

Show me what you can do

Diagnosing the Human Capital Challenge for
Social Entrepreneurs and Exploring Emerging Solutions

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Note from the Authors

Solving the issue of human capital is finding the undiscovered country

Entrepreneurs everywhere have an especially difficult time attracting and retaining top talent. This challenge is particularly acute in resource-constrained environments and emerging markets.

Why, for example, is it still so difficult for entrepreneurs to hire strong, mid-level managers in populous markets like India? Why do enterprises continue to tolerate poor performance and overpricing from outsourced recruitment agencies? In a world where an increasing number of candidates have a digital presence and public CV, how can enterprises more efficiently identify the genuinely skilled individuals out of hundreds of similarly presented candidates?

Over the past two years, we have been investigating the human capital challenge in our respective organisations. In a 2012 internal survey, alumni of Village Capital (a global network of over 400 entrepreneurs, including one of the co-authors of this report) cited talent acquisition and retention as their **number one** barrier to growth, easily surpassing financing. In “Accelerating Access to Energy,” – a report published by Shell Foundation in December 2014 on their lessons from the last decade of supporting pioneering energy enterprises serving low income communities – enterprises cited hiring world-class talent as one of the primary (and least frequently executed) prerequisites for achieving scale.

As a result, Village Capital partnered with Potencia Ventures to develop a research agenda evaluating the state of the human capital sector among entrepreneurs operating in resource-constrained markets, with a specific focus on enterprises that provide access to basic services that benefit low income consumers in an outsized way. Over the past year, we have surveyed nearly 200 organisations and have also conducted in-depth interviews with founders, managers, investors and HR experts at organisations operating in 25 different countries.

In collaboration with Shell Foundation (an independent charity supporting enterprise-based solutions to global development challenges) we have built on these findings to create this report, which is meant to:

- **diagnose the specific problems related to talent acquisition**, with particular regard to social enterprises operating in emerging markets;
- **draw practical and actionable conclusions** for these enterprises and their investors;
- **point to potential systemic solutions** needed to reform the human capital market.

Ross Baird

Executive Director, Village Capital

Simon Desjardins

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Executive Summary

Human capital is at least as important as financial capital

According to Noam Wasserman's *The Founder's Dilemma*, 65% of start-up failures are due to "people problems." Human capital challenges are especially acute for early-stage enterprises operating in resource-constrained environments and people represent the most important (and often the largest) investment an organisation makes.

Yet the vast majority of initiatives that support entrepreneurs are focused on providing some form of financial capital. Support to help enterprises build world-class teams – the criteria any leading investor would have as a core part of their investment strategy – lags far behind.

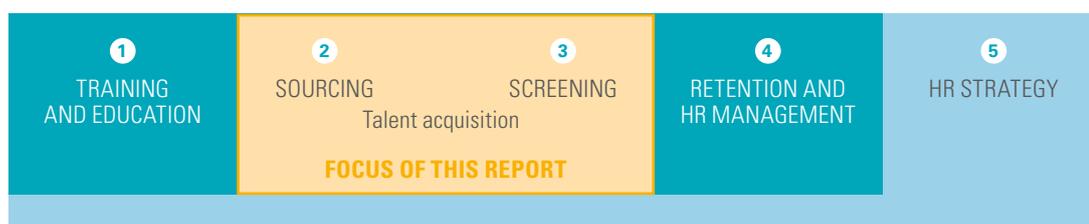
This report represents a quantitative analysis and qualitative assessment of current human capital practices in enterprises addressing global development challenges. The report also includes quantitative data from 197 organisations globally as well as qualitative data from over 60 individuals.

This report articulates one primary problem:

Despite general agreement from the world's most successful business leaders that "the people make the company," few entrepreneurs devote the amount of time, resources and thought necessary to effectively hire and retain talent that will successfully operate and scale their organisation.

Focus on talent acquisition

We divide the broader human capital sector into five subsectors, from "upstream" talent development including training and education, to "talent acquisition" encompassing sourcing and screening, to talent retention and management, to HR strategy.



While each of these sub-sectors is important, we believe the talent acquisition space represents the greatest untapped area to drive change for enterprises because of its potential to leverage new technology. By contrast, training and education has benefitted from significant investment and innovation over the last decade, with models such as Khan Academy, Bridge International Academies and Massive Open Online Courses (MOOCs) offering new ways to educate the masses.

Conclusions and insights

1. Founders and investors do not see sufficient value in HR. The data clearly shows that HR is less of a priority than it should be. Through interviews and surveys, we have consistently seen that firms view human capital as a reactive need instead of as a distinct vertical of their business. Likewise, HR is often

perceived as a division of a department, instead of as a core strategic priority. We tend to see press releases focused on funds raised instead of human capital secured – despite the latter being arguably far more important than the former.

