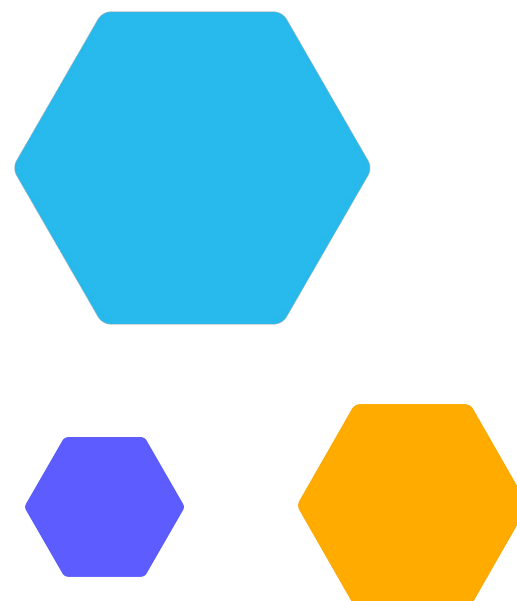# Skills Gap Analysis

A step-by-step guide
for L&D professionals

AIHR | ACADEMY TO INNOVATE HR

Overcoming the skills gap

> *87% of organizations will have a skill gap in the next few years.* ***A Skills Gap Analysis is the tool you need to ensure your organization remains competitive.***

Source: **McKinsey**

Did you know that 87% of organizations will have a skills gap in the next few years?

Finding more people to fill in the gap is not the answer. Upskilling is.

You don't have to leave addressing your skills gap up to fate, or to an unpredictable labor market. You already have a pool of diverse skill sets waiting to be developed to their full potential.

All you need to do is understand how you can upskill your people to achieve key business objectives.

And that's where a Skills Gap Analysis comes in.

This tool allows you to determine the gap between your workforce's current skills and those that they need to succeed in the future.

How to use this guide

In this guide, we will explain step-by-step how you can carry out a thorough skills gap analysis for specific job titles in your organization.

This will allow you to:

- Identify the most important trends and developments affecting your business.

- Determine the essential skills and knowledge your employees are currently missing.

With these insights, you will be able to effectively address your organization's skills gap through targeted measures. This is how you can ensure that your employees and organizations have the capabilities to thrive now and in the future!

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The 5 steps of the Skills Gap Analysis

Step 5. Skills Gap Analysis workshop *Page 23*

Perform the analysis and create an action plan.

Step 4. Quantitative impact workshop *Page 16*

Use the predicted changes in work to calculate the size of your future workforce.

Step 3. Qualitative impact workshop *Page 13*

Analyze what the trends mean to your organization and how L&D can help.

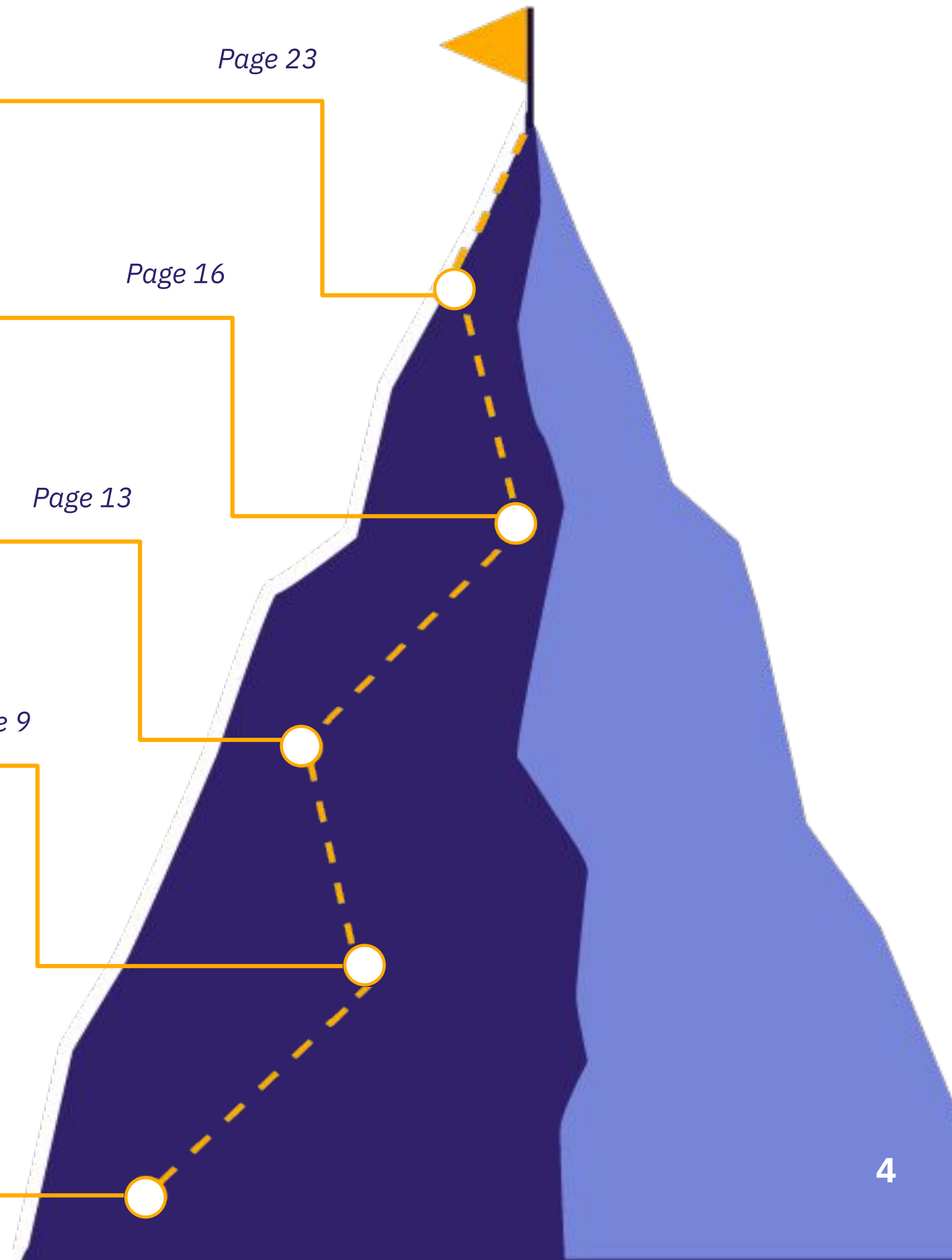**Step 2. Trends & development workshop** *Page 9*

