

ENERGY
CATALYST

Theme Guide: People Strategies

June 2020



Theme guide: People strategies

Human capital is a key challenge for many small and growing businesses (SGBs) in emerging markets. Getting and keeping the right team in place is critical to propel ventures to scale – yet new teams often struggle to find the right fit. Beyond access to finance and access to markets, access to talent is an equally critical success factor for these businesses. Having a strong leadership and management team is fundamental to attracting capital, yet businesses struggle to attract strong and qualified talent when they lack the money to do so. Research by Dalberg into the key drivers for success and challenges for developing strong entrepreneurial ecosystems found that the talent of management was cited as a major constraint. SGBs stated that not only could they not afford to pay competitive salaries, offer lucrative benefits or job security, they also did not have the clout and prestige that is afforded to working for large, established corporations.

This challenge is also faced by SGBs in the off-grid energy sector. Human capital is fundamental to driving the growth of the sector, yet human capital development is often neglected or afforded very little funding vis-à-vis the financial and technical assistance offered.

In order for SGBs to survive and thrive, there needs to be a shift in the way entrepreneurs and the funders that support them think about human capital. They must commit to developing their human talent, and view talent as a strategic function with real business impact, rather than simply an administrative function. This is especially critical in the off-grid sector, which struggles to attract a strong talent pool in emerging markets, for reasons similar to those stated above.

Attracting and retaining talent

The off-grid energy sector is a rapidly growing sector in emerging markets and has led to the founding of hundreds of small and growing businesses, creating employment and contributing to the economic growth of developing economies. For these businesses to grow sustainably, they need people with the right skills – both technical and soft skills – as the driving force to propel their businesses forward. Businesses should consider the following factors in order to attract and retain the right talent for business growth.

Talent as a strategic function

For organisations to thrive, they need the right team. Having the right people in place is crucial for SGBs to attract funding and beyond that, to execute on the company's mission. Building the right team therefore must be considered along with other key strategic decisions that businesses make. The team's skills should be aligned not only with where the company is, but also with where the company is going. Establishing this alignment early on will avoid the costly mistakes that arise from team incongruence. The tool in Figure 1 below demonstrates how businesses can practically think through how to leverage their team's skills to their business objectives. Businesses can start by mapping out their short to medium term business goals and determine the skills and timing required for each of the identified goals, where there could be skills gaps in the business, and how to address those gaps. Thinking beyond the short-term will help the business address its immediate needs, but also think more holistically about future needs.

Hiring the right people

BUILDING A TEAM WORKSHEET						
What are the 5 big things you need to accomplish in the next 18-24 months?	Which skills are associated with each?	Which skills exist internally? Which skills do you need to find? (New hire, advisor, investor)	Approximately, when will you need these skills?	For the skills you need to find: Brainstorm on people or backgrounds/ experience that could provide the skills you need.	What perspectives do you need on your team to achieve business milestones?	What would success look like in this new position?

Figure 1. "Building a Team Worksheet", Source: Tool from Hitachi Foundation/Borough Consulting "The Human Capital Advantage"

As stated earlier, businesses in emerging markets struggle to attract top talent as they are unable to offer competitive salaries and don't hold the status of larger, more established corporate organisations. How then can SGBs attract talent?

One way is for businesses to demonstrate their value, apart from compensation which they can't compete on. Businesses that are able to clearly communicate their vision and mission and persuasively tell the story of why they exist, can attract the top talent that will help them carry out their mission.

Rippleworks, an organisation that helps entrepreneurs develop business skills to help them scale, has developed a framework that guides businesses to develop their Employee Value Proposition (EVP). An EVP will help attract talent by communicating why the company is a great place to work, but it also helps to retain talent by demonstrating to employees the company values and culture that makes them want to stay working there. Employees who like the company tend to be brand ambassadors for the company, and spread the word among their networks.

Developing your team

According to IBM's 2014 study on global training initiatives, 71% of CEOs around the world say that human capital rather than products, customer relationships and brands are critical to economic value at their companies. They also say that people skills are in the top four critical external forces impacting their enterprises. 65% of global leaders cite talent and management shortages as their number one business challenge.

The best-performing organisations recognise the need to tailor learning to individual needs and ensure that learning is an ongoing career-long process rather than a one-off event. Personalised learning is a critical component of what millennials are demanding. The McKinsey report, "Why leadership development programs fail", found that the most successful leadership programmes focus

more on individual and personal context to assess critical needs for individual participants, rather than delivering generic ‘alphabet soup’ corporate training. As such, learning programmes have begun incorporating more personalised learning opportunities, and most importantly, measuring the results of those opportunities in terms of performance improvements, career progression, and business success.

