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Digital Talent Capability 2022–2023 RadarView

Developing the Talent Needed for Digital Transformation

December 2022

RADARVIEW™

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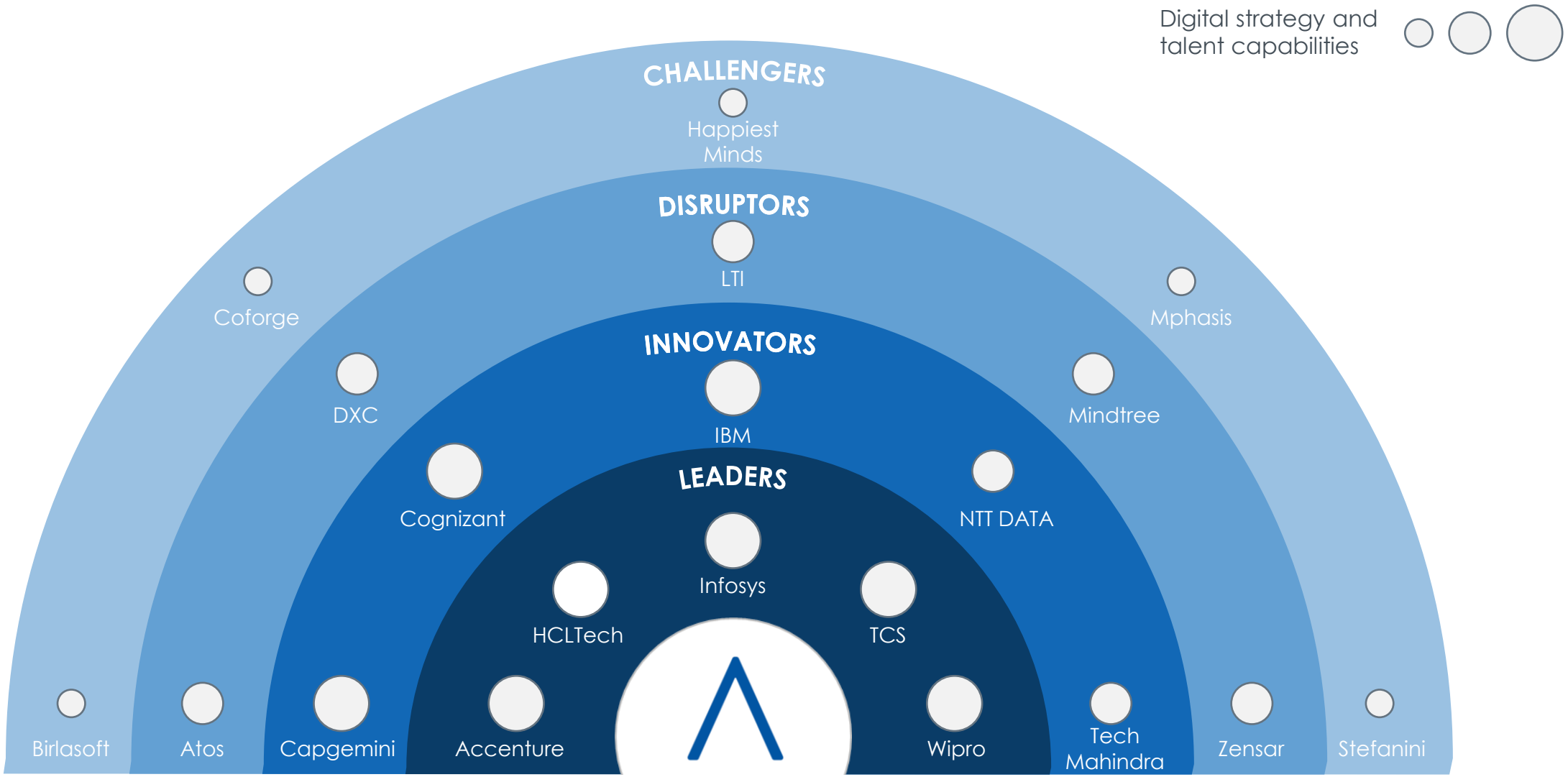
Executive summary