Discover which factors are going to shape the future of your workforce.

Step 1. Intake *Page 5*

Lay the foundation for the success of your project.

4

Step 1. Intake

In this critical first step, you will lay the foundation for the project's success.

You have four main goals:

- Clarify the project objective

- Define the scope

- Select team members

- Create the project planning

Step 1. Intake

1. Get the right stakeholders

In this first step, you will need to arrange an intake meeting. This is where you will make decisions that will affect the entire skills gap analysis process. Which makes it crucial that you gather the right people to provide input and insight for this meeting.

> **Tips**
>
> Your intake meeting should include:
>
> - A business leader
>
> - A project manager
>
> - An HR Business Partner

2. Create a clear objective

Start with creating a clear overview of the crucial skills your organization is currently missing. Make sure to dig deep to get to the bottom of the issue.

To do this, you should ask the meeting attendees questions such as:

- What challenges will your department and workforce likely face in the future?

- What problems should we solve in this project?

- What are the urgency and timeline for this project?

This should help you determine exactly what it is that your skills gap analysis needs to address.

Step 1. Intake

3. Define the project scope

It's always good to have a general idea of the challenges ahead. But you also need to think about whether you want to focus on a certain department, or maybe specific jobs.

When discussing project scope, you also need to decide on the project's time horizon. Do you want to create a skills gap analysis for 5 years down the line? Or even further?

This will depend on the needs and situation of your organization. But the usual projects will have a scope of between 4 and 10 years.

Step 1. Intake

4. Select project team members

Those attending the intake meetings won't be the only ones providing input for your skills gap analysis. You should also consult others in your organization, such as:

- Analyst (or a financial controller)
- Managers
- Subject of analysis
- Recruiters
- L&D specialists

Tips

Who you consult should be based on the challenges in the project scope. For example, if you will only focus on training current employees and not hiring new ones, you can consider leaving out recruiters.

5. Create a project planning

The main factor here is the urgency of the project. If a skills gap is already affecting your organization, you can aim to wrap up the project in a matter of weeks. If the skills gap is less pressing, you can also consider spreading the project over several months.

Now that you have laid the foundation for your skills gap analysis project, let's head to the second step of this process.

Step 2. Trends & development workshop

Let's discover which factors will shape the future of your workforce.

This is the first workshop with your complete project team. Your goals are:

- Making sure everyone is caught up
- Explaining the scope and objective
- Mapping development and trends

Step 2. Trends & development workshop

2. Map developments and trends

Your goal in this workshop is to create an overview of the most impactful trends and developments affecting your organization's current jobs and ways of working. These trends can either be internal or external.

Tips

This is how you can explore trends in a structured way:

1. First, **everyone works individually**. Have the entire team take 15 minutes to list trends and developments they think are important.

2. **Pair up.** In groups of 2 or 3, discuss the ideas and try to combine them if possible.

