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# 2016 Global Human Capital Trends Kenya Report

The new organization: Different by design

July 2016

# Introducing the Kenya Human Capital Trends 2016 Report

**George Hapisu**
Kenya Human Capital Leader

I am delighted to share the key findings from Deloitte's 2016 Global Human Capital Trends survey. Over 7,000 HR and business leaders in 130 countries participated in Deloitte's Global Human Capital Trends Survey in 2016; 163 of these were based here in Kenya. This special excerpt of the report summarises key trends and priorities for HR and business leaders in Kenya and is designed to complement the global report.

The key theme of the report this year, "The new organisation: Different by design", reflects our strong conviction that in 2016 business leaders must radically evolve their organisation to cope with a series of new disruptors. These include a range of demographic changes that have made the workforce both younger and older, and are driving the need for talent solutions that meet the needs of multiple generations; the rise of digital technology; the increased pace of change in business models; and a shift in the way the psychological contract between employer and employee works, with employees looking to move from employer to employer more frequently in the course of their careers. To tackle these challenges, HR must play a critical role in supporting the business in its own transition to a new organisation. To do so effectively, however, it must itself be fully prepared to embrace change.

This year's survey findings confirm this view: while both globally and in Kenya the critical trends from previous years, such as culture, leadership and engagement remain important, for the first time, organisational design came in top in the ranking of trends, both in Kenya and globally. This trend focusses specifically on the deconstruction or re-imagining of workplace structure and the shift from top-down hierarchy to a network of teams to deliver results faster.

We can also see there is much to be done to address these trends and we should not be deceived by the relative slippage of last year's top 3 trends down the rankings. The percentage of respondents in Kenya saying leadership was important actually went up from 84 percent to 92 percent, showing an 8 percent rise. Moreover, the perceived ability of organisations to tackle this trend, as with many others, has actually decreased year on year. In general then, it would seem that many of the trends for Kenya are actually getting more urgent rather than less, and have yet to be successfully addressed.

We hope this country report provides your organisation with insights into the key challenges and opportunities on the horizon for HR in Kenya. I would also encourage you to look at the much more detailed global report and interactive survey dashboard available at www.deloitte.com/hctrends to explore the global and Kenyan results further.

# Global Human Capital Trends 2016

## Defining this year's top 10 trends

### Our survey of 7,000 HR and business leaders globally examined 10 critical trends shaping the human capital agenda.

**Organisational design: The rise of teams**

Hierarchical organisational models aren't just being turned upside down – they're being deconstructed from the inside out. Businesses are reinventing themselves to operate as networks of teams to keep pace with the challenges of a fluid, unpredictable world.

**Leadership awakened: Generations, teams, science**

Leaders of all ages, genders, and cultures are now poised to take the reins at organisations around the world. How ready will these future business leaders be to take charge in an increasingly complex global marketplace?

**Culture: Shape culture, drive strategy**

The impact of culture on business is hard to overstate: 82 percent of respondents to the 2016 Global Human Capital Trends survey believe that culture is a potential competitive advantage. Today, new tools can help leaders measure and manage culture towards alignment with business goals.

**Engagement: Always on**

Employee engagement and retention today means understanding an empowered workforce's desire for flexibility, creativity, and purpose. Under the evolving social contract between employer and employee, workers become "volunteers" to be re-engaged and re-recruited each day.

**Learning: Employees take charge**

Corporate learning departments are changing from education providers to content curators and experience facilitators, developing innovative platforms that turn employee learning and development into a self-driven pursuit.

**Design thinking: Crafting the employee experience**

Design thinking takes aim at the heart of unnecessary workplace complexity by putting the employee experience first – helping to improve productivity by designing solutions that are at once compelling, enjoyable and simple.

**HR: Growing momentum toward a new mandate**

Good news: this year's Global Human Capital Trends survey shows an improvement in the HR organisation's skills, business alignment, and ability to innovate. But as companies change the way they are organised, they must embrace the changing role of HR as well.

**People analytics: Gaining speed**

The use of analytics in HR is growing, with organisations aggressively building people analytics teams, buying analytics offerings, and developing analytics solutions. HR now has the chance to demonstrate ROI on its analytics efforts, helping to make the case for further investment.

**Digital HR: Revolution, not evolution**

A new world for HR technology and design teams is on the horizon. Mobile and other technologies could allow HR leaders to revolutionise the employee experience through new digital platforms, apps, and ways of delivering HR services.

**The gig economy: Distraction or disruption?**

How can a business manage talent effectively when many, or even most, of its people are not actually its employees? Networks of people who work without any formal employment agreement – as well as the growing use of machines as talent – are reshaping the talent management equation.

**Learn more: www.deloitte.co.ke/hctrends**

# Top Trends in 2016 for Kenya

## Organisational design emerges as the top Kenya trend but leadership, learning, culture and engagement continue to be key concerns

Respondents rated each of the trends on a four point scale, from "not important", through "somewhat important", "important" and "very important". By counting only the percentage of "important" and "very important" responses, a relative ranking was produced (see Figure 1 below). On this basis, the top five trends for Kenya are:

- Organisational design;
- Leadership;
- Learning;
- Culture; and
- Engagement.

**Figure 1: Top Kenya and global trends by importance**

| Trend in Kenya | Importance | Readiness | Capability gap |
|---|---|---|---|
| Organisational Design | 93 | 68 | -25 |
| Leadership | 92 | 48 | -44 |
| Learning | 90 | 54 | -36 |
| Culture | 88 | 54 | -34 |
| Engagement | 87 | 51 | -36 |
| HR Skills | 87 | 41 | -46 |
| Digital HR | 83 | 46 | -37 |
| Design Thinking | 83 | 50 | -33 |
| People Analytics | 80 | 34 | -46 |
| The Gig economy | 79 | 37 | -42 |

| Trend Globally | Importance | Readiness | Capability Gap |
|---|---|---|---|
| Organisational Design | 92 | 57 | -35 |
| Leadership | 89 | 44 | -45 |
| Culture | 87 | 55 | -32 |
| Engagement | 86 | 46 | -40 |
| Learning | 84 | 46 | -38 |
| Design Thinking | 79 | 40 | -39 |
| HR Skills | 78 | 40 | -38 |
| People Analytics | 77 | 32 | -45 |
| Digital HR | 73 | 33 | -40 |
| The Gig economy | 70 | 54 | -16 |

**Organisational design** has emerged as a new trend and jumped straight to the top of the list, with 93 percent of respondents ranking it as "important" or "very important". This is 1 percent higher than the global percentage. Yet, only 18 percent of Kenyan organisations believe that they are "very ready" to effectively redesign their organisation. This year's survey reports that there is a need to move from traditional, functionally organised structures to mission-based "networks of teams" that share common goals. However, 49 percent of companies in Kenya are still organised functionally today and only 12 percent report that they feel expert at understanding the way their people work together in networks.

