Digital Skills & Barriers to Training
LLEP area

For Serco
Dec 20

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Contents

1. Executive Summary

- This research sets out to gain a better understanding of the skills issues and barriers faced by employers in the Leicester and Leicestershire area so that resources can be allocated more effectively and local training provision (through Serco's Skills Support for the Workforce (SSW) programme) can be more targeted.

- Telephone depth interviews were completed with 55 businesses from a range of sectors across Leicester and Leicestershire between March and October 2020.

- Overall, business requirements for workforce development, and specifically digital skills, varied considerably and were often bespoke to the nature of the business, its core offering and its size, rather than the business sector.

- In terms of the impact of Covid-19, it is unsurprising that many businesses are still experiencing difficulties. Unfortunately, a minority have already been forced to close as a direct result of the pandemic and, although minimal so far, a small number of businesses have had to make redundancies to keep afloat. Others had put that decision on hold until the furlough scheme ended, and now have more breathing space before making those decisions.

- For the majority the future remains uncertain and this has a particular impact on sectors such as tourism/hospitality and retail and those that rely on affected supply chains. It has however allowed some businesses time to look at their business model and in some cases diversify, with work relating to digital marketing and e-commerce being prioritised for many. A minority of businesses, particularly those working within the health and social care sector, have faced increased workloads and associated pressures as a result of the pandemic.

- Aside from the Covid-19 pandemic a number of other challenges face businesses in the next five years. These included Brexit and the resultant impact on economic uncertainty; supply chain issues and imports/exports; cashflow; overseas and domestic competition; connectivity; and a wide variety of sector specific challenges e.g. a move to using electric vehicles and the decline of the in-store non-essential retail sector.

- Not all Leicester and Leicestershire based SMEs are high-tech, instead they often have limited but at the same time varied experiences of the usage of digital and automated technology.

- Common uses and applications fall into the following categories: basic desk based software e.g. Microsoft Office; financial systems or software; customer relationship management (CRM) systems or software; bespoke booking or ordering systems; digital marketing tools; and a wide variety of industry specific technology. SMEs commonly felt that requirements to use some or all of these forms of 'digital' would likely increase in the future.

- Where businesses tend to utilise more digital technology, they are often medium in size or a start-up in sectors such as manufacturing or creative and digital. Business output is also instrumental in determining the extent to which digital/automated technology might be relevant. Businesses with a more developed understanding and usage include manufacturers across a range of sectors.

- Automation, robotics or artificial intelligence (AI) were mentioned infrequently, but when they did feature this was more prevalent, or likely in the future, amongst medium sized firms and most commonly manufacturers. Specific examples include: advanced automated machinery to speed up production; technological advancements in equipment to enhance product quality; software for more efficient and accurate CRM management; and bespoke software and hardware project management tools.

- For many businesses usage of digital technology is limited and there is little anticipation of this situation changing in the foreseeable future. It simply doesn't 'fit' the profile of some businesses such as nurseries or logistics, whilst others lack motivation or find the costs or time involved in researching it prohibitive.

- SMEs tend to prioritise job specific skills over digital skills when recruiting, and it is these job specific skills that occasionally present recruitment challenges. In order to fill any digital skills gaps most tended to expect to train existing staff rather than bring in new staff with specialist digital skills or invest in freelancers.

- Specific digital skills lacking varied, with the most common relating to digital marketing including web design, search engine optimisation and social media literacy. Other skills gaps include skills related to e-commerce, the usage of CRM systems, PRINCE2 project management skills and programming/software language skills e.g. Python. Businesses were also aware of the importance of basic IT skills and many felt there was room for continued improvement in that respect, but typically this is managed in-house.

- Training and development was very much dependent on the nature of the skill concerned and also dictated in some instances by the sector. Training relating to software or technology is common but typically provided by the manufacturer and additional external support is rarely needed.

- Where employee turnover is high, business owners often prefer doing the training themselves and passing on to other members of the workforce. Many employers (primarily small and medium sized) have a preference for 'cascading' skills and training as a way of maximizing impact, either through 'on the job' shadowing or training or passing on learnings from an external course to other team members.

- The nature of the skill requiring training or development tends to dictate the appropriate methodology but fitting around work and current Covid-19 related restrictions means that online delivery methods/webinars are popular with SMEs. This also tends to be cost-effective which is important. Even subjects previously delivered in classrooms have been found to work online giving SMEs greater flexibility and reducing time spent 'off the job'. However, online courses are found by a minority of SMEs to be inflexible and ideally require post-course support in some instances to ensure SMEs benefit.

- Other SMEs felt that going off-site to get their head out of work was advantageous as it aided concentration and felt it is too easy to switch off from online courses. As regulations are relaxed it was also noted that the networking benefit of interacting with others in the same field at face-to-face courses is also very valuable.

- Some subjects and sectors will likely always require face-to-face training such as 'hands-on' training in the health and social care sector; products you need to interact with to understand the manufacture and appliance of the technology; and some IT skills where sitting in front of a laptop with an instructor is necessary.

- The vast majority of businesses are generally comfortable with where to go for information on training. Sources commonly used include: manufacturers and suppliers; search engines such as Google; family members, colleagues, associates or other SMEs; expert agencies (for e.g. employment law); professional bodies or membership organisations; Government bodies and Local Authorities; and local universities and colleges.

- A small number of businesses had accessed training courses through the Business Growth Hub and were positive about their experience.

- A range of barriers to accessing training or development exist and one of the biggest is sparing time for training. This is particularly critical for micro and small sized businesses (which make up the vast majority of businesses in Leicester and Leicestershire) as employees have a variety of different roles and responsibilities making it difficult for them to be given the time away from work to attend training. Many businesses simply can't afford for staff to be in training as production would have to stop. Time also presents an issue in terms of sparing the time to find the right kind of course, develop a plan and organise it, and then apply it to the business. Other barriers include: the cost (or perceived cost) of undertaking training or development; the extent to which it provides return on investment; a lack of relevant training courses (linked to specific skills e.g. early years childcare); and the red tape associated with funding that is prohibitive for SMEs.

2.   Introduction

Skills Support for the Workforce (SSW) is a programme developed to upskill employees within small and medium-sized employers. The programme provides recognised accredited qualifications and bespoke training courses to enhance employees' skills, increase competitiveness and boost the local economy.

Skills Support for the Workforce is co-financed by the Education and Skills Funding Agency and European Social Fund.

Serco's Employment, Skills and Enterprise business (Serco Ltd) is the Prime Contractor of the SSW programme in Leicester and Leicestershire Local Enterprise Partnership geographical region. The Education and Skills Funding Agency commissioned Serco to conduct research to understand employers' skills needs in Leicester and Leicestershire as part of the Local Enterprise Partnership's (LEP) skills planning, which in turn forms part of their wider strategic agenda. Serco commissioned Qa Research to deliver this piece of research.

Qa Research is pleased to submit this research report to Serco. It is based on the findings from qualitative research with 55 businesses carried out between March and October 2020.

A wealth of quantitative skills data exists within the Leicester and Leicestershire area, with more research planned for 2020, however a need has been identified for qualitative research which delves deeper into some of the issues identified.

This research comes at a time when rapid advances continue to be made in artificial intelligence (AI), robotics and other technologies, which is impacting on industries throughout the UK economy. These advances are changing the nature of the jobs that need to be done, and the skills needed to do them, at a considerable rate. In Leicester and Leicestershire, where manufacturing makes up an eighth of employment and half of that is low-skilled, the impact of automation and the need for the working population to gain digital skills will be more keenly felt.

Some members of the UK's workforce do not possess the required level of digital literacy skills to keep up with this pace of change, and hence it can be difficult for employers to fill roles and train existing staff. It is therefore important that skills needs are identified to ensure that provision is optimised and, where required, support can be provided to organisations that may find the process overwhelming which can inhibit growth. This has particular importance for SMEs, which make up 99.6% of businesses in Leicester and Leicestershire and are also typically impacted more by barriers related to time and money.

Furthermore, the working age population is forecast to decline in relation to the overall population over the next five years, meaning that it will be increasingly important for businesses to incorporate new digital technologies if they are to maintain and improve their competitive advantage.

Through gaining a better understanding of local skills demand issues and the barriers faced, resources can be allocated more effectively and local training provision (through Serco's Skills Support for the Workforce (SSW) programme) can be more targeted, hence helping Leicester and Leicestershire improve its productivity and achieve its potential.

3. Aims and objectives

The main objectives of this research were to;

- Conduct **a series of qualitative depth interviews** with Leicester and Leicestershire based SMEs that will lead to a better understanding of the skills issues and barriers faced by employers in the area.

- Identify any **recruitment difficulties faced** and how industry changes may impact on this going forward.

- Determine **what key skills needs exist**, including digital skills, amongst employers and **how they currently fill these shortages or gaps** through training or development.

- Identify **barriers that exist to upskilling staff** and how these can be addressed.

- Establish whether there are any **training needs not currently available through ESF**.

- Investigate whether these issues **vary by business sector**, and also by size or location.

- Determine how Serco, LLEP and other stakeholders can **support businesses and employees to raise skills levels** and increase awareness of the opportunities available.