3. **Bring the team back together** and plot the trends in an impact/probability matrix.

1. Explain the scope and objective

First things first: you need to update the entire team on the details of the project. This means making sure to inform new members on the goal of the skills gap analysis, as well as the project scope and timeline.

Step 2. Trends & development workshop

3. Select trends using a matrix

An impact/probability matrix is an useful tool to quickly rank the various trends your team has identified.

It's best to include a maximum of 5 trends. This helps you save time and focus the project to create a more detailed and actionable plan. The matrix provides a quick and easy way to select these trends.

Here's how you can set it up:

1. Draw a matrix that lets you map the impact and probability of trends.

2. Divide it into four quadrants.

3. Mark where each trend sits on the matrix.

Once you're done, you'll be able to see at a glance which trends have the highest impact and probability. These will need to be included in the project.

Trends to focus on

High

Impact

Low

Low   Probability   High
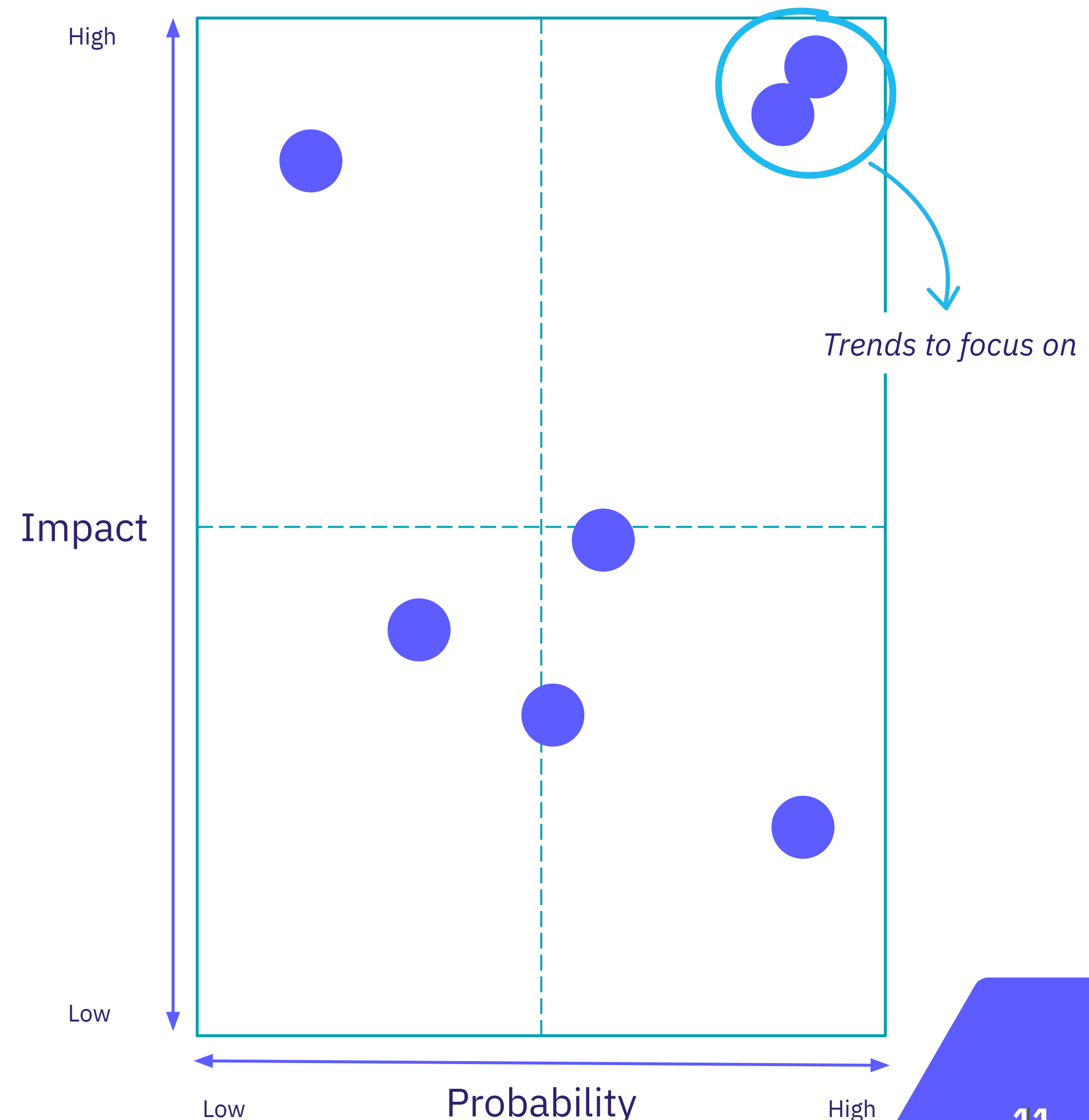
Step 2. Trends & development workshop

4. Trends discussion

Once you have selected your trends, it's time to discuss them further. Ask your team questions such as:

- What happens if we don't act on these trends?