**The capability gap on key trends remains high in Kenya and has been growing year on year.** Overall, the average capability gap in Kenya in 2015 was 32 percent and in 2016 it has jumped to 38 percent. Even accounting for some methodological differences between surveys, this is a striking statistic, the reasons for which will be examined later in this report.

**Leadership, HR Skills and Digital HR are seen as relatively more important in Kenya than globally:** This could be due to a greater number of respondents from large, knowledge based organisations (such as Financial and Professional Services) in Kenya, which tend to be more attuned to technology innovation.

**As in previous years, the global and Kenya results are not hugely different.** With some small exceptions, as Figure 1 illustrates, the Kenyan results mirror the global results to a large extent. This is not surprising given the large number of respondents from multinational organisations. It also reflects that while we may be operating in different markets, increasingly the market place is becoming one global talent economy.

# Top Trends Compared to Last Year

## An increased sense of urgency around all of the trends, in comparison to 2015

Figure 2 shows the ranking of the 2016 trends relative to 2015, and indicates whether, and by how many places, they have risen or fallen since last year.

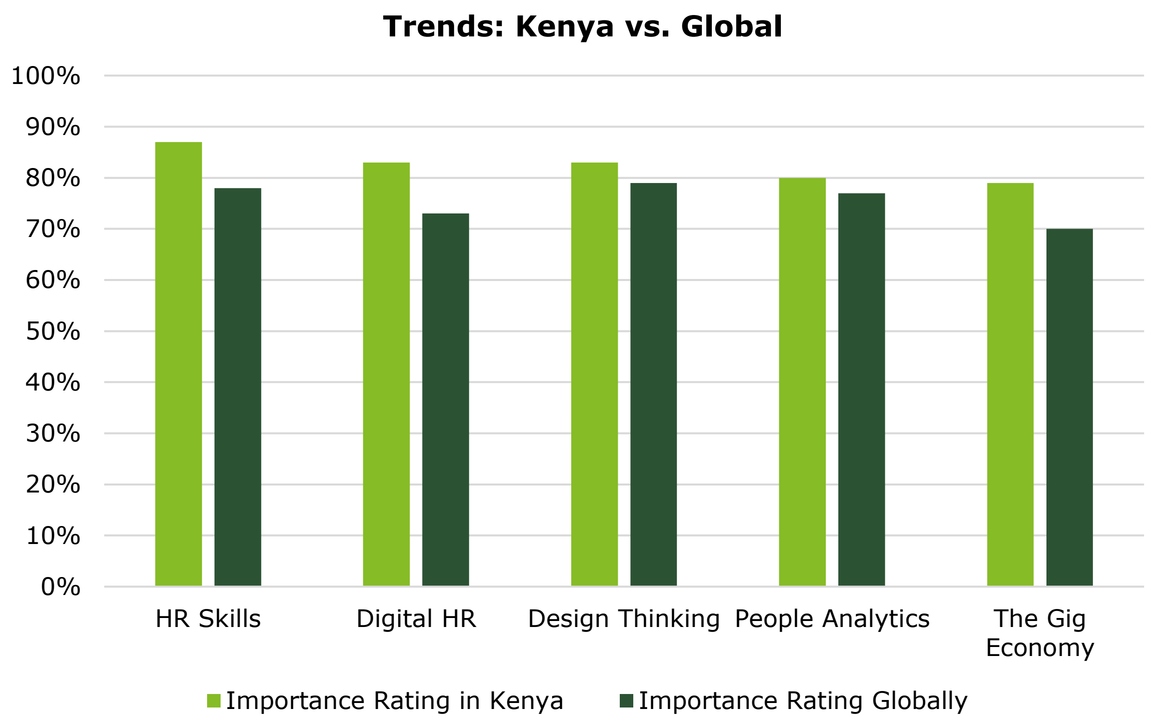
**Figure 2: Top 10 Kenya trends in 2016 compared to 2015**

A majority of trends have fallen relatively in the rankings due to new entries into the list, but their importance in absolute terms has not diminished. Rather, there has been a relative increase in overall urgency. For example, last year the number 1 trend (culture) achieved an 87 percent importance rating, meaning this year, with that same rating, it would still have been ranked in the top five trends. This year, the trend shows a one percent increase, and at 88 percent, ranks in fourth place. Learning came third last year, with 84 percent, and while it remains in the same place this year, its importance rating has increased by 2 percent.

It should also be noted that even the trends that fall outside of the top five trends, such as HR skills, digital HR, people analytics and the gig economy, score highly on urgency. In fact, respondents in Kenya rated each of these trends higher on importance than the global average (see Figure 3). There is also a significant capability gap in terms of organisations' reported readiness to address the trends. Consequently, it is likely that in the coming year, there will be an increasing sense of urgency for these trends as well as the top ranking trends.

| 2016 | | | 2015 | |
|---|---|---|---|---|
| 1 |  | Organisational Design | – | NEW |
| 2 |  | Leadership | 2 | → |
| 3 |  | Learning | 3 | → |
| 4 |  | Culture | 1 | ↓ |
| 5 |  | Engagement | 1 | ↓ |
| 6 |  | HR Skills | 6 | ↓ |
| 7 |  | Digital HR | – | NEW |
| 8 |  | Design Thinking | – | NEW |
| 9 |  | People Analytics | 6 | ↓ |
| 10 |  | The Gig Economy | – | NEW |

**Figure 3: Importance Rating of Trends: Kenya vs. Global**



# A Spotlight on the Top 3 Trends

## 1. Organisational design: The rise of teams

Rapidly evolving technology, changing consumer behaviour and disruptive competition from unexpected sources are factors that are forcing businesses to review their organisation structures at a faster rate than ever before. Organisational design has become the number one agenda item for boardroom conversations, both globally and in Kenya. The statistics are indicative of this: 52 percent of the Kenyan respondents to this year's global survey are either currently restructuring their organisation or have recently completed the process. And 62 percent of executives report that their current organisation structure is either "not effective" or only "partially effective" in achieving their company's goals.