The key way for this learning to take place is using the 70:20:10 principle, which holds that we learn most by doing, followed by interacting with others, and least from formal content. To be effective, the three elements need to be seamlessly interwoven. Reflection (individual or in discussion) on past or current experience creates the need. Then discussion, reading and listening provide insight and helps identify solutions. Then practice with feedback, repeated often, develops the skills required. Repeated consistently, this process helps individual participants identify, learn and implement new behaviours (habits) that make them more effective.

When applied at an organisational level, this process of focusing on habits leads to substantial bottom-line

improvements. Organisational habits, referred to as “management practices”, are set of activities or processes that occur routinely because they are built into the procedures and/or culture of the company. Much of the recent research into the link between good management and improved company performance is based on an approach initiated by Bloom & Van Reenen (2007). In their extensive research, they found very little if any evidence that having more able managers led to better management practices. It was not so much the individual capabilities of the managers that made the difference in bottom-line performance, as the deeply embedded organisational practices carried out by the managers. Their findings held true across organisations of various sizes – whether small, medium or large – and across different sectors and geographies.

For small and growing businesses that are especially focused on building strong talent teams, the implication is a need to develop organisational habits around how they manage their people. Embedding management practices at the core of their operations will lead to improved business performance. The table below gives examples of the management practices that are aligned with managing and developing teams.

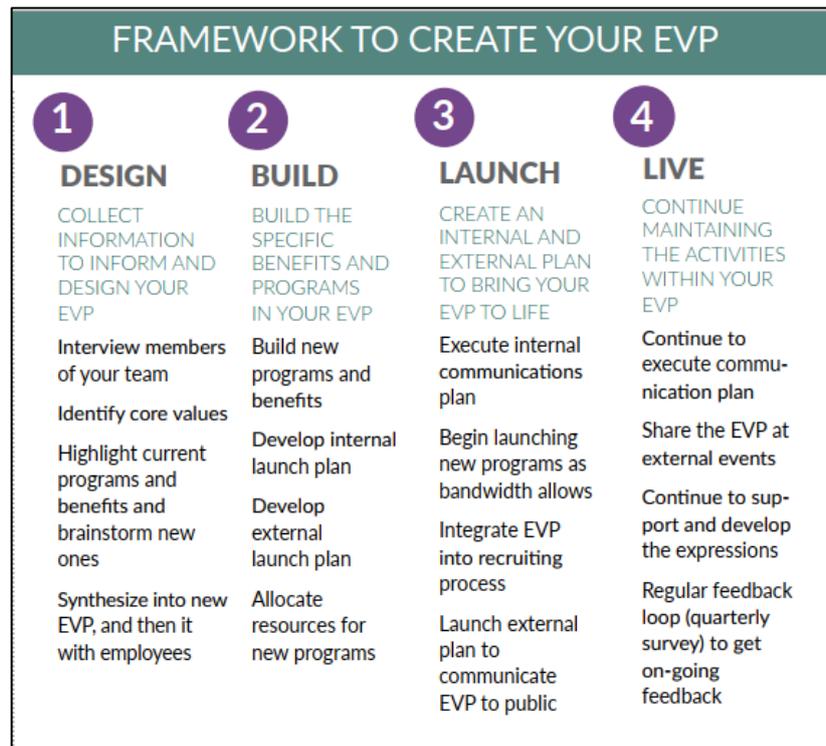


Figure 2. Rippleworks Framework to Create Your EVP, Source: Village Capital 'Talent Playbook', 2018.

Table 1. Management Practices (Habits)

Management Practices	Action
Regular check-in with staff	Managers check in regularly with their staff (at least weekly)
Monitor organisational climate	Take a pulse check as often as possible to measure the organisational climate e.g. trust, job satisfaction, quality of interactions
Regular feedback and coaching	Every staff member gets regular feedback and coaching (at least once a month) from peers or managers
Performance reviews	Every staff member has at least one discussion of a more formal nature about their performance with the person they report to at least once every year
Staff learning	Every staff member spends at least half a day (cumulative) per month in explicit learning/training activities
Talent review	An annual review (with quarterly check-ins) is done on existing talent to create a plan to recruit, retain and train staff