- 78% of organisations surveyed in this report do not have a staff person dedicated to HR and 90% of organisations surveyed consider HR to be an “administrative” vs. “strategic” task;
- 63% of organisations do not budget time or spend for recruiting efforts, suggesting these organisations do not manage the significant resource requirements needed for effective hiring as part of their long-term growth strategy.

TAKE-AWAYS

- Given its importance, the community of practitioners who support entrepreneurs needs to prioritise human capital as much as it has historically prioritised financial capital.
- Partial and time-bound subsidy support specifically to enable enterprises to hire appropriate senior talent has been a highly-effective use of philanthropic capital to help enterprises move through the critical validation phase of their growth, though this use case for grant is rarely seen today.

2. Current methods to source and screen candidates are outdated and ineffective for today's

workforce. A majority of enterprises are still acquiring talent using pre-internet methodologies underpinned by the “CV + interview + reference check” model. Over 50% of enterprises rely on referrals and personal connections to source candidates, while 23% or less relied on social networks, internet job boards or email campaigns to reach prospective candidates.

TAKE-AWAYS

- The 21st century employee is markedly different from past generations by placing increasing importance on cultural fit, by constantly searching for new job opportunities, and by ascribing greater value to the mission of the organisation.
- Employers should pay closer attention to a candidate's skills rather than focusing only on their experience and screen according to what a candidate can do, not whether the candidate can write a good CV.
- The CV is dead (or will be very soon). CVs are increasingly being embellished to appear more frequently on internet searches and are being found to be poor assessment tools.
- Reference checks should be out of the candidate's hands.
- Interviews may need to be re-designed to facilitate group assessment over individual assessment.

3. Current external HR services do not meet hiring needs of entrepreneurs. Most organisations (55%) have never used external consulting firms to help them with any part of the hiring process. For the entrepreneurs who have retained external service firms, only 8% “always” hire the candidates the external firm recommends, while 38% “never” or “rarely” hire the candidates a firm recommends. Entrepreneurs are looking for external support to assist with talent acquisition. They just haven’t yet found a model they can consistently trust.

WHAT WILL THE “NEW HR FIRM” LOOK LIKE?

In this report, we argue that the external recruitment firm isn’t going away, but it will need to evolve radically to remain relevant. We’ve outlined a few key areas of what the “New HR Firm” would look like.

1. The New HR Firm leverages the important trend of candidates becoming increasingly present online. The value proposition of this firm will shift away from selling a Rolodex to sourcing and screening talent primarily in digitised ways.

2. The New HR Firm will provide more access to opportunity for jobseekers. It will enable reduced dependency on conventionally sought-after attributes and provide “democratised” access to jobseekers that are objectively evaluated to do the job better than others.

3. The New HR Firm will replace many in-house admin-focused HR departments. It will focus on managing the vast majority all HR-related administrative tasks, leaving executives to focus on HR strategy and evaluating only pre-screened and high potential candidates.

Goals of this paper

Through surveys and in-depth interviews, our aim is threefold. We seek to:

1. Test the working hypothesis of this paper: “CV/résumé plus interview” model does not yield the best outcomes in hiring and retaining talent for early-stage enterprises;
2. Assert that human capital needs are just as critical and constraining as financial capital in early-stage social enterprises – and, given the acute resource constraints endemic to the sector today, the impact investing community in particular needs to support enterprises’ efforts to adopt more effective talent acquisition strategies;
3. Explore potential innovations that could help solve the human capital gap in systemic ways, rather than through incremental improvements in current HR practices;
4. Point to the changing nature of the “HR specialist” as it transitions away from an administrative-focused role and towards a more strategic one, to drive more value to organisations.

CHAPTER ONE

Introduction

Introduction

We live in an age of unprecedented optimism surrounding the potential for businesses to create a positive difference in society. An estimated \$46 billion has been invested in the last two years in “impact investments¹” – that is, investments for businesses strategically addressing social and environmental problems. At their 2013 summit, the G7 nations declared impact investing a national priority, and each of those countries has set up a National Advisory Board to promote policy nationwide. Banks, private wealth managers and institutional investors are developing departments of “social finance,” “social investment,” and “impact investment.” Over 300 documented funds invest in businesses that provide a social return. With an unprecedented \$40 trillion poised to move inter-generationally from “baby boomers” to “Millennials” worldwide², the pool of impact investment dollars will only grow.

Yet who are the leaders, middle managers and frontline employees operating these enterprises that are going to absorb billions of dollars of investment capital?

Investors and company executives alike are known to say: “It’s all about the people.” However, the focus of the sector supporting entrepreneurs to-date could be described as being “all about the money”. As a specific example, in eight highly-publicised reports related to impact investing released over the past three years³, there were over 3,041 terms referencing financial capital for enterprises, but only 106 references to human capital.⁴

**LEADERS WHO SUPPORT ENTREPRENEURS TO SOLVE GLOBAL CHALLENGES
NEED TO PRIORITISE PRESSING HUMAN CAPITAL ISSUES.**

Collectively, we need to better identify, develop and support human capital-related challenges facing enterprises today, as well as the potential disruptive innovations that could vastly improve how talent is sourced and screened. This would lead to better performance and higher retention rates.