The biggest underlying organisation design trend that we have observed across industries is "the rise of teams". This may not be the headline that characterises the large number of recent redesign programmes or the ones that are underway currently. In fact, the more eye-catching themes or headlines for organisation redesign tend to be related to becoming "customer centric", "enabling seamless omni-channel experience", "insight driven", "driving growth and innovation", "agile decision making" and last but not least, becoming "a digital enterprise". But the "rise of teams" refers to something arguably much more fundamental: to organisations' attempts to break down established silos and hierarchies by bringing together highly empowered and dynamic project based, multi-disciplinary teams.

Globally, two major factors are driving this change. First, the pressure to get products to market quickly, combined with a generally greater sense of empowerment among the workforce, is making small teams a more natural and productive way to work. Small teams can deliver results faster, engage people better, and stay closer to their mission. Second, the digital revolution helps teams stay aligned. Today, teams can easily use web or mobile apps to share goals, keep up to date on customer interactions, communicate product quality or brand issues, and build a common culture. Rather than having to send messages up and down the corporate pyramid, people can access information immediately, with companies using roles like "liaison officers" to make sure teams know what other teams are doing.

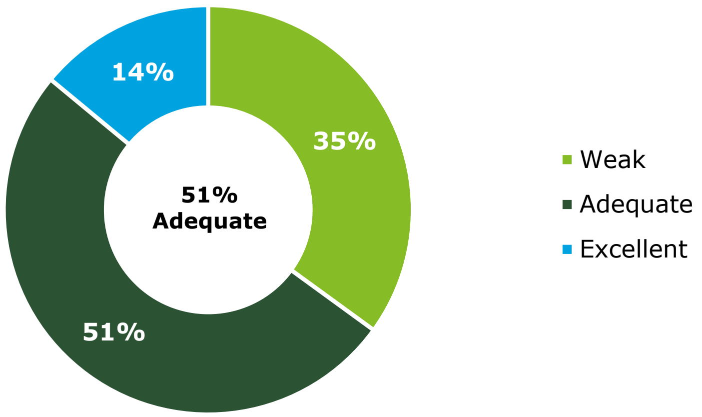
**As an example:** A large, global consumer products branded business has an ambitious growth plan to grow its online channel sales multiple times in the next 4-5 years. The organisation is characterised by established functional silos and powerful markets, which comes in the way of driving their online ambition with clarity. The route that this business has taken is to create an independent digital team, drawing multi-disciplinary teams from marketing, sales, supply chain and IT, with an executive level leader who is empowered to drive the online ambition and the associated organisation transformation.

However, adapting to this trend is likely to pose a challenge to several Kenyan organisations. Nearly half of the Kenyan respondents (49 percent) to this year's survey indicated that their organisation is primarily organised by function.

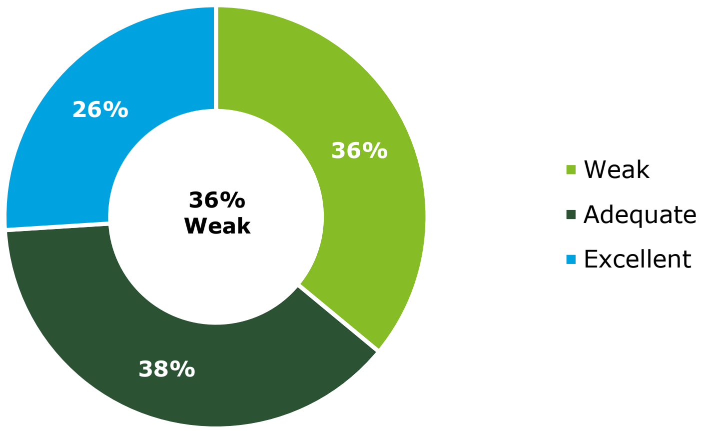
This trend is potentially revolutionary. With the "rise of teams", the days of the top-down hierarchical and functionally driven organisation are slowly coming to an end – and it is not just the start-ups and "new-age" companies that are challenging the status quo. Many traditional organisations are now, more than ever, looking to empower cross-functional teams, holding them clearly accountable for defined objectives. And in order to support them, these organisations will often need to focus on building a culture of shared information, shared vision, and shared direction in which they can operate.

**Figure 4: Understanding and designing organisational structure**

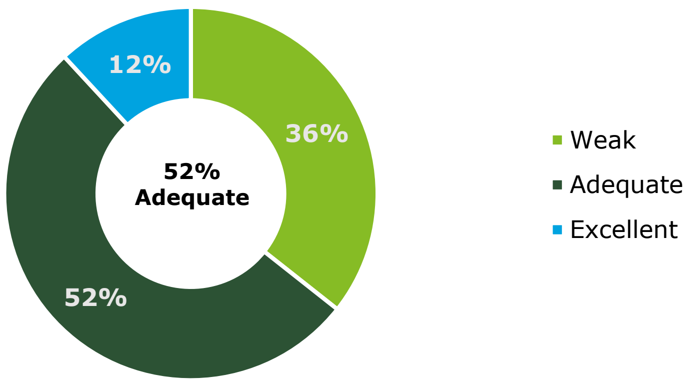
**Assigning appropriate decision rights throughout the organisation**




**Creating project or programme-based cross-functional teams**




**Understanding network and systems theory implications for organisational structure**



# A Spotlight on the Top 3 Trends

## 2. Leadership awakened: Generations, teams, science

As in 2015, Leadership continues to be a top concern for the C-suite this year, with 92 percent of Kenyan organisations surveyed rating leadership as "important" or "very important"; and 28 percent of respondents reporting weak or very weak leadership pipelines.