- Will these jobs still exist in the future?

- Which tasks will change? Which ones will remain?

With these answers, you will have great input for the next workshop!
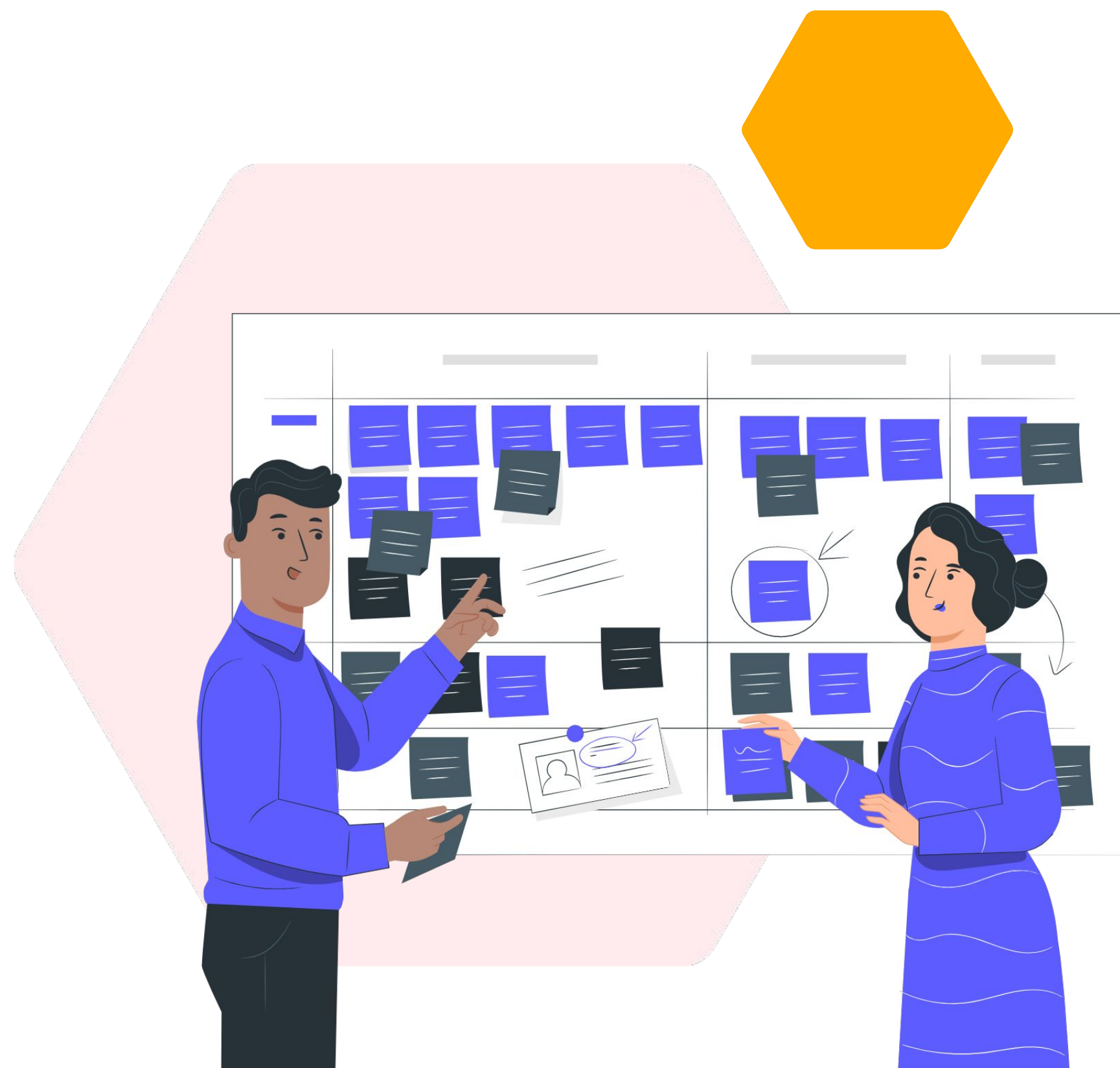
Step 3. Qualitative impact workshop

It's time to find out what the trends mean for your organization, and how L&D can help.