4. Methodology

4.1 Qualitative depth interviews

The project set out, in Spring 2020, to recruit 68 businesses to participate in a telephone depth interview. The aim was to recruit a mixture of businesses based on sector (including manufacturing, creative/digital, logistics/distribution, professional/financial, tourism/hospitality, health and social care), area and size.

The following tables outline the target quotas agreed;

Figure 1. Sector and size quota targets

Sector	Target quota	
Manufacturing	16	
	Micro (1-9)	6
	Small (10-49)	6
	Medium (50-249)	4
Digital and Creative	8	
	Micro (1-9)	3
	Small (10-49)	3
	Medium (50-249)	2
Logistics/Distribution	8	
	Micro (1-9)	3
	Small (10-49)	3
	Medium (50-249)	2
Professional/Financial	8	
	Micro (1-9)	3
	Small (10-49)	3
	Medium (50-249)	2
Tourism/Hospitality	8	
	Micro (1-9)	3
	Small (10-49)	3
	Medium (50-249)	2
Health and Social Care	8	
	Micro (1-9)	3
	Small (10-49)	3
	Medium (50-249)	2
Other sectors	12	
	Micro (1-9)	4
	Small (10-49)	4
	Medium (50-249)	4
TOTAL	68	

Figure 2.   Local Authority quota targets

Local Authority	Target quota
Blaby	7
Charnwood	10
Harborough	7
Hinckley & Bosworth	7
Leicester	20
Melton	5
North West Leicestershire	7
Oadby and Wigston	5
TOTAL	68

A database of 1,500 businesses in Leicester and Leicestershire, in proportions matching the agreed sector and size specification, was ordered from Dun & Bradstreet to use to recruit businesses to participate in telephone interviews.

The timeline of the interviews, which commenced in March 2020, unfortunately coincided with the Covid-19 pandemic and the UK-wide lockdown on March 23rd resulted in all interview and recruitment activity being halted. This recommenced in June 2020, but a further local lockdown in Leicester announced in June 2020 further impacted recruitment efforts. This all had a particular bearing on businesses in certain sectors, in certain areas and small/medium sized businesses.

It was decided under the circumstances to reduce the targeted number of interviews to 55 and open up quotas to enable the successful completion of the interviews. These interviews were carried out over an extended fieldwork period between March and October 2020.

All participating businesses were paid an incentive of £60 as a thank you for their contribution.

Interviewers used a set discussion guide (included in the appendix for reference).

Please note that the results of qualitative research cannot be projected onto the overall population, due to the sample selection, interviewing methods and sample size.

5.   Key findings

This section outlines the key findings from the research.

5.1   Respondent profile

Firstly, the table below details the number of businesses interviewed within each targeted sector, which is further broken by business size. The skew towards micro-sized businesses reflects the fact that the vast majority of businesses within each of these sectors in Leicester and Leicestershire are micro in size (with between 1 and 9 employees). The over-sampling of small and medium sized businesses was limited by business availability during the pandemic, but nevertheless several non-micro businesses were recruited across all sectors.

Figure 3.   Business sector and size

Sector	Target quota	
Manufacturing	11	
	Micro (1-9)	9
	Small (10-49)	1
	Medium (50-249)	1
Digital and Creative	6	
	Micro (1-9)	4
	Small (10-49)	-
	Medium (50-249)	2
Logistics/Distribution	6	
	Micro (1-9)	2
	Small (10-49)	4
	Medium (50-249)	-
Professional/Financial	7	
	Micro (1-9)	3
	Small (10-49)	4
	Medium (50-249)	-
Tourism/Hospitality	7	
	Micro (1-9)	4
	Small (10-49)	1
	Medium (50-249)	2
Health and Social Care	6	
	Micro (1-9)	3
	Small (10-49)	2
	Medium (50-249)	1
Other sectors	12	
	Micro (1-9)	6
	Small (10-49)	4
	Medium (50-249)	2
TOTAL	55	

Quotas were also set on the proportion of businesses interviewed within each Local Authority area. The table below shows how the final sample breaks down by area and is broadly in line with the profile of businesses in the LEP area (with a slight under-representation of Blaby based businesses). The sector profile within individual areas impacted on these frequencies as sector/size quotas took priority in the recruitment phase.

Figure 4.   Local Authority

Local Authority	Target quota
Blaby	1
Charnwood	8
Harborough	4
Hinckley & Bosworth	7
Leicester	23
Melton	6
North West Leicestershire	3
Oadby and Wigston	3
TOTAL	55

Through information collected during the interviews it is clear that many businesses are well-established having been in business in the area for many years. Only a small minority are more recent start-ups.

5.2   Impact of Covid-19 on businesses

Unfortunately, a minority have already been forced to close as a direct result of the pandemic and resultant downturn in the in store non-essential retail trade, despite using financial support schemes available to businesses. These include a manufacturer of display furniture, shopfitters and a photographer.

Generally, businesses hadn't made any or many redundancies, though inevitably some had been necessary to keep a small number of businesses afloat. Others explained that this decision had been put on hold until the furlough scheme ended and were realistic that it may be necessary to make redundancies in the near future.

For the majority though the future remains uncertain and this is unsurprisingly having a particular impact on some sectors such as tourism/hospitality and in store non-essential retail. These sectors face significant challenges related to future lockdowns and restrictions that may be imposed in the future, as well as customer reticence or uncertainty relating to whether it is safe to return to visiting facilities and also the impact of certain revenue streams such as using rooms for events being severely limited.

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Covid-19 has also resulted in sporting events being played behind closed doors and this continues to cause major problems for one business which relies on match day trade as a major revenue stream. It is likely that other businesses located close to major sports or arts arenas will face similar issues.

In some sectors the limitations placed on capacity, or restrictions on installations related to PPE, continue to impact on business and will do so until the pandemic is over.

Some businesses also cited the continued disruption to supply chains as a major issue still impacting on day to day business.

The pandemic has however allowed some businesses to look at their business model and in some cases diversify. This was particularly apparent in the tourism/hospitality sector where some establishments have been able to branch out and offer successful takeaway or delivery services. Other businesses have looked at their business model and adapted in a more significant way, for example a gin distillery described a move from purely business to business sales to also selling direct to consumers via selling single bottles online. This required the development of e-commerce and digital marketing functions.

The devastating effects on industries such as air travel and cruises also have an impact on businesses that worked with such industries e.g. one food manufacturer relied on these industries for 90% of income before Covid-19 and has had to diversify quickly to stay afloat including setting up an online shop to attract new customers.

The number of businesses requiring support with digital marketing or e-commerce has also created a gap for those providing such services. One IT business has for example put new effort into providing web design services and supporting the development of e-commerce software.

It is important to note that in some cases these changes will present valuable new income streams, but in others these changes are very much 'short-term thinking' and not designed to be permanent changes to the business, rather they are 'doing what is needed to get through it'.
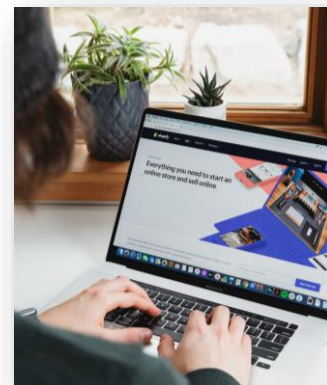
Some businesses, particularly those working within the health and social care sector, have faced increased workloads and associated pressures as a result of the Covid-19 pandemic. Ultimately some are doing more work with reduced staffing levels and this creates a different set of problems for a business.

Other businesses feel they have 'weathered the storm' and are busier now catching up with work that was put on hold during the initial lockdown. This has particular relevance to trades which had to stop work and are still catching up e.g. servicing generators.

5.3   Major challenges

As described in the previous section it is evident that the immediate and catastrophic impact of the Covid-19 pandemic currently provides the biggest challenge to many businesses. However, the businesses interviewed were also asked to focus on other challenges that they might face in the next five years and a wide variety of themes emerged.

A small number of businesses referred to Brexit, although it should be noted that no agricultural businesses were included in the research which is one example of a sector heavily impacted by Brexit. A minority did however reference the resultant economic uncertainty and potential challenges faced by minor supply chain issues and imports/exports. Given exact details remain unknown these businesses generally acknowledged that it is difficult to plan for it and 'not a major worry right now'.

Cashflow is something that frequently presents issues for SMEs, making it difficult to upgrade systems, invest in new technology or even upskill the workforce. It is therefore unsurprising that cashflow is regarded as a challenge by many businesses.

Overseas competition was also a challenge faced by some sectors, particularly those working in IT, and an increased demand for technical skills may mean an increased demand on expertise sourced from low cost labour pools overseas.

> *"We face an ongoing battle to keep costs right down as major competitors are based in India and it is impossible to compete cost-wise." (Creative/Digital, Micro)*

In commodity industries, profitability and price are driven down because of competition and hence the workforce can't be paid particularly well, which will also impact on skills.

A minority of businesses referenced the need for improved connectivity and upload speeds, particularly now that the need for offices will diminish and the culture of work will change.