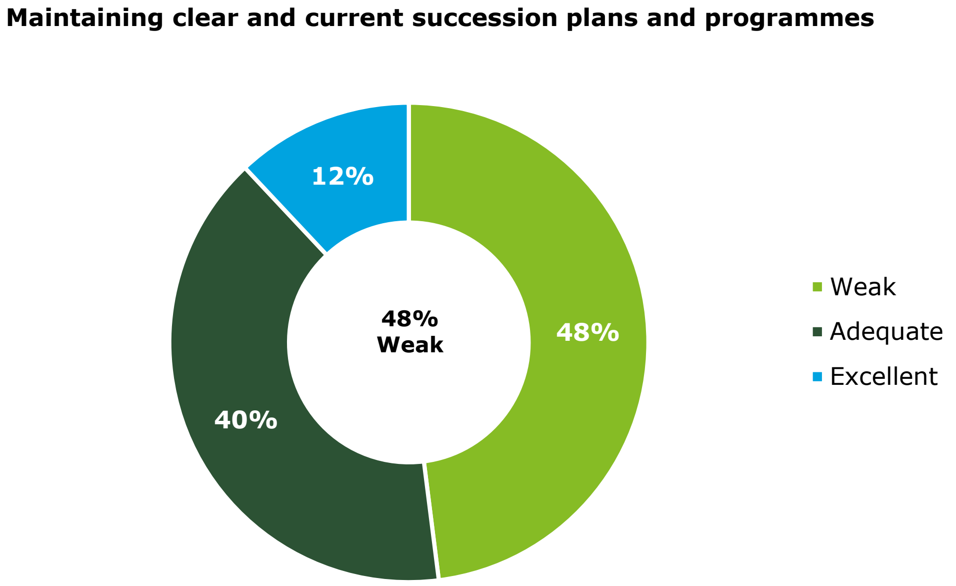
With increasing volatility, uncertainty, change and ambiguity in global markets and a workforce that is increasingly "millennial", our survey suggests that leaders are becoming overwhelmed by the breadth and depth of challenges they face. Kenyan organisations are still not confident in their ability to attract, develop and retain high potential millennial leaders, with only 8 percent of our respondents rating themselves as "excellent" at building millennial leaders.

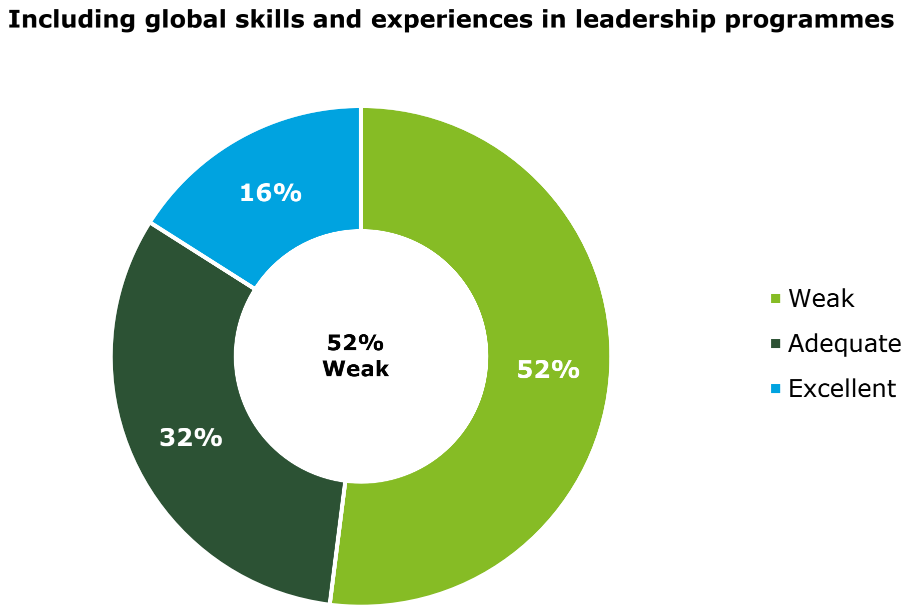
This is hardly surprising given the pace and nature of corporate change. With the changes to corporate structure that we have called the "rise of teams", companies now require different types of leaders. Yet, the traditional pyramid-shaped leadership development model is simply not producing leaders fast enough to keep up with these changes.

In the ever-evolving business environment there is a seemingly ever-greater demand for leaders to collaborate and innovate, requiring them to effectively build strategic alliances both inside and outside of their organisations. But how can you train or develop someone to do this? The answer is: it takes time, and the right kind of focus. Establishing sustainable, effective mechanisms for leadership assessment and development, based on a common definition of what leaders need to deliver, is now, and always will be, a key competitive differentiator.

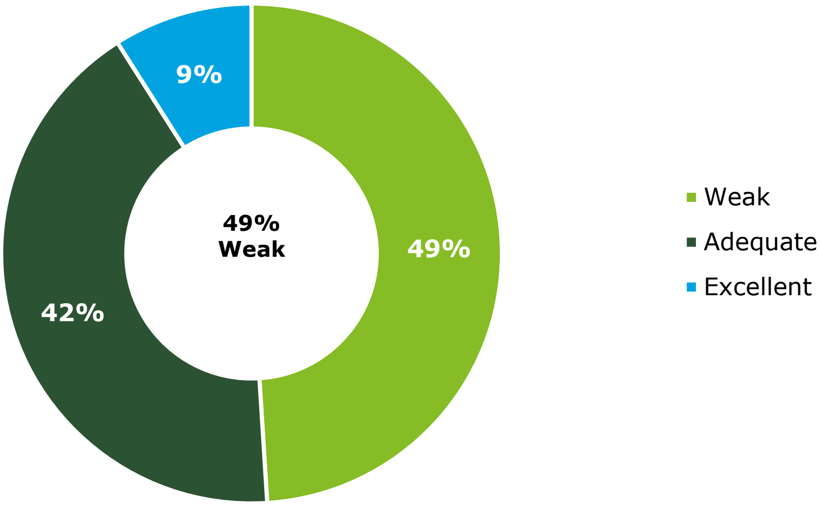
There is an increasing focus on developing the leadership succession plan, through identifying and nurturing high potential at all leadership levels and in moving away from "classroom" learning to learning through targeted experiences. And here in Kenya as well as globally, we are also seeing a shift towards organisations asking for more structured and scientific solutions to identifying, assessing and developing leaders, which can also provide demonstrable business impact.

**Figure 5: Leadership Programme Offerings**



**Providing focused leadership programmes for millennials**



# A Spotlight on the Top 3 Trends

## 3. Learning: Employees Take Charge

The pressure on organizations to improve learning and development continues to intensify. Advances in technology, shifts in demographics, and the constant competitive necessity to upgrade workforce skills are disrupting corporate learning. These forces are pushing companies to develop new ways to put employees in charge of the learning experience and foster a culture of learning throughout the organization. This year, the big change is a shift beyond internal programs aimed at developing people to innovative platforms that enable people to develop themselves.

While in the global survey, learning has fallen to 5$^{th}$ place, in Kenya, it remains a major organisational concern. 9 out of 10 organisations in Kenya have rated learning as "important" or "very important", yet only 18 percent of Kenyan respondents feel "very ready" to address this trend.