This workshop focuses on exploring the effects of the trends you've selected on three key areas. From this, you will get a clearer picture of the challenges ahead, making it easier to perform your analysis.
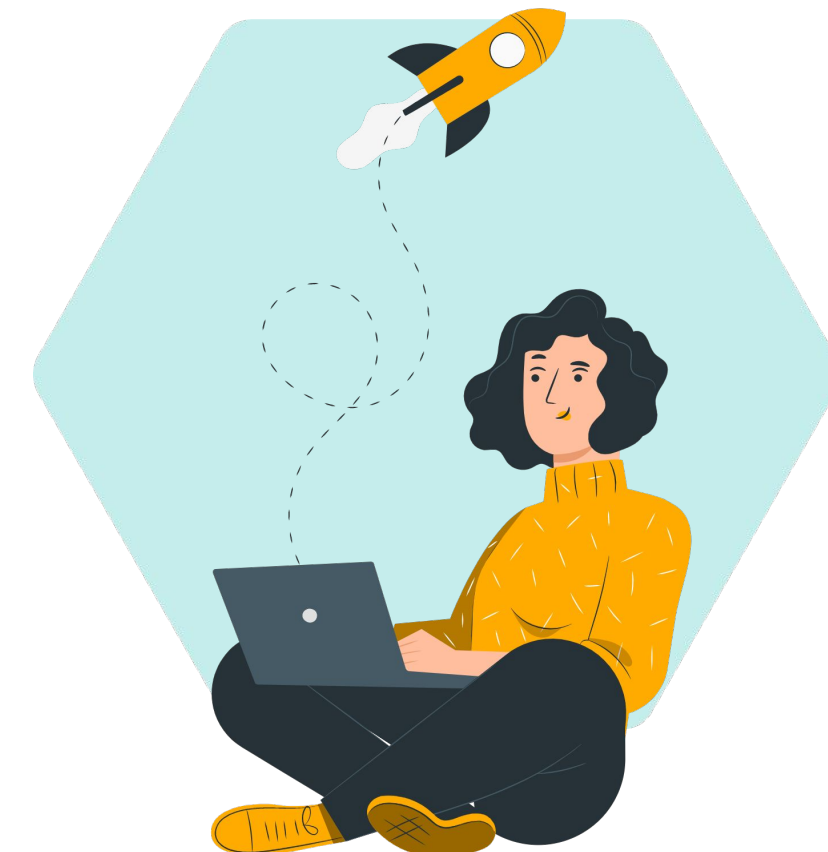
Step 3. Qualitative impact workshop

1. Context: What will change in your employees' surroundings?

Consider how the trends will change your employees' everyday work. This can be absolutely anything to do with their work, such as:

- Customers

- Stakeholders

- Systems and tools

2. Results: What will the job's future objectives be?

Have the team answer questions such as:

- Which tasks will the employee perform?

- What products or services will they deliver?

- What will their KPIs be?

Step 3. Qualitative impact workshop

3. Employees: What will these changes mean for the employee?

Now that you have a better understanding of the impact of the changes, you can explore what these changes mean for the employee on a personal level.

Tips

Ask the team to consider matters such as:

- What expertise does the employee need?

- What will employees need to do less, more, or differently?

- What don't we want to change about the job?

With these answers, you understand what learning interventions will be most valuable to your employee and organization.

Step 4. Quantitative impact workshop

Let's use predicted changes in work to calculate the size of the future workforce.

Your goal is creating a future workforce model by:

- Finding the drivers of the number of employees

- Determining what decides the amount of work for a specific job

- Identifying the level of productivity per FTE

Step 4. Quantitative impact workshop

1. Adjusting the team

In this step, you will need to determine the size of the future workforce based on the changes you have mapped so far. You, and a few other members of your team don't need to be there for this workshop.

Here're some suggestions for those who need to join and those who can skip the workshop:
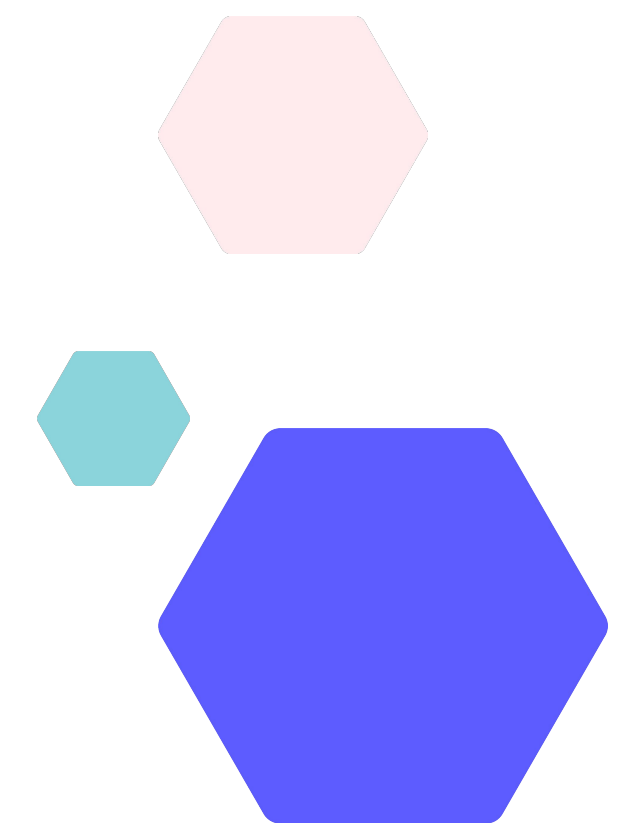
Required members
- Business managers
- Subjects of analysis
- Analyst