A wide variety of sector specific challenges were also described, varying from the potential impacts on cashflow and skills caused by a move to using electric vehicles on the logistics/ distribution sector; the importance of using costly eco-friendly products in trade sectors; and the ongoing and potentially devastating decline of the in store non-essential retail sector. In summary, most businesses face significant challenges in the coming years from a variety of sources.

5.4   Use of digital and automated technology

The Leicester and Leicestershire based SMEs interviewed tend not to be high-tech, instead they generally have limited but at the same time varied experiences of the usage of digital and automated technology. This section sets out some of the applications used, circumstances under which businesses might be more likely to use automated technology and barriers to doing so.

5.4.1   Common uses and applications of digital Technology

For many businesses there are a number of common uses and applications of digital technology. These fall into the following categories;

- Basic desk-based software e.g. Microsoft Office either for all employees (in sectors such as creative and digital or professional/financial) or for specific admin or managerial roles within other sectors (e.g. logistics/distribution or tourism/hospitality).

- Financial systems or software including Sage, 12Pay and other bespoke systems are also commonly utilised to support internal functionality (as opposed to making the business more competitive).

- Customer relationship management (CRM) systems or software are important for some sectors, whether linked to managing existing customers or targeting new business.

- Several other bespoke booking or order systems and Enterprise Resource Planning (ERP) systems are critical to driving production within some sectors such as logistics/distribution.

- Industry specific technology is intrinsic to a range of sectors e.g. flow wrapping technology in food manufacturing, drone cameras in video production, or LED lighting in the electrical industry.

- Digital marketing tools such as websites and in some cases social media is another common use of technology within the majority of businesses. However, this wasn't always prominent in discussions and required prompting before some businesses realised 'digital skills' might include digital marketing. This should be borne in mind when communicating with businesses as it may not be apparent that this important aspect is included.

- Using technology such as Zoom or Microsoft Teams was also referenced in terms of supporting communications both within businesses and to customers e.g. within the health and social care sector video consultations via digital platforms have become an important means of business continuity. The Covid-19 pandemic has necessitated new 'digital' ways of working across many sectors as the following example outlines, also detailing the scepticism that exists amongst some businesses:

    "We have looked at digital showrooms for when our salespeople can't go out … we're setting up Zoom showrooms. I have brought GoPro cameras … and can present the ranges … there is a glove that buyers can feel the materials … but I am sceptical, but when you're a luddite you're always sceptical" (Manufacturing, Small)

Furthermore, for some sectors, there was a belief that usage of some of these applications will likely increase in the next five years, for example the extent to which technology might be used in the care sector was referenced by SMEs in that industry.

> *"I can see in the next 2 to 3 years the care plans will be digital, the medication charts will be digital and a lot more will head that way" (Health and Social Care, Medium)*

This was particularly significant for the professional/financial sector, within which some businesses highlighted the fact that the industry will continue to move online over the next few years with significant skills implications.

> *"More and more of our services will be requested and managed online in the future, until one day they are all automated. If we don't get it [the automated online delivery of services] we will get left behind." (Professional/Financial, Small)*

Where businesses tend to utilise more digital technology, they are often medium in size or a start-up in sectors such as manufacturing or creative/digital. Business output is also instrumental in determining the extent to which digital/automated technology might be relevant. Businesses with a more developed understanding and usage include manufacturers across a range of sectors.

5.4.2   Usage of advanced technology: automation, robotics and AI

Automation, robotics or artificial intelligence (AI) were mentioned infrequently, but when they did feature this was more prevalent, or likely in the future, amongst medium sized firms and most commonly manufacturers.

Specific examples include;

- Advanced automated machinery to speed up production.
- Technological advancements in equipment to enhance product quality.
- Software for more efficient and accurate CRM management.
- Bespoke software and hardware project management tools.

A small number of businesses did also acknowledge that automated technology or AI is likely to play a major part in the not too distant future. Amongst these businesses the benefits of investing in the future are clear and varied greatly from one to the next. Benefits mentioned include;

- Increasing efficiency in production leading to cost savings.
- Enhancing product quality (e.g. a construction company using virtual reality headsets to visualise plans/extensions).
- Waste reduction as a result of a decreased risk of errors.
- Keeping up with or getting ahead of competitors.

- Improving customer service levels.

- Increasing staff motivation and performance levels.

The majority of those that were aware of how automation or AI could benefit their business tended in the main to see these developments as opportunities, although they could also be potential threats if competitors were quicker to invest sooner than they were. However, as SMEs, they frequently expected larger companies to adopt automated technology or AI before them. A logistics company gave the example of an Amazon warehouse evidently being better positioned to utilise such technology before micro and small sized businesses, whilst a smaller manufacturer made similar comparisons between larger laboratories in the sector that have 'gone digital' already versus smaller ones that still use traditional methods.

5.4.3   Reasons for low usage of digital technology

For many businesses usage of digital technology is limited and there is little anticipation of this situation changing in the foreseeable future. This includes businesses where the primary operation requires human input e.g. nurseries, physiotherapists or bricklayers; those where the 'artisan' or bespoke offer is at the very core of the business model e.g. bakeries or bespoke product design; and those that involve a high degree of manual operation e.g. in logistics and distribution or some manufacturing businesses.

> *"We are hands on, very skilled assembly and testing… we don't have many processes that are automatable, they require skilled technicians if not engineers" (Manufacturing, Small)*

Other businesses admitted that they were lacking in motivation to adopt new ways of doing business or using new technologies, reasons varying from being too small to justify the change (even in sectors that otherwise might have higher levels of digital usage e.g. logistics, distribution or manufacturing) to being close to retirement age and hence there seeming 'little point'.

However, many businesses feel that they face barriers in being able to invest in or adopt new digital or automated technologies.

Cost is inevitably a barrier for many SMEs as cashflow can frequently be more problematic compared to larger businesses. Several businesses have considered the pros and cons of investing, but some are still uncertain on how to proceed and when. For others, the costs associated with adopting new digital or automated technologies simply can't be justified.

> *"The big challenge for our industry, in dental labs, is moving away from traditional methods on to digital…the issue is investing thirty or forty thousand [pounds]…3d printing and 3d scanning….but if there's nobody to take the business on it's not worth it." (Manufacturing, Small)*

In the previous example the business concerned has noticed a loss of certain types of work to larger labs with 3D printing capabilities but other work that can't be done digitally has been successful, to some extent validating the decision not to invest.

For some businesses there are clear benefits to using more technology but having the skills and time to do so is a barrier. This applies to the care sector as well as the following example:

> *"We'd need to find a company that can set us up on the right track for that sort of thing [all engineers in the field having iPads to update rather than paperwork] …the set up and maintenance…but no idea [where we would get that help]…it's unknown where to start with it really…I'm not a tech person and we don't have an IT person here." (Other - maintenance, Small)*

Many SMEs face a particular challenge with finding the time to research and think about how digital or automated systems might be integrated into the business.

A small number of businesses also cited workforce specific challenges in adopting new technology. These challenges include the skills of the existing workforce and their ability to use the technology e.g. a cinema that does not have enough staff with the appropriate skills to manage the fast change in technology in the sector.

The age of the workforce is another perceived barrier in some sectors. For example, in the care sector businesses have found some reticence amongst the workforce to use technology versus traditional methods that they have previously used, however with some effort and support they are able to grasp it.
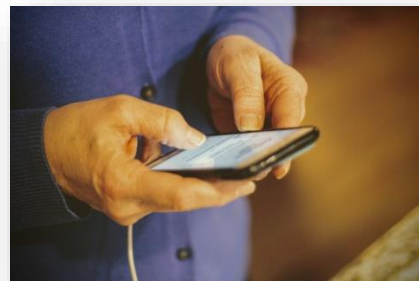
> *"It [digital uptake] varies from staff member to staff member: the majority seem to grasp it. I think if you're from that generation you're used to a computer, a touch phone or an iPad, but generally most staff are doing okay" (Health and Social Care, Medium)*

This is further compounded in the logistics sector through the prohibitive costs of insuring younger employees who it is believed would improve the attitude to the adoption of technology within the business and also bring ideas or knowledge with them.

Finally, when faced with the speed of technological innovation some SMEs point out that it is hard to always know what is possible, particularly where automation, robotics or AI are concerned. There is some interest in learning more about what might be possible and with increased awareness it is possible that adoption might increase also:

> *"Over the next 6 to 12 months we'd actively get involved with [automation], be ahead of the curve… if we are looking at pushing the e-commerce at the moment we're manually uploading the orders and dispatching, if there's a way to get that more automated and slick we'd definitely be interested" (Manufacturing, Micro)*

> *"If there's any AI we can use I'd be delighted…it would provide information about suitable sites around the country." (Other – recycling, Micro)*

5.5   Recruitment into digital roles

Where recruitment activity had taken place recently, this did not relate to digital skills and businesses tend not to face too many issues with supply. The general consensus seemed to be that when recruiting there were other job specific skills that would take priority, and it is these job specific skills that occasionally present recruitment challenges.