Key enterprise digital talent capability trends

The great resignation continues; the shortage of digital skills persists	• More than 4 million US workers quit their jobs in October 2022 with a quit rate of 2.6%. Multiple factors, including work-life balance, pay gap, remuneration, and flexibility, compel employees to quit. • Companies are finding it harder to retain talent to avoid crucial skill shortages of both hard and soft digital skills. Currently, 31% of US workers across industries lack digital skills.
The push for faster digital transformation forced companies to increase their IT and digital spending	• About 60% of enterprises are spending more than 20% of their IT budgets on digital spending to drive an increase in the adoption of digital technologies by scaling cloud, RPA, and AI initiatives and leveraging IoT and Blockchain to deliver secure enhanced digital services. • There is a continuous increase in funding of digital initiatives, with more than 71% of enterprises increasing investment across digital technologies and about 45% increasing by more than 25%.
Enterprises turn toward IT outsourcing to solve the digital skills gap and deliver digital transformation	• About 49.6% of IT organizations plan to increase outsourcing compared to 10.4% that plan to reduce outsourcing. About 40% plan to keep outsourcing at current levels. • Service providers are looking at long-term digital talent, with skills in design thinking, DevOps, Scrum and Agile, full-stack specialists, data scientists, and digital product managers in high demand. Digital FTEs have grown by about 28% at service providers between 2021 and 2022.
Service providers grow their digital talent pipeline, but talent-related challenges continue to worsen	• Service providers themselves have a shortage of digital skills and are plagued by rising attrition. The average service provider attrition in FY 2022 was 19.6%. • Providers are using new sourcing and digital talent acquisition initiatives, such as gig working and acquihiring. Talent localization, digital upskilling/cross-skilling, and adoption of the hybrid workplace are the top three areas where they are directing their organic talent-related investments.

Avasant recognizes 20 top-tier service providers building digital talent capabilities



denotes other providers and their digital strategy and talent capabilities on Digital Talent Capability 2022–2023 RadarView

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Recommendations for service providers

Recommendations for service providers

Perform a digital talent audit, and build a robust talent strategy	• As per NASSCOM, nearly two-thirds of Indian tech CEOs expect digital talent to constitute almost 50% of new hires in 2022. Service providers must determine the talent and digital skills necessary and do an internal talent audit to identify the digital skills in shortage and build the right digital talent strategy. • Both hard digital skills and positions (cognitive, data scientists, DevOps, Scrum, and full-stack) as well as positions with soft digital skills (customer centricity and design thinking) have roles to play.
Tap into diverse talent pools using newer ways of hiring digital talent	• Service providers must scout for new mechanisms to hire digital talent and tap into diverse talent pools, such as ramping up hiring at the graduate level, attracting local talent, conducting hackathons, and embracing gig models to fulfill project-based requirements. • Focus on building sustainable alternative talent streams, including hiring non-degreed resources through initiatives such as apprenticeships, which can further help bridge the digital skills gap.
Enhance the digital skills of the workforce through continuous reskilling/upskilling	• According to the World Economic Forum, 94% of business leaders expect employees to pick up new skills on the job by 2025, as compared to 65% in 2018. Reskilling and upskilling remain cheaper options than external hiring. Providers must create a skill map and resource plan to reskill and upskill existing tech talent to digital talent roles and prioritize skill testing for applicants and new hires. • Use new L&D tools that use microlearning and immersive learning to improve learning experiences.
Foster employee engagement, and improve experience at hybrid workplace	• Develop a system for sharing information and listening to employees' needs in the new hybrid working model. Create an employee-first operational framework by adopting employee experience metrics for segments such as service desk and device management. • Engaged employees are more productive and less likely to leave. Ideas such as virtual coffee breaks, feedback sessions, wellness-focused perks, and learning lunches can be implemented.