Employees at all levels expect dynamic, self-directed, continuous learning opportunities from their employers. Yet, 55% of respondents to the Kenya survey reported challenges in moving their organisations toward external self-directed learning.

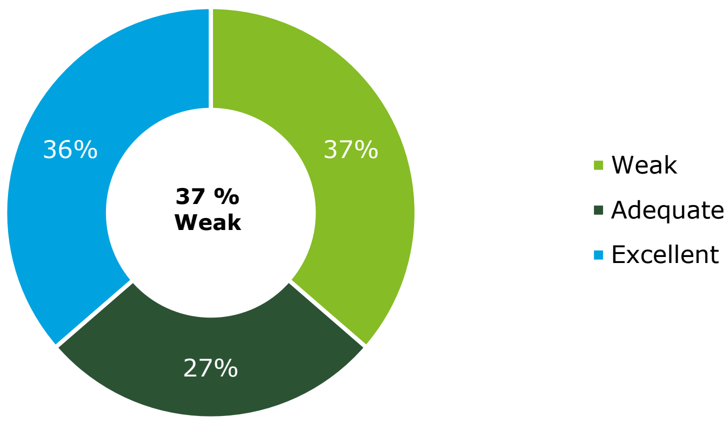
Despite the strong shift toward employee-centric learning, many learning and development organizations are still struggling with internally focused and outdated platforms and static learning approaches (see Figure 6). Only 4 out of 10 respondents believe that their current learning and development programs are "effective" or "very effective".

While many organizations are struggling to adapt to these challenges, high-performing companies are seizing the opportunity to promote a new culture of learning, upending traditional models and transforming how employees learn. These organizations are adopting new mind-sets, fundamentally rethinking what "learning" and "development" mean in the context of their business. They place the employee at the centre of a new architecture and new vision that treats learning as a continuous process, not an episodic event, and as a company-wide responsibility, not one confined to HR. This shift in mind-set is also evident in Kenyan respondents' views on the relevance of the corporate learning function to employee development. While for 43 percent of respondents, corporate learning remains the primary means of employee development, 46 percent of respondents' state that corporate learning is relevant, but being augmented by other means.

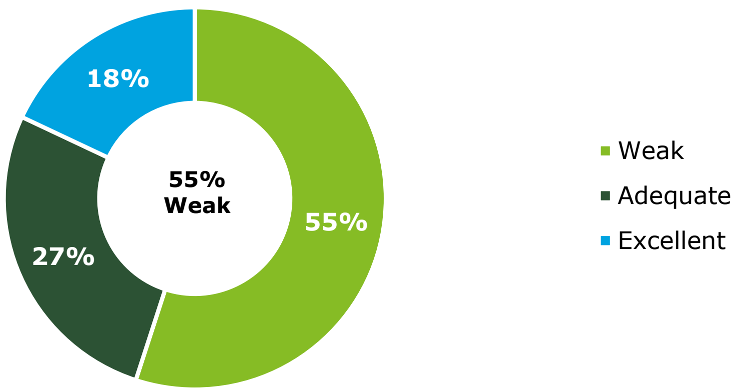
Shifting from an internally focused, corporate-centric learning universe to a learner-centric one upends many long-held beliefs in the HR community. Employees will likely find it easier to make this pivot than HR departments because this new world is already part of their mobile, social, and online lives. For their part, business, learning, and HR leaders must embrace a new mind-set that puts learners in the driver's seat, redesigning programs to harness the power of technology and the amazingly diverse wealth of instantly available external content, and offering great user experiences to learners.

**Figure 6: Learning: Employees take charge**

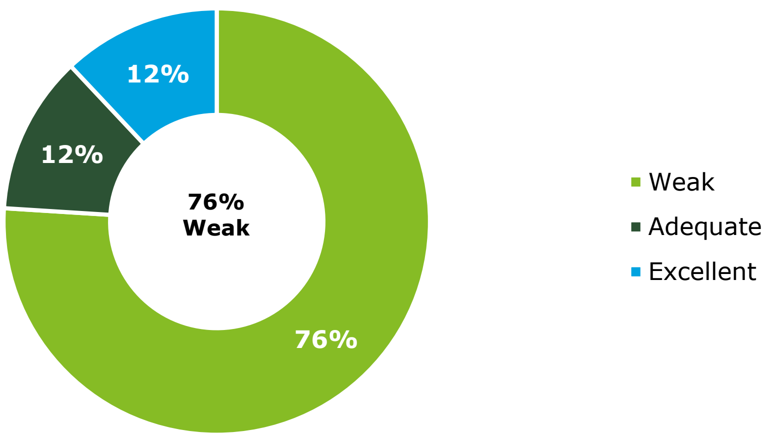
**Collaboration with Educational Institutions**



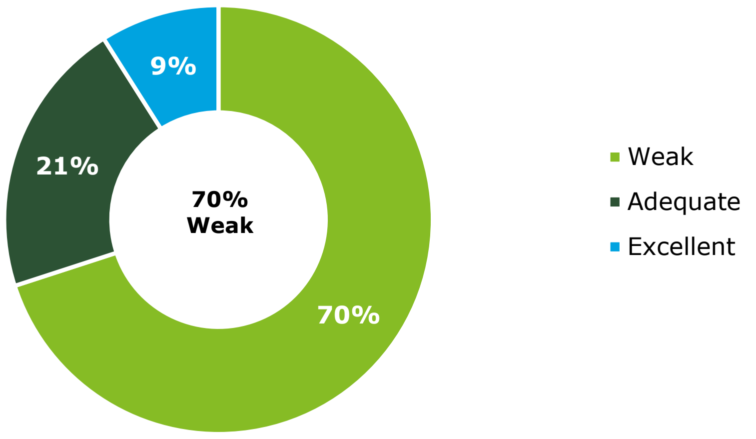

**Use of External Self-Directed Learning Powered by Social Media**




**Using advanced media (gaming, video, simulation)**



**Using MOOCs (Massive Open Online Courses)**



# HR Report Card and Trends in HR Investment

## Respondents were asked what the HR investment trend was for 2016 in their own organisation and where they felt their organisations were placed in terms of the overall business cycle.

Compared to 2015, respondents predicted a significantly lower level of HR investment over the coming 12-18 months. Last year, 40 percent expected a significant increase in investment in HR; this year, the number fell to 22 percent.