> *"Would prefer they were used to pharmacy systems but happy to teach it, no other digital skills needed as ordering is done by management." (Health and Social Care, Small)*

> *"It is quite difficult to find people [with generator maintenance skills] as it is quite technical and specialist…we'll be starting [employee] on an NVQ course in technical engineering." (Other – maintenance, Small)*

Any isolated needs for digital skills within recruitment plans were not perceived to be an issue:

> *"Some of our clients want specific experience of PRINCE2 which our project manager doesn't have. So, we have talked about it and when we do [recruit] we will prioritise a salesperson who also has the PRINCE2 experience within our existing recruitment plans." (Creative/Digital, Micro)*

It should also be noted that when recruiting new entrants to some sectors, generic workplace skills, for example 'having a good work ethic' are also viewed as being critical and placed above digital skills in order of priority.

The definition of digital skills again frequently required some discussion, as when probed many businesses felt that basic Microsoft Office or email skills were required, but that this was something that they could address, where necessary, on-the-job.

In order to fill any digital skills gaps most tended to expect to train existing staff and often didn't foresee needing to bring in new staff with specialist digital skills (or invest in freelancers where relevant to individual sectors). However, where this had been necessary, for example in the case of one creative/digital business to fill a gap related to advanced software skills, there had been success in recruiting via De Montfort University, although this had proven to be extremely costly and not something the business could repeat again soon.

A small number of other businesses spoke positively about local universities and colleges in terms of building good working relationships, with both sides benefitting, whether in the form of training provision, mentoring or providing work placements.

Very few businesses had actively employed Apprentices, with barriers cited primarily relating to cost, time and it simply not being appropriate for very small businesses.

However, a minority of businesses did describe positive experiences of having employed an Apprentice and this commonly included support with basic IT skills, but there were isolated examples of filling other specific digital skills gaps.

> *"I am looking to take on an Apprentice after the pandemic and have someone in mind. Mainly to work on digital campaigns as this is something I do need support with but also admin for example the back-end of the website processing orders." (Manufacturing, Micro)*

> *"We have had a Level 2 Apprentice in the past and that worked really well, as he was great with IT and used to come in from college and show us lots of shortcuts which made work more efficient." (Manufacturing, Micro)*

A very small number of sector-specific observations were made about the poor quality of graduates in the Creative Industries, but this is not specific to just digital roles. Specific examples include the quality of graduates interested in shoe design/fashion and also film production. One business explained that the training received is too generic:

> *"The biggest problem we have is the output from universities, post-graduation skill level is horrendous, salary expectation is widely inflated, and the simple work attitudes are lacking in the vast majority of cases". (Creative/Digital, Small)*

However other businesses with a high reliance on technology or software, appreciated that technology moves very fast and hence they didn't expect new entrants to have the requisite digital skills.

> *"We don't have any issues with software skills right now but that will change when something new comes in. Students might start a 3-year course but what they are using is out of date by the final year. As a business you have to become adept at addressing that when they are employed." (Creative/Digital, Micro)*

5.6   Current digital skills issues

Very few businesses interviewed could identify specific digital roles within their firm. Even where specific digital skills might be required several businesses spoke confidently about the benefits of outsourcing such work to 'experts' and giving them time to focus on their own area of expertise. This is particularly applicable to IT, accounts or digital marketing work. Several SMEs felt that they would benefit from accessing more support in these areas, particularly digital marketing:

> *"We haven't got an e-commerce online … been searching locally online to find a small company to help … met a local guy online, he gave me a quote, but it was quite high" (Manufacturing, Micro)*

> *"We have all these [social media] platforms, but we are users, but not manipulators of this data" (Manufacturing, Small)*

Specific skills lacking varied from business to business, with the most common relating to digital marketing including web design, search engine optimisation and social media literacy to keep up with evolving platforms. Other skills gaps in existence currently include skills related to e-commerce, the usage of CRM systems, PRINCE2 project management skills and programming/software language skills e.g. Python.

Another area of skills development impacting on a number of businesses relates specifically to technology and the need to evolve as industry-specific technology does also. Generally, SMEs are relaxed in their approach to taking on new technology and are used to doing so to keep up with competitors.

No businesses had experienced any major issues as a result of a lack of digital skills, and had been able to find a way to upskill existing staff, utilise freelancers or outsource work to enable them to continue running the business effectively and efficiently. Some businesses, including some of those that are BAME led, felt that they managed this within an existing network or 'extended family'.

Some SMEs acknowledged that it was important not to forget basic IT skills (primarily including Microsoft Office skills linked to Excel and Access), as improving these could potentially have significant impacts on the digital technology being used within the business. It was acknowledged that capabilities varied within the workforce, including long-term members of staff and new entrants but this was not found to be a widespread or significant problem.

> *"But simple computer courses would also help…if I had a better understanding of things like Excel and stuff it might help me better understand the things [tech tools] that come in." (Manufacturing, Small)*

Only a tiny minority of businesses predicted any imminent changes to the digital skills required in their business. One example with potentially wide-reaching consequences is this example from an accounting firm where an expected move to the online delivery of services will necessitate a very different skill set.

> *"The change to more online ways of doing business will mean skills will be needed in understanding how the interface works and not what goes on behind it." (Professional/Financial, Micro)*

5.7   Training and development

This section sets out existing approaches to undertaking training and development, how they would prefer to undertake training and development in the future, where or to whom businesses might go for information and whether any barriers exist.

5.7.1 Existing approach to training and development

The approach to training and development, was very much dependent on the nature of the skills gap and also dictated in some instances by the sector itself.

Where the training required relates to software or technology this is typically provided by the manufacturer and additional external support is rarely needed. Indeed, some businesses explained that this played a part in choosing the software or technology in the first place. Ease of use or the product support on offer can typically be a deciding factor in which piece of software or technology to purchase.

> *"If training was needed (for any new software) it would be part of the package." (Other - electrical, Medium)*

Some businesses have also forged productive working relationships with manufacturers allowing the workforce to keep up to date with the latest technology.

> *"We do a reasonable amount of refresher or top-up training with production teams. They would usually go to equipment manufacturers. They would go to Sony for the day and they might sharpen up on a few skills and it would be their opportunity to upsell some equipment" (Creative/Digital, Small)*

Some employers, particularly medium sized and frequently in sectors with a statutory requirement to train such as health and social care, had a strong emphasis on regular training and development. Given their size and the statutory requirement for staff to keep up to date there is increased importance placed on a structured approach that addresses skills gaps as they arise:

> *"We have a training manager on site and she leads training and we have a training matrix record which shows what is due, when … all mandatory training and also work with a local college … staff do additional training at home distance learning … to progress with NVQs" (Health and Social Care, Medium)*

> *"[Skills gaps] are just dealt with so quickly it doesn't become a problem. As soon as a member of staff starts we identify where their starting point is, and support them to try and get them up to the same level as everybody else" (Health and Social Care, Small)*

One conundrum faced by some SMEs is deciding who should undertake the training or development. Some businesses find that employee turnover is high and investment in skills is therefore problematic, leading to a preference to do the training themselves and pass on to other members of the workforce. It is acknowledged however that there isn't always time to take this approach and so for some SMEs losing the skills is just something they have to accept when staff move to other companies or set-up their own business/become a freelancer. Some did describe a proactive approach including one business that had 'never turned down a training request'.

Many employers (primarily small and medium sized) have a preference for 'cascading' skills and training as a way of maximizing impact, either through 'on the job' shadowing or training or passing on learnings from an external course to other team members.

> *"Occasionally the managers will go on training, then they'll come back and write training from their experience, and then deliver that to everyone else at a staff meeting. It's more cost effective for them to go on that and then cascade it to everybody" (Health & Social Care, Small)*

It is evidently critical for SMEs to get value for money from the training or development that they do undertake. This has been particularly effective in the hospitality sector in which a great deal of training has been required to prepare staff for new hygiene measures and ways of ordering via apps or iPads.

> *"We had so much training to do prior to reopening and went with a slow release of information so it didn't feel too daunting. We did a slow walkthrough of mask wearing and ordering with the contactless app and partnered staff up until they were comfortable." (Tourism/Hospitality, Small)*

Where a business has a head office or is part of a chain, they tended to receive guidance and training direct. This is particularly relevant to the hospitality industry and, for example, recent guidance required in using ordering apps rolled out to all sites to enable Covid-19 protocols to be followed safely.

5.7.2 Preferred methods of training and development

The nature of the skill requiring training or development tends to dictate the appropriate methodology but fitting around work and current Covid-19 related restrictions means that online delivery methods/webinars are popular with SMEs. This also tends to be cost-effective which has obvious additional appeal.

Businesses described a number of benefits to using online methodologies, primarily that online courses often give you access to the video/materials that can be passed on to other staff hence making the best use of time and resource and is also more cost-effective.

