ESF High Level Skills

Organisational Needs Assessment (Skills and Talent) Findings Summary

January 2021

The High Level Skills (HLS) programme is delivered by a consortium of further education, higher education and local authority partners. It aims to address the high-level skills needs of SME businesses and their employees in the D2N2 area, helping them to grow by creating a higher skilled and more productive workforce. The programme consists of two part-ESF funded projects: Priority Skills for D2N2 SMEs and GRADS for D2N2 funded from July 2018 to June 2021.

The GRADS for D2N2 project will support over 700 SMEs and support includes providing SMEs with a skills and talent Organisational Needs Assessment (ONA) of their business. The analysis of the data from 517 ONAs to September 2020 forms the basis of this report, the purpose of which is to highlight the main skills and talent challenges and needs of SMEs in the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) area.

The GRADS for D2N2 project is funded under investment priority 2.2 'Improving the labour market relevance of education and training systems'. In support of this priority and alongside wider codesign activity, the findings from this report will help inform future course development and business support, in addition to contributing to the wider evaluation of the HLS programme. Please note, BAME and Black-led Businesses form 17% of businesses supported by end of September 2020. Sector and demographic characteristics are however only highlighted here where there is a notable difference identified. Please see the full report for quantitative data.

SME five-year business plans

1. Overall, around a third of SMEs plan to expand in some way; the business in general, the number of employees, the products or services they offer.

2. Those asked during the COVID-19 pandemic also plan to expand, although increasing employee numbers is less frequently mentioned; instead, an increase in turnover is more of a focus.

3. Increasing the number of employees is less frequently included in the business plans of medium-sized businesses, instead they include expanding into other / new markets and sectors.

4. Sustaining growth is in the plan for half of those who answered in the visitor economy sector, acquiring a new site or premises for those in the food and drink manufacturing sector.

Immediate challenges and impacts of challenges

5. The main immediate challenge facing a third of SMEs overall is in finding the right staff, with the relevant skills.

6. And whilst finding the right staff is still a challenge for those asked during the COVID-19 pandemic, the impact of the pandemic, including the unknowns in terms of that impact are considered an immediate challenge for almost half of SMEs.

7. Finances/cashflow are also more frequently cited as a challenge for those asked during the COVID-19 pandemic, specifically for those asked during the first national lockdown (Q2 2020).

8. Finances / cashflow are also listed in the three most frequently mentioned challenges for BAME-led businesses, micros, and those in the construction, creative and digital and visitor economy, but again finding staff with the right skills remains one of the three most frequently cited immediate challenges businesses face.

9. The impact on the businesses, irrespective of the specific challenges each face, is on business growth / expansion for half or more of businesses, regardless of size, sector or time of asking.

Immediate opportunities and impact of opportunities

10. The opportunities most frequently mentioned related to expansion in some way, which was the case regardless of size, sector, BAME-led or time of asking.

11. COVID-19 was also identified as an opportunity and there were a mix of responses in relation to COVID-19, with some only seeing it as a challenge, some only seeing it as an opportunity and some identifying it as both a challenge and an opportunity.

12. As with the challenges, the perceived impact of opportunities was in relation to business growth / expansion, regardless of size, sector or time of asking.

Skills and talent – typical approach to professional development

13. Overall, Performance & Development Reviews (PDRs) / appraisals are the most common approach to professional development.

14. In-house training was the most common approach for those asked during the first three months of the COVID-19 pandemic (April to June 2020). Micro businesses adopt an on-the-job / on-the-go approach more so than small and medium sized, as do those in the creative and digital sector compared to the other sectors shown.

15. The food and drink manufacturing sector does not list PDRs / appraisals in their three most frequently adopted approaches. Instead, their approach is to provide more ad-hoc, mandatory industry training or to have regular meetings.

16. Mandatory industry training is also adopted more frequently in the construction sector in this sample.

How SMEs usually recruit

17. Word of mouth / recommendations is the most common way of recruiting, for most SMEs, overall.

18. The other most frequently mentioned methods are use of 'Indeed' or similar, and through working with Universities, graduates and agencies. These methods shift around in frequency of mention, but they are used regardless of sector, size and time of asking.

19. The only notable difference is with the visitor economy sector which is more likely to recruit via their own website, and via social media.

Retention issues

20. The majority of SMEs don't report having any retention issues. Those that do list the nature of the job, attitude / work ethic and/or moving on / progression as the reasons for retention issues.

Success of recruiting grads / interns / apprentices

21. Almost two-thirds of SMEs said they had recruited grads, interns and / or apprentices in the past, and mostly with some degree of success. The majority of experiences in recruiting here was rated quite successfully, with the apprentice group being a slightly less successful experience overall.

New talent or upskilling

22. Around two thirds of SMEs don't have a preference for new talent or upskilling, instead they would look at either approach, depending on the needs of the business.

23. For those that do have a preference, it is overall for upskilling.

24. Any preference for new talent decreased for those asked during the COVID-19 pandemic, specifically in Q3 2020, and medium-sized businesses also have less of a preference for new talent.

25. Excluding those that have no preference, there's a notable difference in the construction sector in this sample, which prefers to take on new talent as opposed to upskilling.

Vacancies

26. The average number of vacancies per SME was 1.5 overall and aside from company-specific vacancy roles, the most common were marketing and sales / business development.

27. The average number of roles went down by nearly half when comparing pre-pandemic data to the period April to September 2020 from 1.67 to 0.9.

28. Administration was the most common vacancy role for small businesses, manual for the construction sector, and creative / web for the creative and digital sector.

29. The majority of vacancies were due to business growth.

Skills gaps

30. The majority of SMEs identified skills gaps within the business. The most common gaps identified are marketing and sales / business development.

31. Leadership / management skills gaps are also frequently identified, although creative / web skills gaps replace this for micros and those in the creative and digital sector.

32. Again, business growth is cited as a main reason for skills gaps, alongside not having staff with the right skills.

33. Business growth is not one of the main reasons for those asked during Q3 of the pandemic, instead not having the time / resource to address the skills gaps is more frequently mentioned for these SMEs.

34. Skills gaps impact most on business growth, delivery / productivity and new clients / new business overall, regardless of size, sector or time of asking.

35. Over half of the SMEs who had identified skills gaps had tried to fill them, with half of them choosing training as a way of addressing the gaps. A third were advertising or had recruited. Some had also used grads / interns / apprentices and/or outsourced/used freelancers.

36. Similar approaches were listed for those who had yet to fill or address the gaps., However, instead of planning to train, the use of grads / interns / apprentices and outsourcing / using freelancers was more common.

Progression routes and training

37. Most SMEs said there was a clear progression route for employees and that there was an existing and up to date training plan for employees, although this was not the case for micro businesses, with fewer numbers saying these existed.

38. Internal training is as and when, and/or on the job/on-go, for around a third of all businesses.

39. Regular training is more common in medium-sized businesses than smaller ones, and training is also more regular for those asked between April and September 2020. Some training is role dependent.

40. External training is also ‘as and when’ in the main, and again some is dependent on the role.

41. In this sample, BAME-led businesses more commonly never or rarely undertake external training.

42. The frequency training leads to certification is regular and/or role dependent for around a third.

Other barriers to growth

43. Financial barriers were most commonly mentioned for those that had identified additional barriers to growth.
44. COVID-19 was also listed as a barrier to growth for those asked between April and September 2020.

Please see the full report for quantitative data.

Thanks go to all our partners, wider stakeholders and SME participants for sharing their needs and data with us.