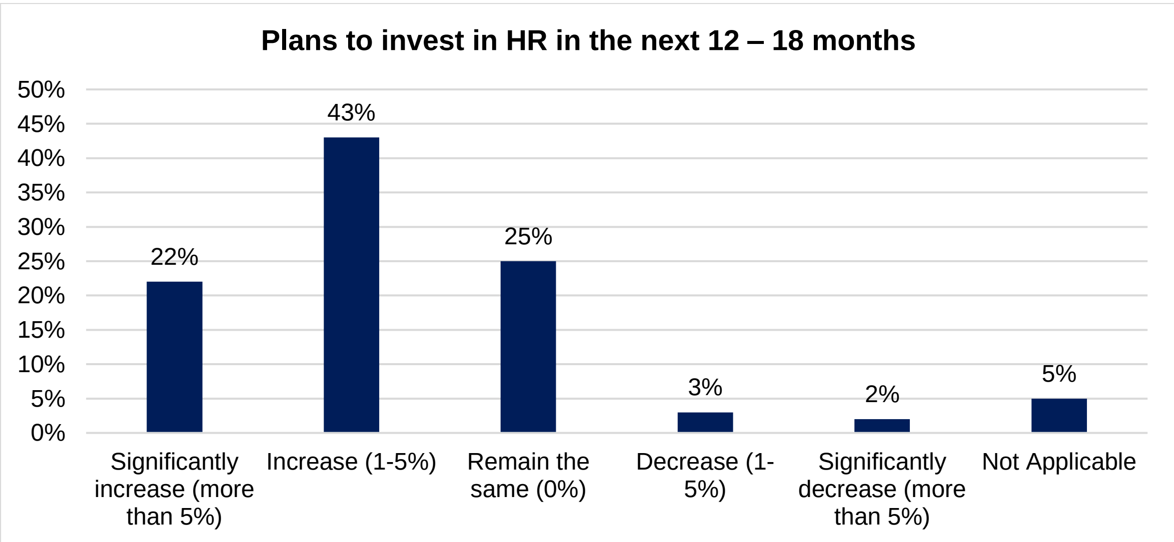
This predicted drop in investment is something that might be anticipated given the current trend towards increased back office efficiency among Kenyan corporates, along with rising perceptions of "slowing but steady" business growth.

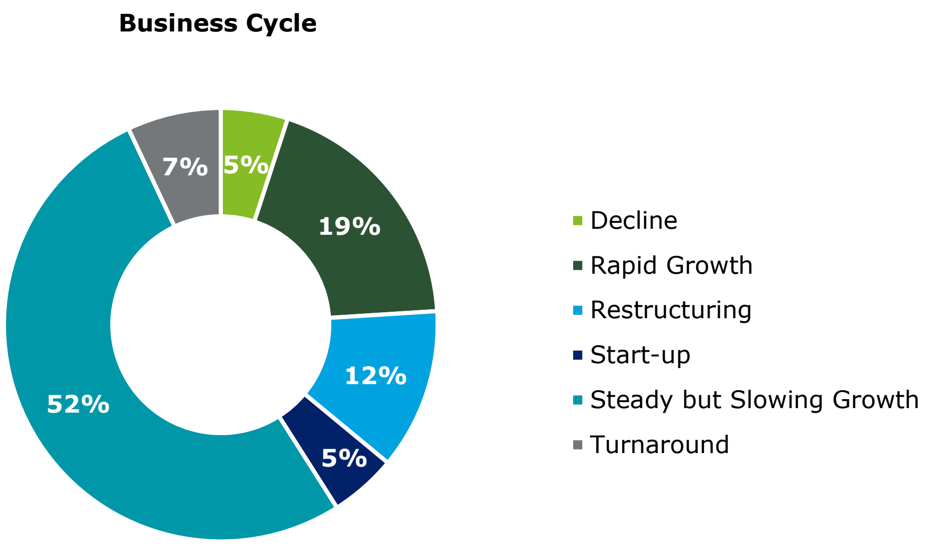
It is possible that this reduced investment in HR will exacerbate the increasing capability gap we have seen across the trends over the past three years, and the sense of opportunities missed and/or issues piling up that the survey data implies.

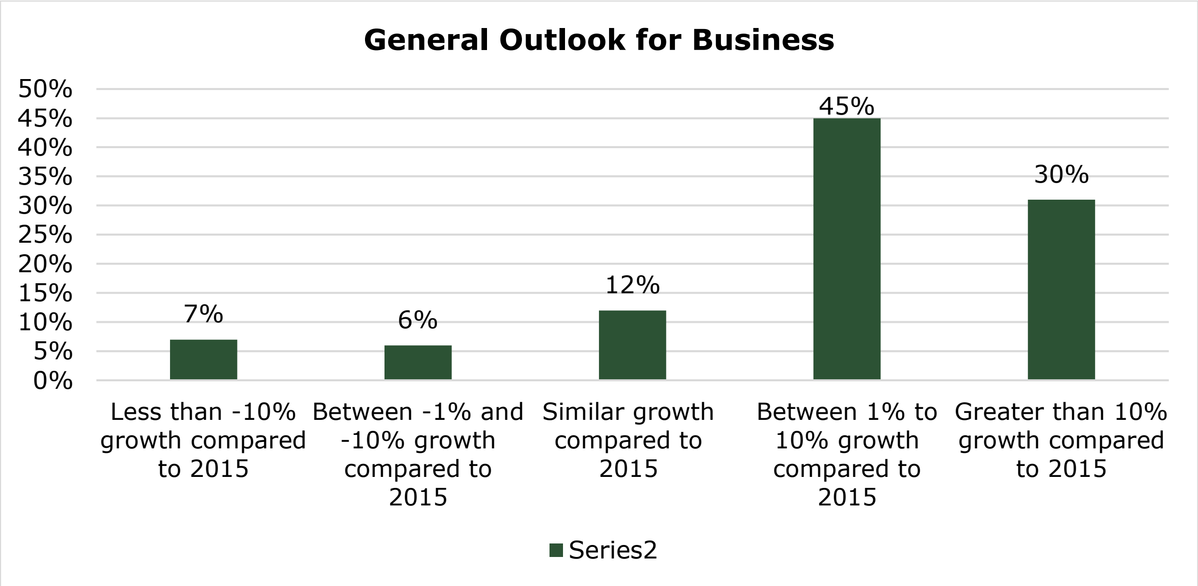
It is important to note, however, that according to our survey more than 6 in 10 Kenyan companies are still planning to increase HR spending in the next 12-18 months. The core question here remains: how do we ensure that the investments being made will really result in improved outcomes for HR and the business?