Some businesses admitted that prior to the Covid-19 pandemic they wouldn't have considered online training as an option, but some subjects that have previously always been delivered in classrooms could work online giving them greater flexibility and reducing time spent 'off the job'. Some examples of subjects and sectors that this applies to are health and safety training in the hospitality sector; safeguarding in the health and social care sector, and electrical engineering courses.
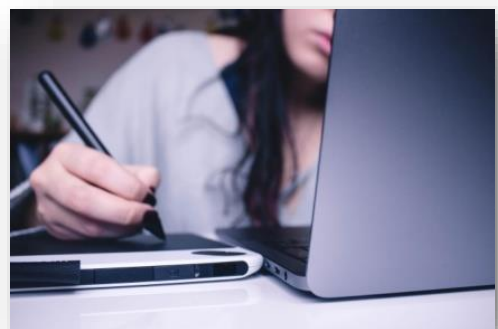
Using online training methods or webinars is clearly beneficial for a variety of reasons, however, for some businesses a one-size-fits all approach has not proven to be successful in terms of meeting some specific learning objectives:

> *"Sometimes our challenge is how to articulate the need we have. Often what happens is people try a one size fits all in a training programme, whereas we need to engage more with the provider ahead of the programme, so that it is tailored more specifically to the needs of the business … customised not generalist" (Manufacturing, Small)*

Another manufacturing firm had specific goals related to selling via Amazon when undertaking a selling online course online, but the content didn't fulfil the learning goals. This led to a suggestion that perhaps the online/webinar model could be extended to provide further support or mentorship to ensure SMEs gain the most benefit from these courses and importantly are supported in implementing the skills afterwards:

"Online learning is clearly the future but there needs to be something additional within that model to ensure we [SMEs] are able to implement the learnings into the business. Instead of hiring premises that money could go towards some type of mentorship and help us be masters of what we are meant to be masters of." (Manufacturing, Micro)

Online methodologies are undoubtedly more appropriate for some types of skill and subjects. Those successfully delivered this way commonly include digital marketing, CRM systems and selling online. However, other subject matters do not lend themselves to online methodologies and hence some businesses still place great value on face to face training. Employers felt that going off-site to get their head out of work was advantageous as it aided concentration and felt it is too easy to switch off from online courses. Some small and medium sized businesses also had concerns over how well their workforce would engage online.

> *"I'll be honest IT is an issue for a lot of the drivers and online training just doesn't work, so face-to-face training works so much better." (Logistics/Distribution, Small)*

It is to some extent also a matter of personal preference.

> *"I still prefer face to face [training] …. for example, with GDPR we went to a law firm and got a day's face to face training to ensure that we hadn't cut any corners on that front."
> (Creative/Digital, Small)*

> *"Online is where we'd be looking, but it's quite good to have a day out of the office away from any distractions and really sort of focus on that, and really throw yourself into it" (Manufacturing, Micro)*

Businesses, particularly medium sized, in certain sectors felt that paying a training provider to come and deliver workshops on-site was most productive for their business, for example, in the construction or electrical trade.

At the present time there are obviously significant Covid-19 related barriers to undertaking face-to-face training and so all businesses acknowledged that online training was a suitable alternative in the meantime. However, as regulations are relaxed it was noted that the networking benefit of interacting with others in the same field at face-to-face courses, is also very important and something that SMEs value greatly.

Particular subjects and sectors that require face-to-face training include 'hands-on' training in the health and social care sector; products you need to interact with to understand the manufacture and appliance of the technology; and some basic IT skills where sitting in front of a laptop with an instructor is necessary.

As referenced in section 5.7.1 'cascading' skills is popular amongst SMEs in order to get value for money from training or development and also to make the best use of time and resource. This seems to be a particularly common approach when upskilling members of the workforce in basic IT or software skills, which are commonly learned on-the-job through colleagues or self-taught. Covid-19 provided some businesses with time to learn new skills to enable new ways of doing business and this business owner described what is possible;

> *"During lockdown we lost 95% of our business so I decided to learn more about e-commerce to set up an automated online shop so that some stock could be sold online. I used ECWID and it has been really useful to spend that time doing something that will continue to benefit the business even after Covid-19." (Manufacturing, Micro)*

5.7.3   Sources of information on training and development

The vast majority of businesses are generally comfortable with where to go for information on training. This naturally links in with the nature of the training required and the circumstances of the business but common sources include;

- Known manufacturers and suppliers – it is commonplace across all sectors to purchase new software/machinery and training would typically be provided as part of the purchase or sourced from the manufacturer.

- Search engines such as Google are extremely common sources of information, particularly relating to basic digital skills, with many businesses describing examples of when they had been unsure how to proceed and were comfortable with researching themselves and tapping into YouTube tutorials or other online materials to navigate through their difficulties.

  > *"I am not too bad with online stuff like our Instagram account, our Facebook page, search engine optimization ... I have done it all myself on the computer, learning from YouTube and stuff like that" (Manufacturing, Micro)*

  > *"On the whole we try to learn things ourselves at our own rate, and the internet is a wonderful tool for that" (Manufacturing, Small)*

- Asking family members, colleagues, associates or other SMEs. There was a clear understanding that many others will be able to provide answers to some development needs, and again this is particularly relevant to basic digital skills.

- Where more specialist knowledge is required, for example employment law or health and safety, expert agencies such as Peninsula are used by a small number of businesses to provide support. There is a recognition that some skills or knowledge is best left to the experts, especially for SMEs where time is of the essence.

- Emails/newsletters/resources provided by professional bodies or membership organisations e.g. specialist online libraries in the postproduction sector and local forums such as the Leicester Food & Drink Forum.

- Government bodies/ Local Authority training, specifically for businesses such as nurseries who can access training such as safeguarding, first aid or speech and language via these more formal routes.

- Local universities and colleges, including some that offer online courses that have been beneficial to some businesses.

A small number of businesses had accessed training courses through the Business Growth Hub and were positive about their experience, citing the quality of the teaching and course content as particular positive points.

A small number when prompted had heard of, and in isolated cases, used the Growth Hub. There is an appetite amongst businesses for support and information delivered in the following ways:

- an infographic clearly setting out the grants and funding schemes.
- a more personal, mentor like relationship, to support start-ups in the region.

5.7.4 Barriers to training and development

A range of barriers to accessing training or development were cited by SMEs in Leicester and Leicestershire. One of the biggest barriers for SMEs, arguably even more so now than previously, is sparing time for training. Many businesses said that they simply can't afford for staff to be in training as production would have to stop, especially if there is only one person per role e.g. a gin distillery would have to stop production if the distiller goes out training, and that isn't a viable option for them.

"We had to send 3 staff members out on forklift training, which was more cost-effective, but it had a big impact on production. We just had to bite the bullet though as we couldn't afford to send them out separately, it was significantly cheaper sending them all at the same time." (Manufacturing, Micro)

But it isn't necessarily impossible as one business, which valued the importance of training, described;

"I worked in a company where every Friday they would do training, down tools every Friday. It's a good policy, if you do one day a month even… we've spoken about it and made plans in that direction. If it's done officially with a policy then it can be implemented." (Manufacturing, Small)

Other businesses felt that time had another bearing on access to training and development in terms of sparing the time to find the right kind of course, develop a plan and organise it, and then finally actually apply it to the business. Particularly for micro business owners, finding the time to

take on all of the tasks involved in running their business means that training can feature further down the priority list, but the current pandemic has helped some SMEs to take time to review this position.

> *"To be honest with you, I would like to, but I have never had time [for formal training] because in the past we were so busy and doing okay. But due to Covid I have learnt a lesson and it would be better if we can learn some stuff" (Manufacturing, Micro)*

Naturally the cost of undertaking training or development is viewed as another barrier amongst SMEs, but this is sometimes based on perceived costs. Some businesses had made assumptions about the costs associated with training without actually looking into what is available and how much that might cost.

Linked to the cost of the training itself is the thought that some businesses give to the return on investment. As discussed earlier in this report, staff retention is a consideration for some businesses when deciding which staff members should undertake a training course and this has a bearing also on the return on investment. Some businesses also look at the impact a training course might have on profits when deciding whether a training opportunity is worth going for.

A minority of businesses felt that there was a lack of relevant training courses available to them, these tended to relate to very specific skills including a nursery that was struggling to find courses locally at the appropriate skill level.

> *"There used to be loads on the county council website and cheaply, but now not so much, plus must be early years specific as a generic course wouldn't really be applicable. I'd like to see a range of online training within specific areas of learning within the EY sector, and not necessarily training but opportunities to share ideas with other practitioners working in the same age groups, how they've overcome barriers and adapted" (Health and Social Care, Small)*

Another related barrier being that the courses on offer are not necessarily at the right time to suit business needs.

