Kenya Human Capital Trends, 2015
Leading in the new world of work
Introduction

Leading in the new world of work

• Organizations today must navigate a “new world of work”—one that requires a dramatic change in strategies for leadership, talent, and human resources.

• Networking tools like LinkedIn and Facebook enable people to easily monitor the market for new job opportunities. Details about an organization’s culture are available at the touch of a screen, providing insights about companies to employees and potential employees alike.

• Demographic changes are also in play. Millennials, who now make up more than half the workforce, are taking center stage. Their expectations are vastly different from those of previous generations. They expect accelerated responsibility and paths to leadership.

• For human resources (HR) organizations, this new world requires bold and innovative thinking. It challenges our existing people practices; how we evaluate and manage people and how we engage and develop teams; how we select leaders and how they operate. HR organizations now face increasing demands to measure and monitor the larger organizational culture, simplify the work environment, and redesign work to help people adapt.

• For HR and talent teams, 2015 will be a critical year. As these forces gather momentum, we see 2015 as a time for creativity, bold leadership, and a fundamental reimagining of the practices HR leaders have used for years.

Our global research

• Deloitte’s 2015 Global Human Capital Trends report is one of the largest longitudinal studies of talent, leadership, and HR challenges and readiness around the world. The survey asked business and HR respondents to assess the importance of specific talent challenges facing their organization and to judge how prepared they were to meet these challenges. Using these responses, we calculated a “capability gap” for each challenge, measuring the difference between an issue’s importance and an organization’s readiness to address it.

• In this report, we present 10 major Kenya trends that emerged from our research, which reflect four major themes for the year: leading, engaging, reinventing, and reimagining. We also present the capability gaps associated with each of these trends. Besides, we offer practical insights to help you address the challenges in the top five areas in your organization.

Be Bold
Survey Demographics

The Kenyan executives participating in the survey were balanced across mid-level personnel (56%) and senior management from the C-suite (37%), with 65% of them from the HR function.

Global survey…

3,300+ countries submitted results which were captured in the survey

106 business and HR leaders took part in the survey

ALL Major industries and regions covered in the survey

Kenya survey…

43 responses were received from 43 companies in Kenya

10 Major trends / Human Capital Challenges investigated

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Ten Major Trends in Kenya

- The figure below shows respondents’ ratings of the importance of 10 talent challenges alongside their rated readiness to address each challenge. These data highlight substantial capability gaps in all 10 areas.

- Based on the survey data, interviews, and secondary research, we will provide more detail on the top five of these challenges and recommendations for how leaders can begin to address them in the next sections.

**Capability Gap across the 2015 Human Capital Trends**

This chart shows the Capability Gap Index, a metric representing the difference between the importance index and readiness index scores for each human capital trend. Where does your organization have the biggest capability gaps? How can you help to close them?
Top Five Trends in Kenya

How **important** is the trend to your organisation, and how **ready** is your organisation to tackle it?

<table>
<thead>
<tr>
<th>Trend</th>
<th>Importance: Proportion of Kenyan respondents rating this trend as ‘Important’ or ‘Very Important’</th>
<th>Readiness: Proportion of Kenyan respondents rating that they are NOT ready to tackle the trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>CULTURE &amp; ENGAGEMENT</td>
<td>93% (<em>Importance index score = 87</em>)</td>
<td>16% <em>(Readiness index score = 47)</em></td>
</tr>
<tr>
<td>The naked organization</td>
<td>Focus on culture and improve employee engagement to tackle a looming crisis in engagement and retention</td>
<td></td>
</tr>
<tr>
<td>LEADERSHIP</td>
<td>91% (Importance index score = 84)</td>
<td>23% (Readiness index score = 44)</td>
</tr>
<tr>
<td>Why a perennial issue?</td>
<td>Develop leaders at all levels and invest in new and accelerated leadership models</td>
<td></td>
</tr>
<tr>
<td>LEARNING &amp; DEVELOPMENT</td>
<td>93% (Importance index score = 84)</td>
<td>7% (Readiness index score = 53)</td>
</tr>
<tr>
<td>Into the spotlight</td>
<td>Explore new approaches to learning and development to confront increasing skills gaps</td>
<td></td>
</tr>
<tr>
<td>REINVENTING HR</td>
<td>91% (Importance index score = 84)</td>
<td>19% (Readiness index score = 47)</td>
</tr>
<tr>
<td>An extreme makeover</td>
<td>An HR makeover to deliver greater business impact and drive HR and business innovation</td>
<td></td>
</tr>
<tr>
<td>WORKFORCE CAPABILITY</td>
<td>93% (Importance index score = 83)</td>
<td>16% (Readiness index score = 43)</td>
</tr>
<tr>
<td>Are you ready?</td>
<td>A more sophisticated approach to managing all aspects of the workforce</td>
<td></td>
</tr>
</tbody>
</table>

* Reflects weighted average of importance/readiness scores of all respondents in the global survey as a comparator to the Kenya country level results

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### Culture and engagement

**The naked organization**

**Create meaningful work**

- **93%** of Kenyan respondents believe that culture and engagement are “Important” or “Very Important”.