Ideal members
- Project manager
- HR business partner

Attendance optional
- Business leader
- Recruiter
- L&D specialist

Step 4. Quantitative impact workshop

2. Homework for the analyst

This workshop is all about numbers. This means you'll need some data to start with. Before the workshop, ask your analyst to gather this data for the team. At the start of the workshop, review these numbers with the team members present.

Here are the data points your analyst should focus on:

Current number of FTE

How many employees are in scope?

Age distribution

What is the age distribution of your employees?

Years of service

How long have these employees worked for your organization?

Years in position

How long do people work in the same job?

Voluntary turnover

How many people left voluntarily over the past three years?

Performance

How do people score on the desired skills?

Step 4. Quantitative impact workshop

3. Discover the drivers of work

The drivers of work are the elements that determine the amount of work. They show the FTE you need.

After reviewing the numbers, the first thing you need to do is pinpoint the drivers of work. This might not sound important, but it's not unusual for managers to not know why they need 50 FTE to get the job done instead of 40 or 60.

Drivers of work examples

- The number of vacancies determines the amount of work for **Recruitment**.
- The number of plans determines the amount of work for **Planning**.
- The number of customer queries determines the amount of work for **Customer Service**.

4. Determine the productivity per FTE

You will be using this productivity indicator in combination with the driver of work to create a workforce model. This means you need to determine productivity in the same unit as the driver. It should also be calculated per year.

Here are possible productivity levels of the example drivers:

- A **recruiter** can manage 60 vacancies a year.
- A **planner** can deal with 50 invoices a year.
- A **customer service rep** can handle 4300 customer queries a year.

If your organization does not keep track of productivity data, you will need to make an educated guess.

Step 4. Quantitative impact workshop

5. Analyze tasks & calculate the size of the workforce

To understand the future impact of your selected trends and developments, you will need to create a more detailed breakdown of how tasks are performed.

To achieve this, create an overview of the tasks needed for the drivers you've previously identified. With this, you will be able to more accurately calculate the impact of trends and developments on the (future) workforce.
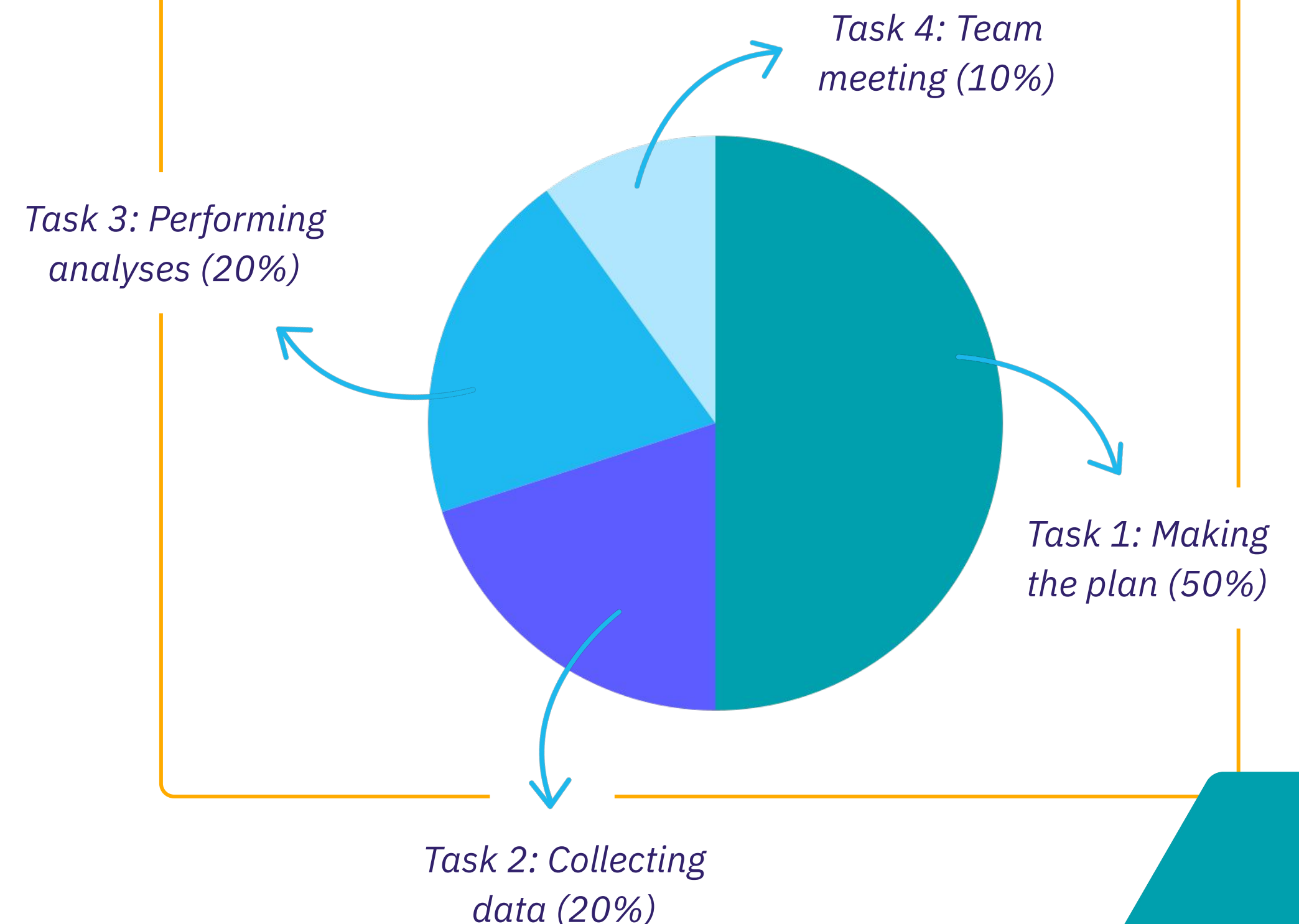
Example