One further barrier concerns the red tape associated with funding and this creates a particularly difficult barrier for some SMEs who can't meet the criteria or minimum costs required. Red tape is viewed as being unhelpful and prohibitive to accessing training.
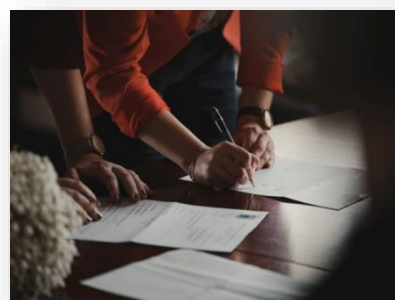
6.   Case studies

6.1   Business A – Start-up with appetite to learn & grow

➢ Business A is a product manufacturer
➢ It has been based in Leicester for 3 years
➢ It currently has just 1 employee
➢ Also uses freelancers through agencies where required e.g. designers.
➢ Prior to Covid-19 business was going really well, growing and expanding.
➢ Will need to look at technology propositions as it is likely to take over the greeting cards market in the future. Needs to find a proposition that delivers the same sentiment using technology.
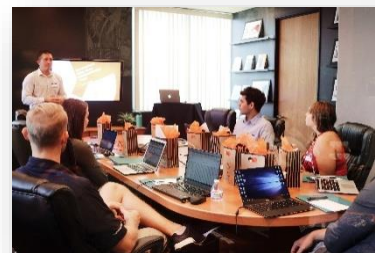
Impact of COVID-19 and other challenges
• Was due to launch products at a major supermarket but that is now delayed.
• Also had to delay launching a new product line in June.
• Having issues with suppliers as they are prioritising key industries
• Ongoing challenge in terms of how the business can grow and would like support with that

Skills issues
• Would like an expert digital agency to take over digital design but cost prevents doing that.
• Looking to take on an Apprentice after the pandemic and has someone in mind. Mainly to work on digital campaigns as this is a gap but also admin e.g. processing website orders.

Approach to training and development
• Generally researches training opportunities online and through networks
• Very keen to take up training opportunities, having recently undertaken training in website design, digital photography, search engine optimisation and selling online training.
• Some of this training was accessed via the Local Enterprise Partnership and was impressed with the people delivering them.
• Believes mentoring is key for start-ups wanting to grow and thinks many local SMEs would benefit from someone who can look at a new business and help with strategy.
• Online learning is clearly the future but needs to be something additional within that model. Instead of hiring premises that money could perhaps go towards some type of mentorship. This could assist businesses with implementing what they have learned and could be done online.

Barriers
• There are some great step-by-step guides available through Smart Insights, a digital marketing consultancy, however the costs are too high for a start-up.
• Would like to be able to access a grant but the structure of the system, and minimum amount available, doesn't suit micro-businesses. The criteria for these grants could better suit SMEs.
• The value of training is clear but finding the time to actually implement it is difficult e.g. undertaken website training which is critical to business strategy but doesn't have the time to implement it.
• Sometimes courses need to be more bespoke e.g. the selling online course didn't go far enough to teach you how to sell on Amazon which would have been a useful addition.

6.2   Business B – Technology user and advocate of training

➢ Business B is involved in film and video production

➢ Based in Charnwood

➢ It currently has 16 much valued staff who have "an insatiable interest in their work"

➢ Prior to COVID-19 experiencing best year ever but then hit by multiple cancellations

➢ Everything the business does is described to be very much technology driven

Impact of COVID-19 and other challenges
- Using the flexible furlough scheme to full extent and trying to get through the storm, with light at the end of the tunnel now that enquiries and work are increasing.

Technology usage
- Invested heavily in technology four years ago and until the pandemic had been reaping the benefits.
- One investment was in a drone and also hands-on training for a camera operator to become a drone flyer.
- There is a ceiling in terms of technology usage though… not intending on investing in e.g. robotic cameras as it "just isn't that type of industry.

Skills issues
- Basic computer literacy is not an issue, but platform literacy is key as the video platforms such as Tok-tok and Instagram are constantly evolving. It is something that it is critical to keep on top of.
- Their experience has been that the biggest problem relates to the graduate output from universities as skills levels, including basic work attitude, are poor and salary expectations are inflated. 'On the job' training is therefore critical.

Approach to training and development
- Have a very proactive approach to training and have never turned down a training request.
- Regularly do refresher or top-up training with the production team. This commonly involves going to equipment manufacturers e.g. Sony for the day to sharpen up on a few skills.
- Have a strong preference for face to face training as felt to be 'gold-standard'; for example with GDPR went to a law firm for a day of face to face training to ensure that no corners were cut.
- Online teaching libraries are also utilised, particularly in the post-production team.

Barriers
- Return on investment is a major factor in deciding whether a training opportunity is worth investing in.
- Upskilling staff in the creative industries also has risk attached as many will take those skills away into a freelance career.

6.3   Business C – Childcare provider with niche training needs

➢ Business C is a day nursery for pre-school children
➢ Based in North West Leicestershire for 25 years
➢ It currently has 22 staff, and another 10 in 'satellite' locations
➢ Prior to COVID-19 the business was doing well enabling significant investment in new flooring and equipment.

Impact of COVID-19 and other challenges
• The government support they have been able to access to support the business during the pandemic has not been great so left with all the usual overheads. Parent company investment has meant parents were given the option to not come back without charge for June and July.
• As a result of the reduced income things like an annual staff training day have been put on hold because the expenditure just can't be justified right now.

Technology usage
• Everything is logged digitally on an iPad using two systems (EYman and EYlog). When staff start they are supported to develop knowledge, skills and confidence to use the systems and when there is an update this is discussed at a staff meeting.
• Some staff are much more digitally minded, but overall there is a good knowledge within the staff on how things work and using the technology doesn't cause problems.

Skills issues
• Not really any significant skills issues as only take on qualified staff and then encourage them to complete higher qualifications.
• Any skills gaps are dealt with so quickly it doesn't become a problem. As soon as a member of staff starts they are supported to get them up to the same level as everybody else.

Approach to training and development
• New parent company took over 2 years ago and invests significantly in training, including external speakers/courses on schema therapy, speech and language, first aid and safeguarding.
• Staff get more out of day courses as they can go off-site and focus on it away from the work setting. However, there is value in being able to access some courses digitally and use the same materials to cascade to other staff.
• Each member of staff has their own personal development plan, which involves looking at skills gaps and upcoming trends and assessing what training is required. This also involves asking individuals what they feel they would benefit from.

Barriers
• Training is costly but have been able to make it more cost effective by cascading knowledge throughout the team. That might mean one manager goes on a course then delivers it back at a team meeting (often by a different team leader as find the staff take it in better).
• There used to be a lot of cost-effective training opportunities offered by the county council but there isn't as much now, so often look to the NDNA for training courses.
• Training needs to be specific to early years as generic courses are not as appropriate. It is problematic trying to find specific courses being offered for free or at an affordable cost.
• Opportunities to share ideas with other practitioners working in the same age groups would help too e.g. how to overcome changes in working practices linked to COVID-19.

6.4 Business D – Drinks manufacturer considering automation

➢ Business D is involved in drinks manufacturing

➢ Based in North West Leicestershire

➢ It currently has 6 staff, though most have been furloughed

➢ Major proportion of business was wholesale to restaurants but looking to explore the full potential of ecommerce.

Impact of COVID-19 and other challenges
- Cashflow problems previously caused as wholesalers pay on 30- or 60-day terms with very large orders but have to pay duty upfront.
- COVID-19 has allowed the business to reflect and look at a new direction, understanding the true potential of ecommerce, which has been a great success and is really booming with end consumers also purchasing directly.

Technology usage
- Has already moved into social media and e-commerce and has updated website but envisages a bigger drive into digital marketing using analytics in the near future.
- The CRM system for sales has recently been updated and has been a success.
- No usage of automation but it is likely to impact on the dispatch procedure in future which is manual at the moment and can be time consuming when there are lots of orders. Would like to explore what options might be available.
- The bottling procedure also needs to be more automated as the business grows which allow them to justify investment.

Approach to training and development
- Don't currently take a lot of time out for training but there are some areas requiring development, however, the business needs further growth to justify an investment in updated operations and training.
- Some training undertaken when required e.g. to ensure familiarity with the new CRM system and how to get the most of it. Found that to be really useful and would like to look to do more of it.
- Online delivery is cost-effective but also acknowledge that it is good to have a day out of the office away from any distractions and this enables staff to focus on the training.

Barriers
- Cost and cashflow are inevitably issues for an SME when looking at training options.
- Ultimately taking a staff member out of work in a small team will have a major impact on the business as it can potentially mean production shuts down for the day.
- Also aware that there are quite a lot of training options out there so would appreciate more guidance on what the best training would be to take up.

serco

Education & Skills Funding Agency

European Union
European Social Fund

6.5   Business E – Support required with technology adoption

➢ Business E is involved in electricity generator sales and maintenance

➢ Based in both Leicester and Melton

➢ It currently has 5 staff

➢ Business was going very well early 2020 but had to furlough two staff to get them through the first two months.

Impact of COVID-19 and other challenges

- After the initial downturn, the business has been busier than ever catching up on those who had missed a service during lockdown and needed it promptly.

- Within the industry there will be a focus in the longer term on 'greener generators' as those used currently aren't eco-friendly. They are too expensive [for their clients] to buy currently but some companies are already looking into them and it is inevitable in a few years that the industry will head in that direction.

Technology usage

- Tended to have limited requirements for technology as the bulk of the staff were 'out on the road' undertaking tasks that required manual skills rather than digital application. One area of preference in future would be to invest in iPads so that maintenance checklists could be carried out via an online portal. This would mean on-site updates would be immediately logged centrally so that those in the office could be made aware of updates in 'real-time'. It would increase efficiency, prevent errors, reduce paperwork and make life easier for all employees

- Very few technologically minded people operate within the business and so would need to commission an external technology firm to set them on the right track, including set up and maintenance, but not sure where to start.