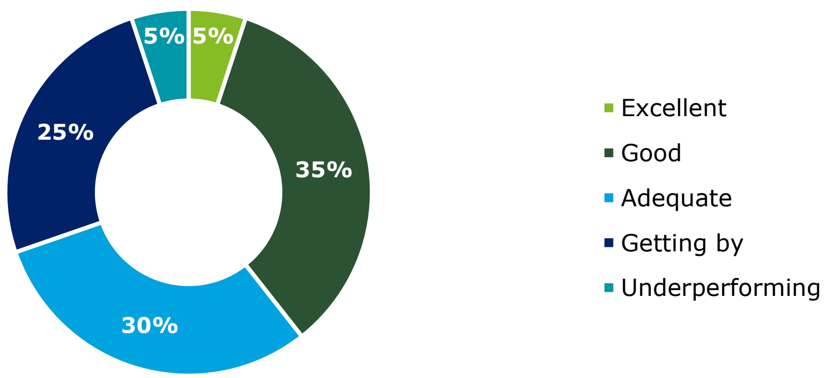
In spite of the increase in overall urgency we have observed across the Human Capital Trends this year, when it comes to the rating of HR and Talent programmes capability, there is some good news; here we have seen a significant improvement. As shown overleaf, HR and Talent programmes in the Kenya are now largely performing at an adequate, good or excellent level. But, even here, there is still more work to be done, as more than a quarter of HR organisations (30 percent) are still underperforming or just getting by.

**Figure 7: HR Report Card and Investments**




Business Cycle
7%
5%
19%
12%
5%
52%
Decline
Rapid Growth
Restructuring
Start-up
Steady but Slowing Growth
Turnaround


General Outlook for Business
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
7%
6%
12%
45%
30%
Less than -10% growth compared to 2015
Between -1% and -10% growth compared to 2015
Similar growth compared to 2015
Between 1% to 10% growth compared to 2015
Greater than 10% growth compared to 2015
Series2


5%
5%
25%
35%
30%
Excellent
Good
Adequate
Getting by
Underperforming

# Kenya Survey Demographics

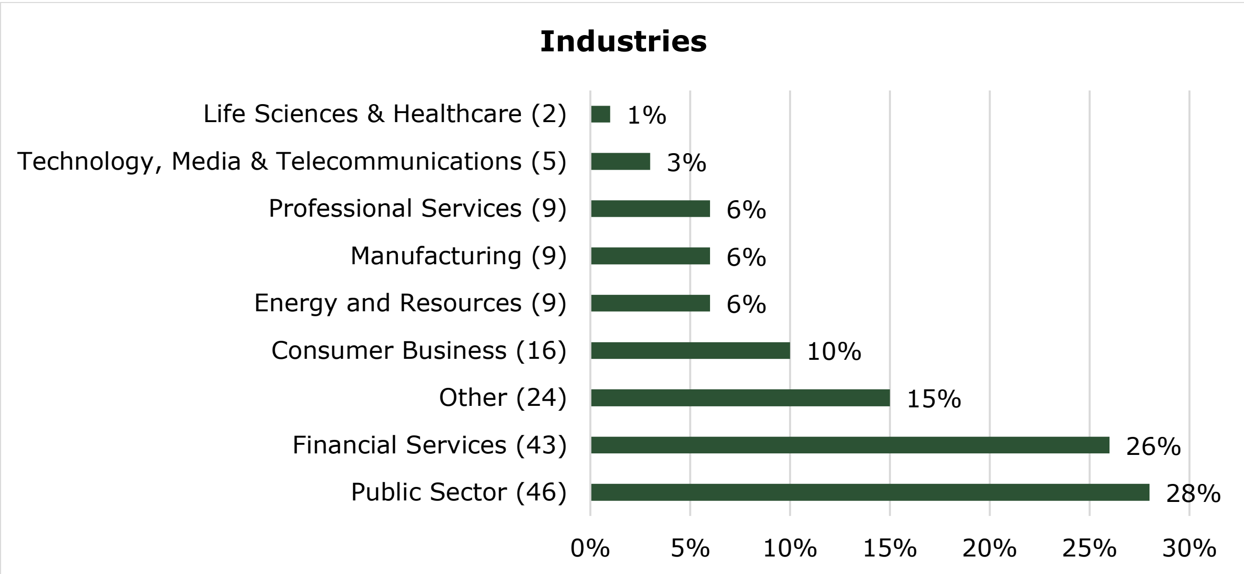
## The 163 Kenyan respondents who participated in this year's survey represent a broad mix of small, medium and large organisations.

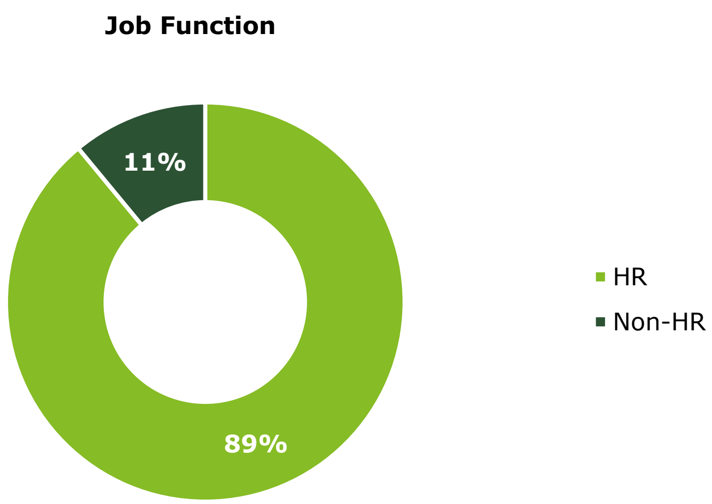
This year's survey received responses from 163 respondents, over three times more than the number of respondents in 2015.