Normally, a planner will spend 50% of their time making plans. But if you expect that an algorithm will make 30% of the plans in 5 years' time, then you will only need 85% of your current FTE to complete the same amount of work.

Planning job breakdown

Create a list of the tasks (no more than 5), and estimate how much time an employee (FTE) spends on each task, expressed as a percentage.

Here's the task breakdown for a planner:

Task 4: Team meeting (10%)

Task 3: Performing analyses (20%)

Task 1: Making the plan (50%)

Task 2: Collecting data (20%)

Step 4. Quantitative impact workshop

6. Determine the changes per year

Time to estimate the changes per year. For each of the trends, map out what needs to happen per year. Based on that, you will be able to calculate the impact on the workforce.

Example

Let's return to the example of the planning algorithm. You expect that in 5 years' time, 30% of plans will be made using an algorithm.

This means that in 5 years, your workforce will be affected. However, before that happens, you need to people to know how to make a plan to generate data for a training, validation, and testing data set.

You will need your current planners to do this, so the FTE might remain the same for the coming years.
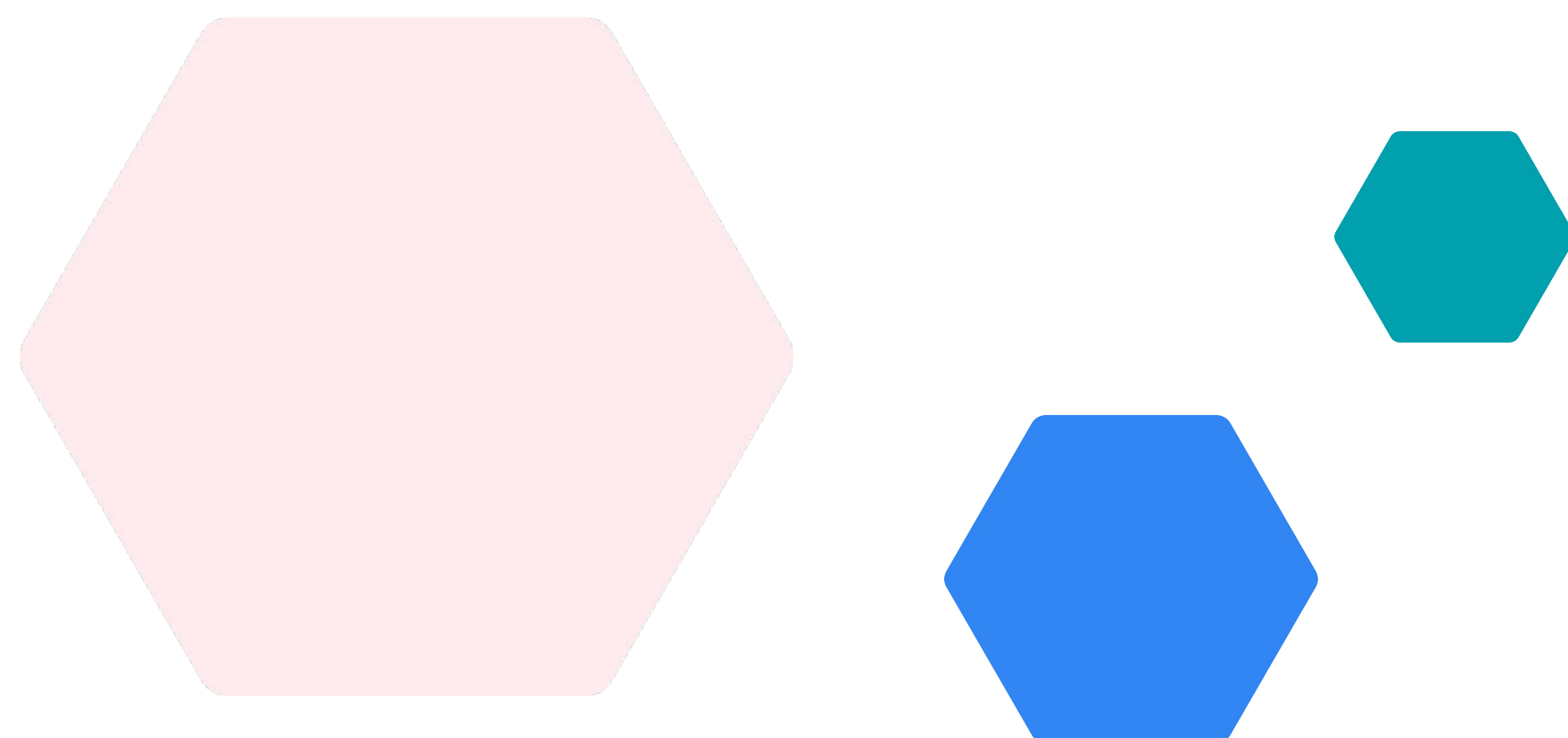
Step 4. Quantitative impact workshop

7. Create a table of changing tasks

You won't use this in your model, but it's important for the next workshop. For each year of your analysis, put in the time spent per task and make a note of when new tasks will be added to a job.

8. Make a model

After the workshop, the analyst will make an FTE demand model based on the workshop outcomes, and the turnover and retirement data gathered beforehand.

Remember that the number of FTE the model predicts is an estimate, not the exact number. You will need to remodel every year. The number of FTE will be more precise each time you get closer to the final year of your analysis.

Step 5. Skills Gap Analysis workshop

In the final workshop, you will perform the analysis and create an action plan.

It's now time to use the input you gathered in the previous steps to make a concrete analysis and plan. Your goals are:

- Understanding the gap

- Creating an action plan

Step 5. Skills Gap Analysis workshop

1. Analyze the qualitative gap