- They do have a website but outsource work on that and web optimisation to a specialist agency. Aware that they need to grow the ecommerce side of the business and will be looking to outsource work on that to a specialist agency also.

Skills issues

- It is difficult to find people with generator maintenance skills as it is quite technical and specialist. Have plans to start an existing member of staff on an NVQ course in technical engineering to expand skills within the team.

- Eventually increased take-up of greener generators will require new skills in the maintenance of them. Skills would be improved by speaking direct to the manufacturers as most of them offer training courses about how to implement their own products. A member of staff has already undertaken an online course which helped increase knowledge amongst the team. It isn't a concern as they expect to have to evolve.

Approach to training and development

- Would typically deal directly with manufacturers regarding any product specific skills, which might be classroom based or on the job.

Barriers

- Limited time to research the new technology and how it could be applied within the business

6.6   Business F – Construction firm requiring basic digital skills training

➢ Business F is involved in the construction sector

➢ Specialises in listed buildings

➢ Based in Melton for 18 years

➢ It currently has 11 full-time staff and lots of contracted local builders.

Impact of Covid-19 and other challenges

- Had to close due to issues with the supply chain and builders' merchants were shut so couldn't do any work. Was able to furlough all staff for a month.
- With overheads throughout and some clients not paying this has been an extremely difficult year. Despite trying to apply for government loans unfortunately that was unsuccessful.
- The cost of materials is also going up, but clients are making them honour contracts.
- Fear of a future property market crash is also a major challenge.

Technology usage

- Trades such as bricklaying will always have to be done by humans.
- However, other areas of the business could in theory embrace more technology. There are some "amazing" virtual reality packages out there, and that could impact the construction world going forward as people find it very hard to visualize design. The technology is out there now however a small building firm simply can't afford it.
- Previously decided it was worth employing an office manager, so after recruiting someone with digital marketing skills, and an investment in IT, they are now using social media and have an improved website.

Skills issues

- Despite the office manager having excellent digital marketing and basic IT software skills, there are other gaps within the business. Need to upskill, particularly in using Excel, but want someone to come in-house to do it but that is too costly. Those on offer tend to be online or college based and they don't relate it back to the business. Want to be able to say to a trainer "*this is what we do for our clients on excel spreadsheets, can you help us?*"
- Rate the use of apprentices but would need an apprentice with a car as they tend to work in rural areas and previous apprentices haven't been able to get there.

Approach to training and development

- Do some regular training and have got a grant from CITB but await the right course, at the right price, to invest in the relevant training.
- Online training suits the organization as fits well with small business needs, however, prefer a personalized approach where questions can be answered.

Barriers

- The cost of accessing the bespoke type of training required.

6.7   Serco adaptation of training delivery

Serco are an example of how a business has had to adapt to digital support.

Pre COVID-19 and the first national lockdown in March 2020, 50% of its SSW delivery was face to face. In line with national Government guidelines for the first lockdown, all non-essential businesses were instructed to cease trading and some workforces were put on furlough. This saw a shift in priority for many businesses from upskilling their workforce to business survival.

Serco worked with its supply chain to adapt delivery to the operational challenges imposed by COVID-19 which were mainly in the recruitment of new learners and the continuation of training for learners already on programme ensuring adherence to ESF funding rules.

Serco surveyed its supply chain and fed back the key challenges to the ESFA, which supported the introduction of new flexibilities such online enrolment processes. This allowed the supply chain to engage with businesses, recruit learners and deliver training through digital platforms such as Microsoft Teams and Zoom.

This resulted in SSW courses being delivered online where possible and within two months of the lockdown in March, online delivery across Serco's SSW contracts had moved to 94% of provision.

As part of efforts to adapt SSW delivery as a result of the pandemic, Serco also worked with its supply chain to review the courses and subjects being delivered, to increase, where possible, the support for digital and IT skills for businesses.

Many businesses will have had to adapt their services to include a digital offer due to local and national lockdowns and as a result, SSW in Leicester and Leicestershire can now offer training in Microsoft Office applications, digital marketing and social media through one of its expert training providers in the supply chain.

7.   Conclusions

Covid-19 has unsurprisingly presented major and varied challenges to Leicester and Leicestershire based SMEs. A minority have already been forced to close or make redundancies, whilst others are conscious that this threat still exists or are looking for ways to diversify. Alongside the many other challenges or threats likely to impact on businesses in the next five years (e.g. Brexit and the resultant impact on economic uncertainty; supply chain issues and imports/exports; cashflow; overseas and domestic competition; connectivity; environmental) the need for business support and/or training is significant.

In terms of current technology usage, not all Leicester and Leicestershire based SMEs are high-tech, instead they often have limited but at the same time varied experiences of the usage of digital and automated technology. For some it simply doesn't 'fit' the profile, but others acknowledge that they lack motivation or find the costs or time involved in researching it prohibitive. In these instances, support and advice in overcoming these barriers would likely be well received.

Where businesses already utilise more digital technology, they are often medium in size or a start-up in sectors such as manufacturing or creative and digital. Business output is also instrumental in determining the extent to which digital/automated technology might be relevant and case studies of those doing so, commonly manufacturers, could be used to demonstrate the advantages/benefits e.g. advanced automated machinery speeding up production; technological advancements in equipment to enhance product quality; or software for more efficient and accurate CRM management.

Overall, business requirements for workforce development, and specifically digital skills, varied considerably and were often bespoke to the nature of the business, its core offering and its size, rather than the business sector.

Where existing and future recruitment linked to digital skills is concerned, businesses generally prefer to train existing staff rather than bring in new staff with specialist digital skills or outsource work (the most common area being digital marketing and e-commerce); and where recruitment is taking place they tend to prioritise sector specific skills which can be harder to find. At this point in time, where the focus is very much on 'getting through' the pandemic, businesses were also very cautious about future recruitment activity.

Specific digital skills lacking varied greatly, with the most common relating to digital marketing including web design, search engine optimisation and social media literacy. Other skills gaps include e-commerce, the usage of CRM systems, programming/software language skills e.g. Python and in some cases basic IT skills. With a clear preference for upskilling the existing workforce there is an evident need for SMEs to be able to access training and overcome any barriers currently preventing them from being able to do so.

The nature of the skill concerned naturally dictates the method of training and development, for example training relating to software or technology is typically provided by the manufacturer and basic IT skills are commonly handled or 'cascaded' in-house so additional external support is rarely needed. However, businesses are open to upskilling the workforce and see the benefits of doing so and online delivery methods/webinars are popular with SMEs. Even some subjects previously delivered in classrooms have been found to work online giving greater flexibility and reducing time spent 'off the job'. In other cases SMEs still have a preference to go off-site to aid

concentration and the networking benefit of interacting with others in the same field at face-to-face courses is also very valuable. This choice is still important going forward when regulations on face-to-face delivery are relaxed.

Businesses are almost universally clear on where to go for information on the training opportunities available. A wide variety of sources are used and most commonly involve known contacts or networks (including suppliers, professional bodies, Local Authorities or local universities/colleges) and in the event of uncertainty search engines such as Google. Only a small number of businesses had however accessed training courses through the Business Growth Hub (all of whom were positive about their experience) and signposting or raising awareness of the opportunities available is likely to be beneficial.

Inevitably for SMEs a range of barriers to accessing training or development exist. Sparing time for training is a major one with employees within SMEs having a variety of different roles and responsibilities making it difficult for them to take time away from work to attend training. Other barriers include: time taken to look for training; the cost (or perceived cost) of undertaking training or development; the extent to which it provides return on investment; a lack of relevant training courses (linked to specific skills e.g. early years childcare); and the red tape associated with funding. These barriers are preventing SMEs from undertaking more training and development and so support with accessing digital skills training would be valued.

8. Recommendations

Technology is undoubtedly an important issue for many businesses to explore and in some cases adopt in order to remain competitive. There are a multitude of barriers to this, and the fact that technology can change frequently, exacerbates the barriers that exist. Some face personal barriers (whether they are nearing retirement or feel it simply doesn't 'fit' the business), but others acknowledge that they lack motivation or find the costs or time involved in researching it prohibitive.

In these instances, support and advice in overcoming these barriers would be well received by some businesses. This may include support with the following issues;

- Not every change in technology is necessary or beneficial for a business, and being able to access advice would be advantageous for some feeling unsure about how to proceed.

- This might include examples of the tangible benefits of doing so and assistance with how a longer-term technology strategy can be adopted. Businesses will be more likely to embrace new technology if they also get excited by what it has to offer, and how it will make their life easier.

- Case studies of local businesses that are already adopting technology could be used to demonstrate tangible advantage and benefits, whether that be advanced automated machinery speeding up production in e.g. the manufacturing sector, technological advancements in equipment to enhance product quality in e.g. the creative sector; or software for more efficient and accurate CRM management in e.g. the logistics sector.

- Where clear return on investment is demonstrated the costs of investing may in some, but not all, cases help to encourage adoption.