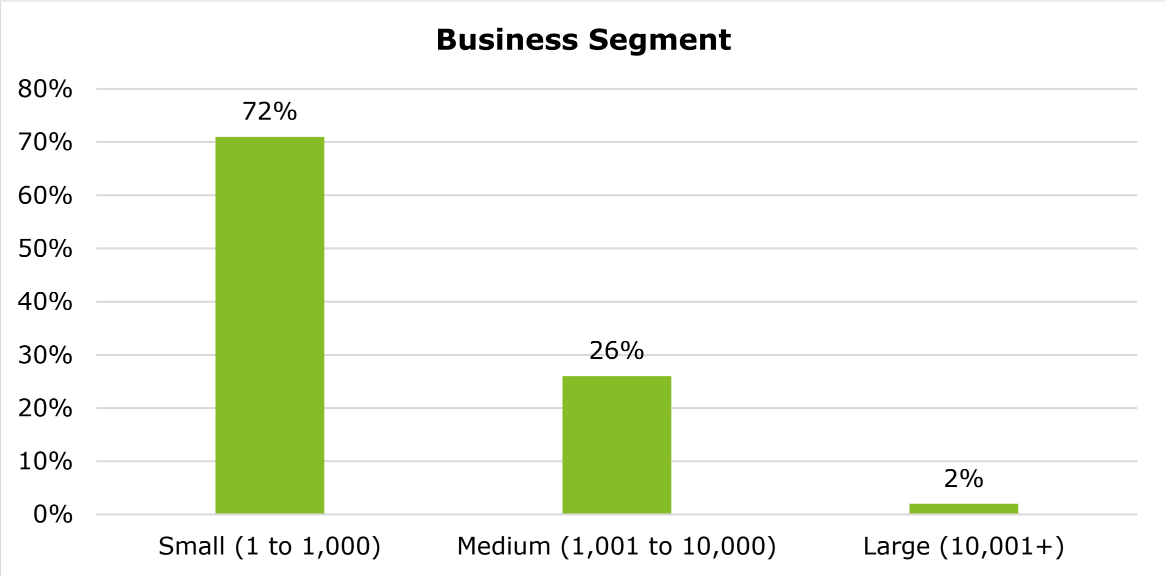
While a wide range of industry sectors are represented, over half of survey responses came from two main industries, skewed towards the Public Sector and Financial Services Industry (see Figure 8).

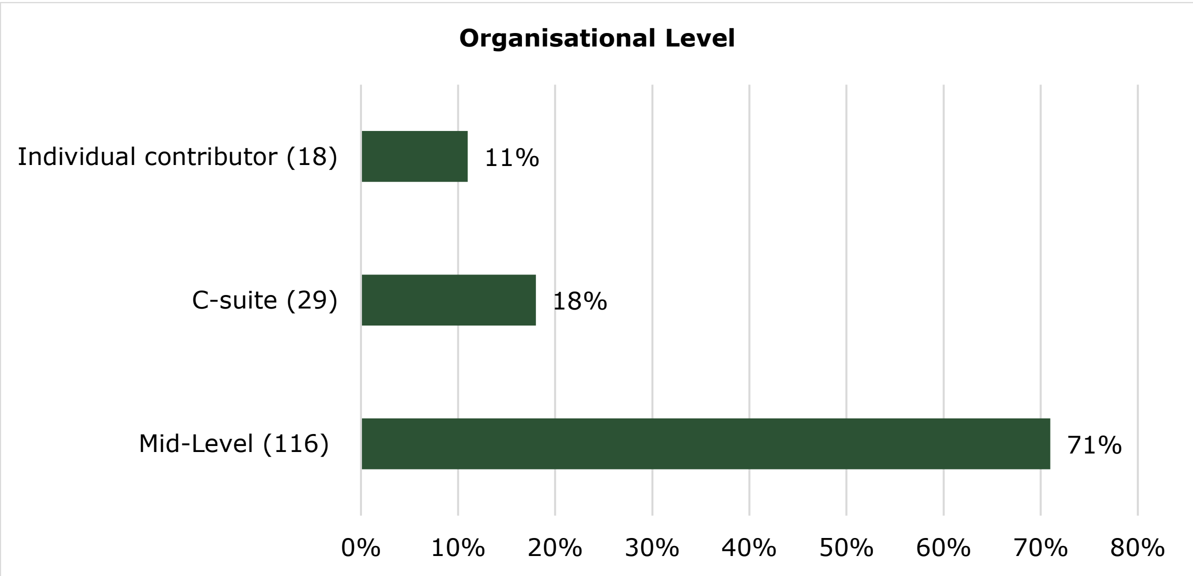
The majority of respondents (82 percent) hold a Mid-Level or C-Suite position within their organisations and nearly ninety percent of these respondents work within the HR function.

**Figure 8: Demographics - Kenya**




Business Segment
80%
70%
60%
50%
40%
30%
20%
10%
0%
72%
26%
2%
Small (1 to 1,000)
Medium (1,001 to 10,000)
Large (10,001+)


Organisational Level
Individual contributor (18)
C-suite (29)
Mid-Level (116)
11%
18%
71%
0%
10%
20%
30%
40%
50%
60%
70%
80%

# Conclusion

## Addressing the growing gap

### The majority of this year’s top trends are business issues, not merely HR issues.

To help make a shift to “the new organisation”, HR has an opportunity to step up as a valued business consultant and partner with the business to understand, create and embed a shared culture, to design a work environment that effectively engages people and to develop a new model of leadership and career development.

However, the gap between the need and the reality seems to be growing, and resources and attention are required to address the starkly growing capability gap that is impacting most of the top trends. In Kenya, there is an average capability gap of 38% across trends.

On the more positive side, over 60 percent of organisations have listed organisation design as a top priority, while 57 percent of organisations have listed leadership as a top priority. Moreover, 65 percent of organisations in Kenya appear to be increasing HR investment. How this investment has been used in the previous years’ holds a cautionary for Kenya in that much of this additional investment has been earmarked for HR IT as opposed to directly addressing the types of complex people and organisational trends examined in this report. Further, this means that the 35 percent of Kenyan organisations for whom HR investment is not a priority will either maintain the status quo or actually reduce HR investment over the next 12-18 months, even against the general backdrop of increasing urgency across the trends. For this reason, for the majority, if appropriate action is not taken, it seems likely that the capability gap against the top Human Capital trends will continue to grow, as will the sense of urgency.

Kenyan HR and business leaders have a lot of work to do and will need to move quickly and in lockstep, as the pace of business change is getting faster than ever. HR must effectively leverage the skills and capabilities they have been building over the last few years, but will need to upgrade them to include the areas of design thinking, people analytics and behavioural economics.

**About this report**
This report, focusing specifically on human capital trends in Kenya, was designed to complement the Deloitte Global Human Capital Trends 2016 report – “The new organisation: Different by design”, which is based on a comprehensive global survey of more than 7,000 business leaders and HR executives in 130 countries. This report specifically examines the Kenyan results, based on 163 Kenyan respondents.

We invite you to explore the full report at www.deloitte.com/hctrends and to explore the results in the interactive dashboard at www.deloitte.com/hcdashboard

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