Taking action

As many small and growing energy companies grapple with these challenges, we highlight a few examples of how SGBs in the energy sector have tackled their talent development challenges:

- i.) M-KOPA Solar is one of Kenya's leading pay-as-you-go solar providers and has experienced rapid growth as demand for off-grid energy solutions rises. As the company scaled, its leaders recognised the urgent need for a team that was well equipped to manage this growth. To improve their people, M-KOPA first developed an internal training programme to teach front-line staff operational basics. To ensure that their management team was positioned to function successfully in the dynamic environment that comes with scaling a business, M-KOPA implemented a leadership development programme for their senior leaders. The year-long programme focused on leadership skills, personal effectiveness, strategic acumen, and general management skills. This investment in staff development enhanced the morale, performance, and leadership of the team, prompting M-KOPA to continue to run additional talent development programmes, extending to the organisation's middle management.
- ii.) The Shell Foundation, an investor in emerging market SGBs in the energy access and mobility sectors, offered capacity-building support for its portfolio companies. The company provided its support on a cost-share basis. SGBs that took advantage of the offer were able to select the capacity building programmes that were most relevant to their human capital needs. This type of investor-led approach encourages SGBs to invest in talent even though they may have cash constraints. Support from investors, whether as a cost-share or full subsidy, is an indication to SGBs that human capital is a critical component of their success.

Conclusion

The temptation for a lot of entrepreneurs is to try and do everything themselves. But good leaders do not do it all on their own, especially when it comes to building thriving businesses. Successful leaders depend on the successful work of other people within the team. Utilising the strategies and tools shared here can help entrepreneurs attract and keep the top talent that will drive their company mission forward.

Table 2. Donor funded talent programmes

Organisation name	Programme Description	More information
AMI	'Empowering Managers' mid-management training programme equips middle management, team leaders and supervisors with soft skills to lead dispersed teams, manage rapid growth, create a performance culture, and help front line staff to become more productive.	https://offgridenergy.africanmanagers.org/
Shortlist	Graduate work placement programme - matching the skills of young graduates with the demands of the sector and placing the graduates in companies.	https://www.shortlist.net/energy/
Transforming Energy Access Academic Partnership	Develop greater synergies between universities and industry needs, establishing feedback loops from industry to academic and strengthening linkages with the market.	https://tea-lp.org/

References and further reading

AMI Training Talent Report

<https://africanmanagersblog.org/2016/06/16/training-talent-learning-development-for-21st-century-africa/>

Bloom, N. & Van Reenen, J. 2007. Measuring and explaining management practices across firms and countries. *The Quarterly Journal of Economics*. 122 (4) 1351-1408.

Mckenzie, D. & Woodruff, C. 2015. Business Practices in Small Firms in Developing Countries. World Bank Development Research Group. Policy Research Working Paper 7405.

Nine exercises to build a team

<http://talent.vilcap.com/playbook/>

The Value of Training

<https://www-304.ibm.com/services/learning/pdfs/IBMTraining-TheValueofTraining.pdf>

Why leadership development programs fail

<https://www.mckinsey.com/featured-insights/leadership/why-leadership-development-programs-fail>

Key Drivers for Success and Challenges for the Development of an Entrepreneurial Ecosystem

<https://www.empea.org/research/key-drivers-for-success-and-challenges-for-the-development-of-an-entrepreneurial-ecosystem/>

Useful contacts

African Management Institute (AMI)

+254 712 266 102

<http://www.africanmanagers.org>

info@africanmanagers.org

Shortlist

+254 711 082 578

<http://www.shortlist.net>

hello@shortlist.net

Open Capital Advisors (OCA)

+254 799 862 668

<http://www.opencapital.com>

Power For All

<https://www.powerforall.org>

info@powerforall.org

Rippleworks

+1 650 269 9464

<https://www.rippleworks.org>

info@rippleworks.org

Global Women's Network for the Energy Transition (GWNET)

<https://www.globalwomennet.org>

info@globalwomennet.org

Clean Technology Hub

+234 8096024444 / 08139186502

<https://cleantechnologyhub.com/>

info@cleantechnologyhub.org

ACCESS Coalition

<https://access-coalition.org/>

international.coordinator@access-coalition.org

Efficiency for Access

<https://efficiencyforaccess.org/>

info@efficiencyforaccess.org

Please contact your Client Relationship Manager if you want help with introductions to specific individuals within these institutions.