- **44%** Kenyan respondents who considered their organisations “Ready” or “Very ready” in terms of culture and engagement.

- **13%** of global workforce is highly engaged.

- **50%** Employees (global) who would recommend their employers to their friends.

### How much does culture and engagement matter?

For example, in one study (global) over a 10-year period, companies that intentionally managed their cultures outperformed similar companies that did not:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Performance of Culturally Managed Companies vs. Similar Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>68.2% Vs 16.6%</td>
</tr>
<tr>
<td>Stock price increase</td>
<td>90.1% Vs 7.4%</td>
</tr>
<tr>
<td>Net income growth</td>
<td>75.6% Vs 0.1%</td>
</tr>
<tr>
<td>Job growth</td>
<td>28.2% Vs 3.6%</td>
</tr>
</tbody>
</table>

“And as for the genius of innovation, clearly the [1%] spark of inspiration is nurtured by a positive culture. But the [99%] perspiration ingredient comes from employees who love what they do, as well as where they do it, and who invest in that Holy Grail of productivity called “discretionary effort.” …the spark and commitment of employees in these “good” cultures are a big part of what creates extraordinary results.”
What can organisations do?

• **Map your cultural landscape:** Understanding the prevailing culture starts you on the path of culture management. Focus your assessment on major culture orientations.

• **Align your culture with your strategy:** You have to be explicit and clear about the purpose of your organisation’s culture. Define the desired values and aspirations in line with your purpose. Translate these values and aspirations into real behaviours that provide for role clarity and accountability. You can make your organisation’s culture a source of competitive advantage that is difficult to imitate.

• **Start managing your culture seriously:** Culture is something that you can manage. Begin by working on the visible processes, systems and behaviours that shape your organisation’s culture.

• **Make engagement central to talent management:** Consider employee engagement a central part of every HR program today—how you hire, how you manage, and how your organization works. Work around the five main elements of engagement: meaningful work, great management, fantastic environment, growth opportunity, trust in leadership.

Questions

• Does your organisation take culture and employee engagement as serious issues to be managed?

• What does the culture of your organisation look like?

• What does your organisation’s leadership do to understand employees’ sentiments and job satisfaction?

• Does your organisation’s culture positively support your organisation’s strategy?
What can organisations do?

- **Engage top executives** to develop leadership strategy and actively govern leadership development; provide them with visibility and solicit their input on leadership pipeline, gaps and programmes.

- **Link to business goals**: Align and refresh leadership strategies and development to evolving business goals: growth, innovation, quality, new markets and acquisitions require different combinations of leadership experiences and capabilities.

- **Develop leaders internally**: The trend for searching ready made leaders is over: high performing companies build local leaders from the ground up. For this to happen; first have a leadership framework, select high potentials, assess their developmental needs and design and execute impactful on-the-job learning and coaching programs.

- **Awareness of leadership archetypes** e.g. Entrepreneurs who can start a business, Scale Leaders who can build up a business, Efficiency Leaders who can reduce costs and improve operations, Fix-It leaders who can turn businesses around.

**Questions**

- Has the importance of leadership grown in your organisation? If so why?
- Do you take different approaches for developing leaders at different levels?
- What do you view as the most critical leadership skills in your organisation?
- How can leaders be developed internally for higher level positions?
Learning and Development
Into the spotlight
Reinvent the learning experience

“Learning and development programs should be focused and strategy driven to make significant impact on bottom line results”

What can organisations do?

• **Integrate learning and development with performance management:** Leading companies treat learning and development as a means of filling performance gaps in critical areas.

• **Explore alternative methods:** Offer high potential employees opportunities for intensive and guided on-the-job training to enable them for higher responsibilities. You should take the time to familiarize yourself with all the new online content options and make sure you are leveraging them in your total training solution.

• **Introduce competency based talent management:** Shift from task based to competency based talent management: focus on implementing an integrated talent management program that centres around systematically identified critical competence areas for core positions.

• **Measure return on investment for your learning and development initiatives:** Introduce a robust measurement for your learning and development initiatives. Focus investment on learning and development to areas that have the biggest impact.

Questions

• Does your organisation have formal training and development programs with ongoing budgets and activities?

• How do you prioritise learning and development initiatives?

• What are the common learning and development methods used in your organisation and how effective are they?

• How do you evaluate the effectiveness of your organisation’s learning and development programs?
Reinventing HR
An extreme makeover
Align HR capabilities with business goals

“HR should view itself as a strategic partner and move out of its back office orientation.”

91% of Kenyan respondents rate reinventing HR ‘important’ or ‘very important’…

19% of respondents said their organisations are not ready for the challenge.

4th highest capability deficiency area.

Is HR really capable and ready for the needs of the business?
 Recent research (Bersin by Deloitte 2014) on business leaders’ confidence on HR around the world shows that only:

22% believe that HR is adapting to the changing needs of their workforce.