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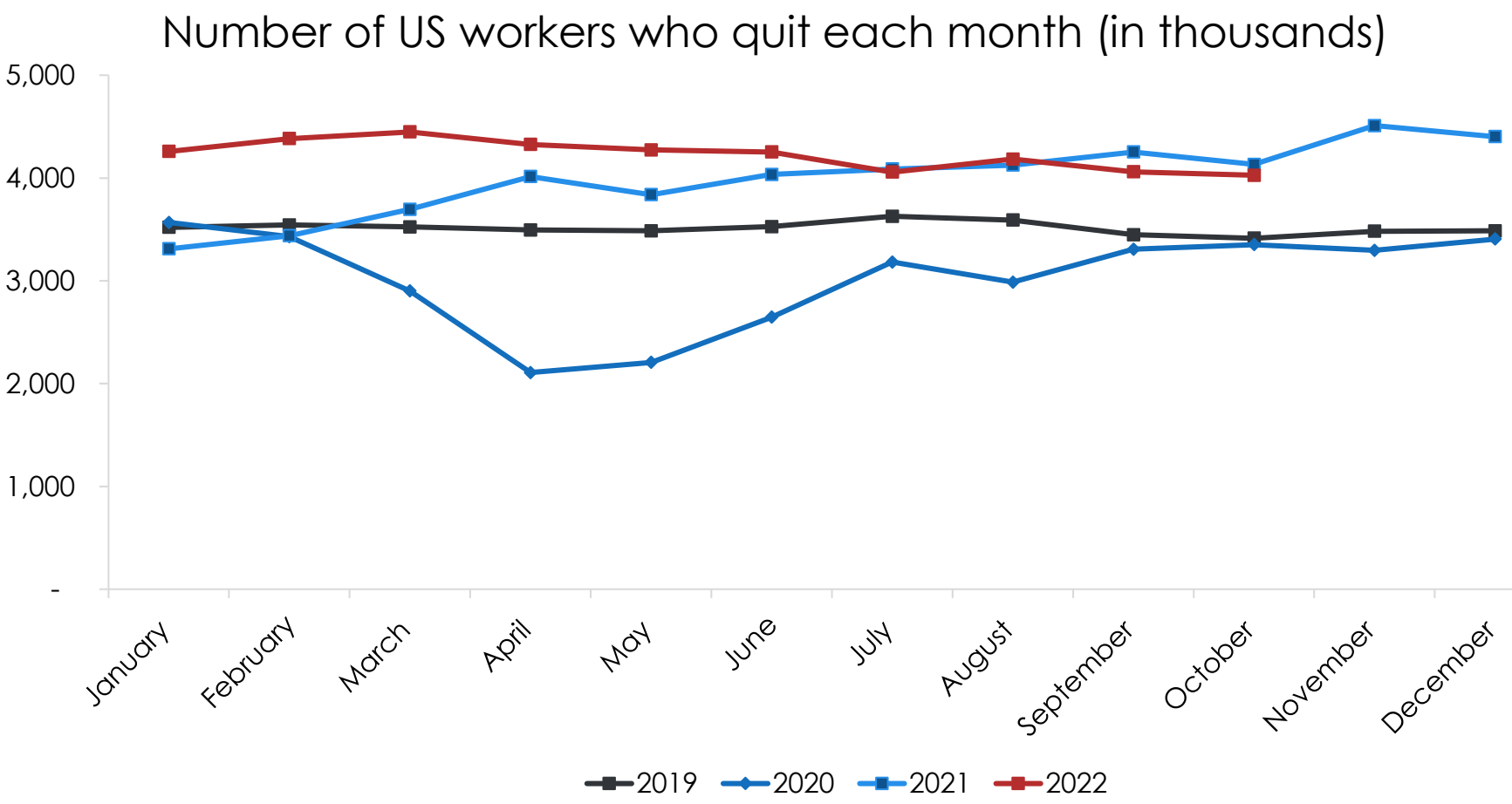
Sample Report Pages

The great resignation across industries continues

Multiple factors, including work-life balance, return to the office, the purpose of their work, and flexibility, lead employees to quit.



51.87 million *US workers left their jobs in the 12-month period ending October 2022, which is* ***~12%*** *higher than in the same period the previous year*

An average of ***4.26 million*** *workers quit each month in the 12-month period ending October 2022, compared to* ***3.8 million*** *in the same period the previous year*

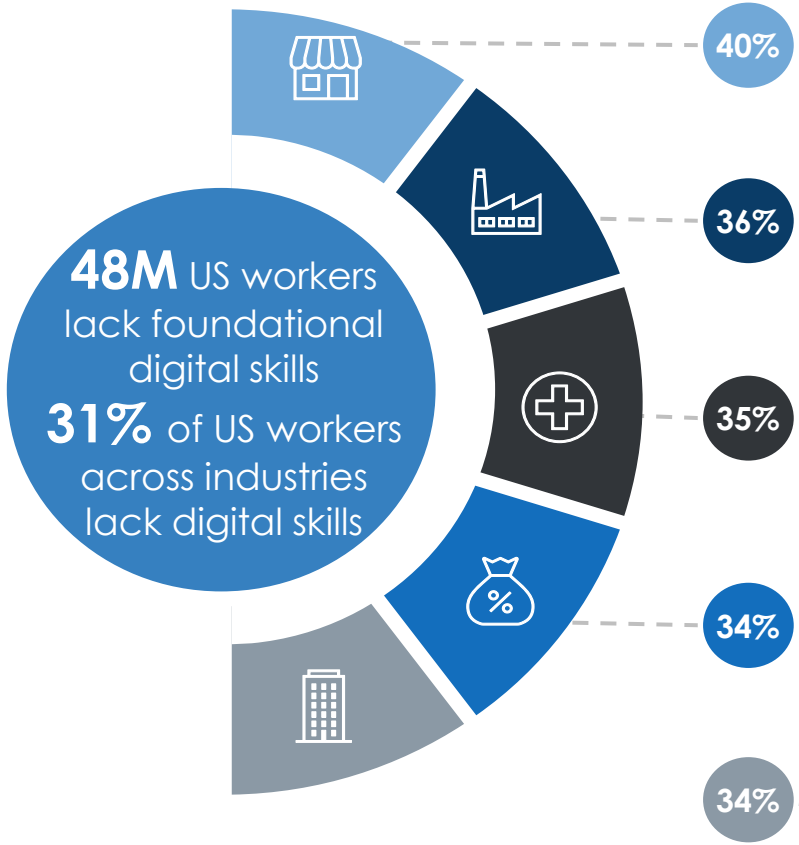
The average quit rate per month was ***2.9%*** *in the 12-month period ending October 2022 compared to* ***2.5%*** *in the same period the previous year*

