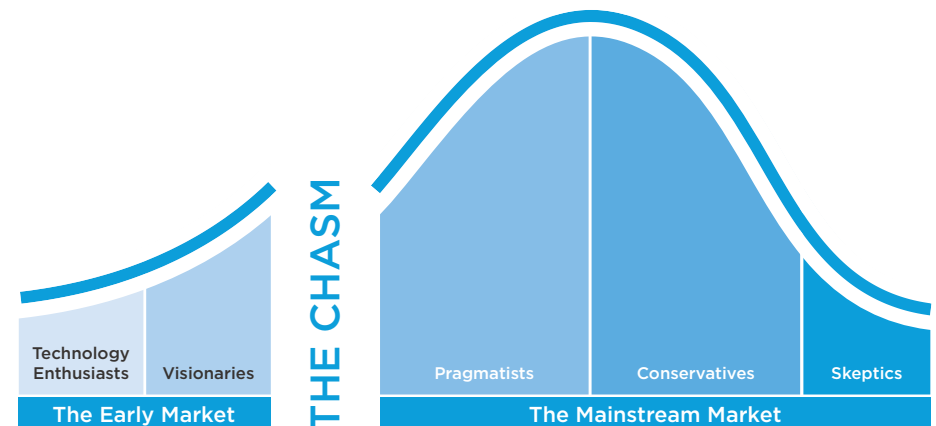
Collaboration is Crucial

AVADO's single biggest insight into success is that we believe people learn better together. Collaborative learning means being held accountable when falling behind a group in deadline-driven scenarios, for feeling galvanized and inspired by conservations in the classroom, and being encouraged to ask questions. When models move that to online learning, more often than not, much of that community disappears. AVADO's cohort-based learning leverages that people are social. 150 people start and finish together.

From a neuroscience perspective, the benefit of group work has been proven time and time again. One study at NYU in 2017 confirmed "brain synchronicity," in which people working in groups were quite literally on the same wavelength . In the corporate world, this community bonding has also been proven to lead to growth.

Hope is the only solution.

"Inspiring **hope** in a cynical world might be the most radical thing you can possibly do."

Jacqueline Novogratz – Founder & CEO, Acumen

Giving people hope is the primary antidote to change. Even if social dislocation does result in job changes and uncertainty, the hope of learning new skills can be more powerful than the potential for growth. Without hope, there is no learning. Without possibility, there is no room to train. By building community and optimism, data can turn to prove out a more productive workplace—one person at a time.

> " High engagement—defined largely as having a strong connection with one's work and colleagues, feeling like a real contributor, and enjoying ample chances to learn—consistently leads to positive outcomes for both individuals and organizations. "
>
> *Harvard Business Review*

11 https://www.cell.com/current-biology/fulltext/S0960-9822(17)30411-6
12 https://hbr.org/2017/01/the-neuroscience-of-trust
13 https://acumenideas.com/the-opposite-of-poverty-8534d6fa7102

THE DIGITAL
TRANSFORMATION PLAN

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Talk about change.

That economic and social dislocation are caused by technology is undoubtedly a significant challenge across the world, but it feels so overwhelming that business and thought leaders struggle to reverse its effects. By opening this dialogue and facing the obstacles, the business sector at large is one step closer to preventing crisis.

Use technology to solve technology problems.

The advancement of tools can be tapped. Technology is not a tiger wandering the jungle; it is a tiger looking to be tamed. Utilize resources effectively and ambitiously. It is the only way to keep pace with them.

Save the jobs; save the world. L&D can be the heroes.

Humanity needs innovation and investment more than any algorithm or code. The results of job creation and creative thought will not just present in career stability, but on a macroeconomic and socio-political scale. Hope is the cure—never forget that people matter!

About AVADO

As a global EdTech company, AVADO is a change agent at the forefront of a widespread need for learning advancement. Six international offices train in over 60 countries, with just 450 employees in a global network of expert trainers reaching over 200,000 students. Clients have included Google, Cigna, BBC, CNN, IBM, WPP and McCann among others, as AVADO offers a suite of skills across function and management, with everything from financial, to human resources and learning development services, the customization of the right skills for segmented audience is our expertise. AVADO is learning that works.

AVADO's specialized options for clients large and small, CEOs and SMBs, mean that the digital transformation has never been more feasible. Delve into the neurological and algorithmic tool box to revitalize systems and the people who run them, because transformation is the only option in a rapidly changing world.

By opening this dialogue and facing the obstacles, the business sector at large is one step closer to preventing crisis.

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AVADO LEARNING LTD.

www.avadolearning.com

The L&D Digital Transformation:
Making the Most of the Opportunity

AVADO

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