We will use the three elements used in the third step: **Context, Results**, and **Employees**. For each element, consider the changes that you identified, and think of if and how this will impact your employees. For example:

- If one of the changes in **Context** changes is the need to get new customers, will these customers be different to your current clients? Will your employees need new skills to deal with them?

- If one of the changes in **Results** is the need to perform new activities, will your current workforce need a learning intervention to carry out these new tasks?

Do this for all the changes you identified in the third step, and note all the differences between your current and future situation. What will you need to do to close this gap?

Extra consideration: changes in fun

Another important dimension you need to consider is how changes can impact job satisfaction in your workforce.

Some changes might be positive. Automating repetitive admin to free up time for more creative tasks can make your employees more satisfied.

Changes can also reduce the job's fun factor. You can outsource challenging technical maintenance work to reduce your tech staff's workload, but that can also take away their most interesting tasks.

Our advice is: write down all the differences you can think of when it comes to expertise, skills, and what makes the job fun to do.

Step 5. Skills Gap Analysis workshop

2. Analyze the quantitative gap

Discuss the model created in the previous workshop and determine how the predicted changes will impact the workforce. Make a note of all the gaps you see.

It's important to keep in mind that regardless of trends and developments, you will have a quantitative gap due to turnover.

3. Create the action plan

Time to consider the actions for each of these gaps. To keep things clear and concrete, you should divide these actions into 4 categories: **L&D, Recruitment, Employee Turnover,** and **Organization**.

Example

Some questions and topics to consider for L&D:

- How to measure employees' future skills?

- What do we offer when it comes to training?

- What is the financial impact of developing the current workforce?

For all domains, write down actions based on these questions. With that, you'll have an action plan to help your organization thrive, no matter the challenges ahead!

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