28% feel that HR is highly efficient.

30% believe that HR has a reputation for sound business decisions.

20% feel that HR can adequately plan for the company’s future talent needs.

HR’s Journey: Over time, HR’s role has evolved across four major stages.

Operational HR
- Recruiting, L&D, Org Design, Total Rewards, service Center, center of Expertise
- HR Business Partner

Serve Workforce & Automate
HR ERP Technology

Integrated Talent Mgmt.
- Management, succession, leadership, coaching, integrated processes
- Talent management

Enable Decisions & Management
Talent Technology

Business Driven HR
- Differentiate & segment talent plan for the future, globalize workforce & HR
- Integrate with the business

Support Business Strategy Plan for Future
Cloud HR Technology

Question: How can HR continue to evolve to drive true business impact?
Reinventing HR
An extreme makeover
Align HR capabilities with business goals

What can organisations do?

• **Design the HR organization to deliver solutions:** For many businesses, it is time to redesign HR with a focus on consulting and service delivery, not just efficiency of administration. HR business partners must become trusted business advisors with the requisite skills to analyze, consult, and resolve critical business issues.

• **Develop the HR function expertise:** HR professionals at all levels need continuous professional development.

• **HR maturity assessment and improvement roadmap:** Consider assessing the maturity of your HR function and developing an integrated roadmap for improvement.

• **Create business-integrated “networks of excellence.”** Rather than locating HR specialists in central teams, embed them into the business—but coordinate them by building a strong network of expertise. Recruitment, development, employee relations, and coaching are all strategic programs that should be centrally coordinated but locally implemented. When specialists in these areas live and work close to the business, their impact is greatly enhanced.

Questions

• What are the defining roles of HR in your organisation today?
• What has your organisation done to improve the HR function’s capability?
• In general, how mature is the HR function in your organisation?
• How is the HR function organised in your organisation and what are its roles in supporting business leaders in HR matters?
Workforce on demand
Are you ready?
Adopt a more sophisticated approach to managing all aspects of the workforce.

“Today’s workforce is no longer a set of employees who come into the office or factory each morning or shift and go home each night.”

93% of Kenyan organisations surveyed rated being able to manage a workforce-on-demand as ‘important’ or ‘very important’…

But …only 2% rate their organisations as being ‘very ready’ to develop it.

71%
Kenyan respondents expect an increase in contingent hiring in the next 3-5 years.

51%
Of global respondents see an increase in contingent hiring in the long term.

What can organisations do?

• Proactively plan for a hybrid workforce that includes owned and on-demand employees: Evaluate skill needs, including needs for technical, creative, and managerial skills, and analyse and explore how to create combinations of on-roll and on-demand talent to meet those needs.

• Educate business and HR leaders on the range of on- and off-balance-sheet approaches to talent: HR leaders should take the lead and provide research, options, and information to business leaders on the full range of available on-demand and related talent markets.

• Extend your performance management and analytics efforts to on-demand talent: With a growing portion of the workforce in new working arrangements, understanding how to develop, engage, and manage these employees will be critical if HR leaders are to optimize the entire employee base.

• Assign ownership and governance of on demand workforce management: Ensure that lines of authority are clear, and define criteria for success in managing on-demand workers.

Questions

• How do you manage freelance and outsourced staff?

• Should you on-board, train, manage, set goals, and engage these workers like full-time employees?

• How do you administer and oversee contingent workers, many of whom may not even be included in HR systems?

• How should compensation be structured? How can you engage contingent workers and integrate them into your culture?

• How should you measure contingent workers’ performance?
Appendix

A selection of statistics to shed further light on HC trends in the Kenyan context...

Kenyan respondents’ forecast growth for 2015

Survey Demographics – Kenyan respondents

General outlook for business

- 60% Strong growth compared to 2014
- 35% Medium growth compared to 2014
- 5% Similar growth compared to 2014

Job function

- Non HR: 35%
- HR: 65%

Business segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (1 to 1,000)</td>
<td>34</td>
<td>79%</td>
</tr>
<tr>
<td>Medium (1,001 to 10,000)</td>
<td>8</td>
<td>19%</td>
</tr>
<tr>
<td>Large (10,001+)</td>
<td>1</td>
<td>2%</td>
</tr>
</tbody>
</table>

Organization level

<table>
<thead>
<tr>
<th>Level</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Level</td>
<td>24</td>
<td>56%</td>
</tr>
<tr>
<td>C-suite</td>
<td>16</td>
<td>37%</td>
</tr>
<tr>
<td>Individual Contributor</td>
<td>3</td>
<td>7%</td>
</tr>
</tbody>
</table>
Appendix

A selection of statistics to shed further light on HC trends in the Kenyan context…

Kenya HR and talent programs report card

Kenya investment in HR in the short term
Further Information and contacts:

For the global human capital trends please see: www.deloitte.com/hctrends2015

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