Note: Presented data for the US market to reflect the trend

Source: US Bureau of Labor Statistics, Job Opening and Labor Turnover survey

Increased deployment of digital technologies increases demand for hard and soft skills

Currently, there are more than 2.66 million job openings in comparison to about 1.26 million hires in the 12-month period ending October 2022 in the US, leading to an increase in the digital talent gap.

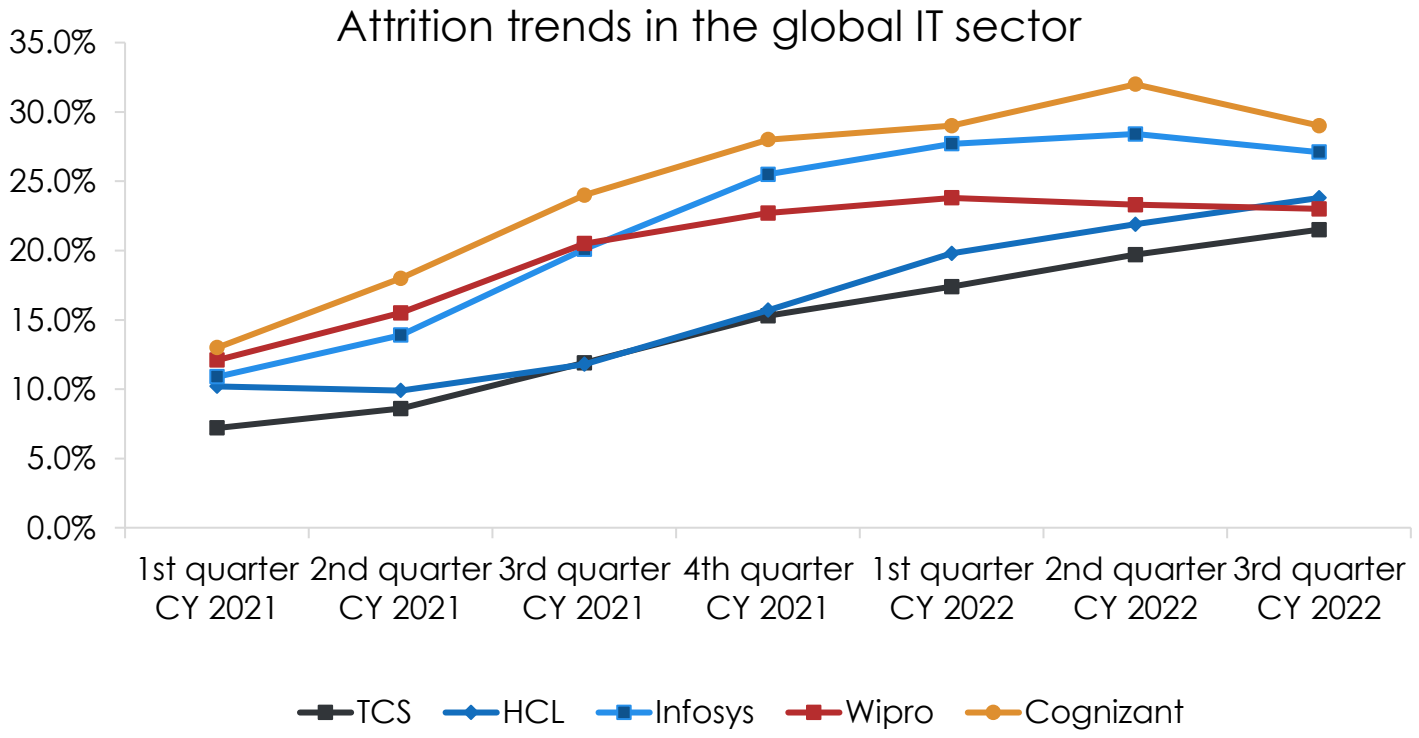


Key industries with more than 30% of workers lacking digital skills:

Retail	The rapid growth of e-commerce after the pandemic outbreak has brought immense demand for digital skills such as data analysis. With one in nine Americans employed in the retail sector, the rise in demand for digital talent will impact millions of people.
Manufacturing	With the adoption of digital technologies such as robotics in manufacturing, there is a rise in demand for skills such as data visualization, software engineering, and strategy and operations, which will impact more than one in ten Americans.
Medical and health services education	The healthcare industry is progressing in telehealth and remote patient monitoring, which is making enterprises invest in critical skills, including cloud computing, cybersecurity, data analysis, and data visualization. This will impact close to 24 million people in the US.
Professional services, including accountancy and legal, marketing, and sales	With support functions getting digitally transformed, these functions require skills such as software development, data analysis, ML, AI, and cybersecurity.
Real estate	With the rise in the use of technologies such as drones for surveying, data analysis, and visualization of sites, demand for digital skills will impact more than one in ten Americans.

Source: Avasant Research, World Economic Forum, National Skills Coalition, U.S. Bureau of Labor Statistics

Service providers themselves have a shortage of digital skills and are plagued by rising attrition



19.6%
is the average service provider attrition in FY 2022

50%
of the service providers analyzed in this study have an attrition rate greater than or equal to 20%

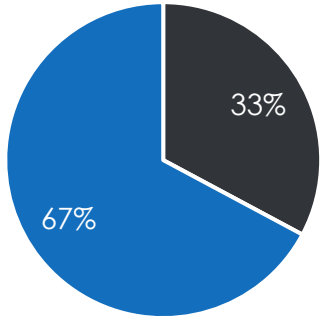
Multiple factors lead to this situation at IT companies since the pandemic outbreak.

- **Supply-side issues**: Competitiveness in the market to source digital talent leads to rising overall talent recruitment costs driven by a lack of digital skills
- **Talent retention costs**: Increased wages, multiple salary increments, and retention bonuses to meet the new demand around digital services such as the cloud and cybersecurity
- **Rise in subcontracting rates**: Resurgence in the demand for subcontractors leads to a rise in subcontracting rates compared to pre-pandemic levels
- **Backfilling costs**: Higher cost to backfill to counter increasing attrition and the use of temporary workforce/subcontractors

Source: Avasant Research, Avasant Digital Talent Capability 2022–2023 RadarView Survey

Continuous investment on talent localization, digital reskilling and upskilling and enabling hybrid talent

Split of organic and inorganic talent-related investments for service providers 2022–2023



Organic investments include:
- Talent development infrastructure (labs, centers, and CoEs)
- Training and certifications
- Events and contests (organizing and sponsoring)
- Platforms (licenses and subscriptions)
- Leveraging ecosystem (increasing the number and depth of talent-related partnerships) and joint investments

Inorganic investments include acquisitions and joint ventures

Actions	Illustrative examples*	
Investing in local talent	HCLTech	Through its Rise at HCL program, HCL aims to hire more than 2,000 graduates in the US in the next 36 months. This is part of its plan to create 12,000 jobs in the US in the next five years.
	Tech Mahindra	In January 2022, Tech Mahindra acquired Europe-based Com Tec Co IT Ltd. (CTC), which provides IT services and solutions to financial services and insurance companies. With this acquisition, Tech Mahindra added more than 720 skilled IT professionals in Belarus and Latvia.
Digital upskilling and cross-skilling to develop future-ready digital talent	Capgemini	Capgemini has developed SkillPath, a skill advancement portal, to provide visibility into various technologies and skill paths for cloud professionals within the organization. It has also developed Next by Degreed, a digital learning hub for developing skills across technologies.
	Infosys	In 2021, Infosys partnered with recognized online course providers such as Udacity, NPTEL, upGrad, and Coursera to conduct certification workshops. This initiative gives an opportunity to its employees to upskill and cross-skill.
Enabling flexible hybrid working	accenture	To promote hybrid working, Accenture provided flexibility to its more than 300,000 employees working in advanced technology centers in India to choose their work location from any city with Accenture's presence.
	TCS TATA CONSULTANCY SERVICES	TCS is shifting from remote working to a more flexible hybrid working model. Under its Secure Borderless Workspaces (SBWS) vision, it plans to have only 25% of its employees work from TCS facilities at any given time.

*Indicative list of examples

Source: Avasant Research, Avasant Digital Masters 2022 RadarView, Avasant Digital Talent Capability 2022–2023 RadarView Survey

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