This research has demonstrated that most employers tend to be comfortable with the training and support provided directly by manufacturers where new digital technology is concerned. However, there are a wide variety of other skills gaps and potential training needs which could be developed to increase the digital capabilities within SMEs in Leicester and Leicestershire. Specific skills gaps are wide and varied, though one area of focus could usefully be digital marketing including web design, search engine optimisation, social media literacy and e-commerce to support businesses in finding new ways to do business and market their products/services. As detailed in section 6.7 these are subjects that SSW now delivers in Leicester and Leicestershire, which is an important area to promote.

Whilst the merits of online training are clear, and it is popular amongst some businesses who want to minimise staff time away from the business or benefit from having materials to cascade down to other staff members, it is important to ensure a variety of modes of training are still available going forward. Some employers have a clear preference to go off-site to aid concentration and also for networking purposes, so this choice will remain important going forward when regulations on face-to-face delivery are relaxed. This is important in terms of engaging businesses in the future.

The Business Growth Hub can have a major role to play in increasing awareness of what is available and assisting businesses with overcoming the barriers that they feel exist in undertaking training currently. Time and cashflow can easily provide reasons for businesses not to upskill staff but, as with the adoption of technology, seeing how other businesses have been able to benefit from training on offer could encourage interest. Barriers related to cost can sometimes be based

on a perception of the amount involved and increased awareness of the free or low-cost options available might persuade businesses otherwise. Some ideas could include;

- Knowing what is available is critical and access to a library of training opportunities online could be useful for businesses. Marketing Week provides a useful free weekly email for example and other industry specific free communications could be highlighted too.

- Clarity over the funding streams that exist and how SMEs can apply is also important. Advice on how red tape can be minimised would also be valued.

- Start-ups wanting to grow would appreciate a mentor to help them actually implement what they are learning and give them direction. This is particularly important in the case of online methods where the delivery is found to be less bespoke.

9.   Appendix

9.1   Qualitative discussion guide

This script provides a guide for the research and wherever possible the interviewer will seek to keep questions in order. However, feedback from the interviewee may lead to having to adjust the nature of the questions and the sequence of questioning.

Introduction and context

Hi there, I'm calling from Qa Research on behalf of Serco, Prime Contractors of Skills Support for the Workforce in Leicester and Leicestershire co-financed by ESF, to undertake the interview that you recently agreed to take part in. Thanks for agreeing to take part in the interview.

The aim of the interview is to understand more about skills and workforce development in your business before, during and beyond the COVID-19 crisis. The results will be used by Serco to help to influence future funding for relevant training and skill development opportunities for businesses in your region.

The call may last between 30 minutes and one hour depending on your answers. Is that ok?

Explain process:
- No right or wrong answers
- Confidentiality and anonymity
- Audio recording – is that ok?
- Topic is to discuss barriers to workforce training and skill development

We are offering a £60 cash incentive as a thank you for your participation. At the end of the call I'll ask you where you would like this money to be transferred.

Section 1   Business background

Could you start by providing some background to your organisation?
- Products / services
- Types of customers
- How long in business
- Location/s - rural, urban
- Workforce – volume of staff, skill levels (high, medium, low)
- Use of digital / AI / automation to produce, distribute or market products/services
    - Would they describe themselves as expert, developing or novice?

Section 2   Business challenges: current and future

Prior to COVID 19, how was your business doing?
- Up/Down/Steady?
- Why?

How is business going at the moment?
- Up/Down/Steady?
- Why?

How do you expect business levels to be over the next few years?
- Up/Down/Steady?
- Why?

Aside from COVID 19, what would you have expected levels to be at?
- Up/down/steady?
- Why?

What would you say are the main challenges the business faces over the next five years? *Probe for…*
- External / macro factors
    - *Interviewer note – probe on any mention of Brexit/COVID 19 and note to feedback*
- Internal / micro factors

What are the main things you think might change in the next five years that might impact your business?
- Does this reflect your wider industrial sector?
- *(If COVID mentioned as main issue) Anything outside of the COVID crisis*

(If not already mentioned) How do you think technological change or advancement might impact on your business?
- What about automation or artificial intelligence (where machines may take on tasks previously delivered by people), to what extent are you aware of these concepts?
    - To what extent might this impact your business in the next five years?
- What other digital sector changes might impact on your business?
    - *Probe for…*

- Possible opportunities – explain
- Possible threats – explain
- How significant is the threat / opportunity? Why?
- Will technology or automation affect the number of employees that you require in your business in the future?
    - Do you expect this to be long term or temporary?

What about the next ten years?

Section 3   Experience of recruitment into digital roles

Thinking specifically now about digital or artificial intelligence (AI) related skills within your business. Has the demand for staff with digital or AI related skills increased in the last three years?

- What has driven this change? (probe whether e.g. technological change, need to reduce costs, staff turnover, to remain competitive, meet customer needs)?

- (If comments mostly COVID related) anything that is not COVID related. For example, if the crisis had not happened what may have driven any change relating to digital or AI adoption

Have your expectations about digital or AI skills levels changed over this time? *Probe for…*
- The proportion of roles requiring digital or AI skills?
- The level required i.e. basic or advanced digital skills?
- *(Interviewer, again try and probe wider if answers only relate to COVID)*

Have you recruited into any digital or AI roles? Or roles containing advanced capabilities?
- How easy was it?
- How well equipped are new entrants?
- Thinking specifically about software packages are there any that you use that new entrants tend to be unfamiliar with?

Are there any courses/subject areas/qualifications in the field of digital skills that are lacking in your local area or amongst local applicants?
- If this gap was improved, how would this impact on your organisation? *Probe for…* impact on competitiveness or productivity.

Aside from digital roles, have you experienced any difficulties recruiting into any other roles in the past year? *Probe for…* areas of work/roles in which skills shortages exist and *again try and probe wider if answers only relate to COVID*

Section 4   Skills gaps and shortages: current and future

We are now going to talk about skills and training within your workforce now and in the future.
To what extent do you feel your current workforce has the right level of skills to deliver your product / service? You could answer on a scale of 1 to 5 if you like with 1 being 'skill levels are way less than what we need' and 5 being 'skill levels are spot on for what we need'
- Why do you say this?
- *If do not have the right level of skills:* What skills are lacking? And in what occupations?

How about digital skills?
PROMPT IF NECESSARY: This could include foundation skills (such as typing or turning on devices, sending emails); Microsoft Office skills (basic or advanced); Using the internet for transactions or solution finding; IT security; Industry specific skills (animation, web design, engineering software); AI
Try and probe wider if answers only relate to COVID

- What digital skills are lacking? Probe in the following areas:
    - Foundation skills (such as typing or turning on devices, sending emails)
    - Microsoft Office skills (basic or advanced)
    - Using the internet for transactions or solution finding
    - IT security
    - Industry specific skills (animation, web design, engineering software)
    - AI

- Does it vary by particular business areas or occupations? If so, in which areas?

- Have you had to recruit to fill these digital skills gaps? Or develop existing staff?

What about over the next 5 years?

To what extent do you feel your business will need the workforce to have different skills? Why is this? Does technology play a role in this?

If different skills needed, what type of skills and why?
- How about digital skills?
- What impact is this having on the business?

What would be the trigger for a need to develop the skill base of the workforce?
Again try and probe wider if answers only relate to COVID

(If not mentioned already) how about automation. To what extent do you see skills needing to be different or adapt in relation to automation?

Section 5   Preferred channels / types of training provision

Have you provided digital skills training in the last 12 months?
- If so, what format did this take?
- Who provided it?
- Was it successful in filling the skills gap?
- *Probe wider if answers only relate to COVID*

If you did need to up-skill your current workforce in the next five years, how would you go about this? Which of the following methods of training would appeal?
- On the job training
- External offline courses
- Bring in external consultants / expert trainers
- Online courses
- Virtual classrooms
- Mobile learning
- Blended learning
- Other formats

Why these preferences?

If looking for external help / courses where would you look for what is available?
- Google search and then call / email
- Use someone we already know – who?
- Contact the local authority

To what extent would this apply if seeking to develop digital skills or skills related to automation?
- Why?

Section 6   Barriers to training

Thinking about upskilling your workforce or accessing training specifically relating to digital skills, have you experienced or do you foresee any particular challenges or barriers with trying to access what your business needs?
- If yes, can you explain?
- If no, what about more general skills? Do barriers exist?
- *Probe wider if answers only relate to COVID*

What would you do about this?

What support would best help you to overcome your barriers to training?

Are you aware of any support that exists locally to help with business growth?
- Have you heard of the LLEP Business Gateway Growth Hub?
- Have you used it?

Are you aware of the FREE support that exists locally to help your staff with skills in general whether working, furloughed or at risk of redundancy?

If helpful offer details of support:

Website: www.serco-ssw.com
Email: skillssupport@serco.com
Twitter: @serco_ssw

If necessary: The Business Gateway Growth Hub is a single place to access all forms of business support across Leicester and Leicestershire. This includes free advice, specialist support and signposting.
Give them the telephone or weblink? https://bizgateway.org.uk/ or call 0116 366 8487

Section 7   Final comments

Do you have any final suggestions or comments?

Repeat assurances about confidentiality

Thank you very much for your time today