CHAPTER TWO

Literature Review

Literature Review

There is little academic research on talent acquisition specific to the social enterprise sector. To explore what has already been written about this topic and help provide context, we reviewed over 50 academic papers, peer-reviewed journal articles, books and research reports covering human resources topics with applicability to social enterprises, with a specific focus on hiring. The majority of the literature, which focused on larger firms in developed markets, supported the following key assertions:

1. Talent acquisition (hiring) is the most difficult - yet most important - challenge in human capital.

In his July 2014 cross-enterprise study in Harvard Business Review – “HR for Neophytes” – Peter Cappelli notes that, “hiring may be the single hardest task of them all.”⁵ Supporting this observation, Intellectap’s report “Understanding HR Challenges in the Indian Social Enterprise Space” shows that 70% of respondents consider recruiting qualified staff [talent acquisition] as the most difficult HR challenge. This overwhelming percentage ranked far above the second greatest challenge of clearly defining roles and responsibilities among team members (39%) and the third greatest challenge of distributing decision-making authority beyond the founding team (34%).⁶ In his recently-published book, “Work Rules!” Lazlo Bock from Google notes that “hiring is the most important people function you have and most of us aren’t as good at it as we think. Refocusing your resources on hiring better will have a higher return than almost any training programme you can develop.”⁷

2. HR Departments are underperforming. In Deloitte’s 2015 report on human capital, the authors state “to put it bluntly, HR is not keeping up with the pace of change in business. Today, there is a yawning gap between what business leaders want and the capabilities of HR to deliver.”⁸ This gap is most apparent in HR decision-making, with widespread acknowledgement that, surprisingly, HR departments are often not structured nor staffed to answer the important questions facing recruiters. As John Boudreau of the Centre for Effective Organisations says, “business leaders are increasingly frustrated with traditional HR, even when it is executed well or best-in-class. One CFO (now the CEO of his organisation) put it well, when he said to us, “I value the hard work of HR, but I worry that our organisation may not know which talent issues are the important ones versus which are mostly tactical.”⁹

3. Standard hiring practices are biased and flawed – explaining the frequent gap between a candidate’s impressive interview performance and sub-par job performance. People are hardwired to hire candidates who are more like them or who make them feel comfortable, even if they are not the best candidates for the job. This has been most convincingly demonstrated by Fernández-Aráoz in his 2007 book, Great People Decisions.¹⁰ However, Bateson, Wirtz and Vaughan’s research also suggests the standard approach of “CV/résumé + interview” for hiring candidates is flawed, as nearly 50% of job applicants today embellish their CVs and résumés.¹¹ Furthermore, employer satisfaction with interview performance is rarely correlated to quality of the hired candidate.¹² There is also significant evidence of discrimination based on age, gender and race in the hiring process.^{13 14 15}

“If hiring managers were doctors, half of new patients would be dead in 18 months.”¹⁶

Deborah Branscum, Medium Backchannel, 2015

Given the above conclusions, we focused on the sourcing and screening process (or “talent acquisition”) as a principal way to grow the success of participant companies, testing three hypotheses:

1. Companies do not view human resources as a strategic need;
2. The way companies hire takes too much time and money for too little quality;
3. Current external support mechanisms for companies in the hiring process are not meeting their needs.

CHAPTER THREE

Data and Methodology

Data and Methodology

Data collection

The original findings in this report were collected using two methods: (1) an online survey, and (2) one-on-one interviews, in-person and on the phone.

1. Direct entrepreneur survey

Village Capital designed a 53-question survey, reviewed and edited by Peter Roberts, Professor and Director of Social Enterprise at Emory University's Goizueta Business School.

In November 2013, Village Capital emailed the survey to 588 social enterprises and related capacity-building organisations. We collected 279 survey respondents – a 47.4% response rate.¹⁷ After filtering out the incomplete surveys and duplicate submissions, we had a total of 197 eligible survey respondents, representing a 33.5% final response rate. The 197 eligible surveys were analysed collectively and anonymously. This collective information is the source behind the quantitative data we cite in this report.

2. Interviews

To complement the survey findings, we conducted 60 in-depth interviews with a range of stakeholders, including:

- Successful entrepreneurs who have built strong teams;
- Leading capital providers that have supported entrepreneurs;
- Intermediaries that have operated in the HR sector.

The three primary questions we asked consistently across these interviews were:

- (1) What are the biggest problems with the way in which organisations recruit/hire talent today, and how can organisations hire more effectively in the future?
- (2) What is one specific, tangible thing you do to screen, select and hire the right people to do a world-class job?
- (3) How is today's candidate different from the typical candidate 10 years ago? How have you updated your approach to recruiting and retaining talent in recent years? Has your approach evolved or have you maintained certain approaches?

It is important to note that the data from the online survey responses and interviews were self-reported and self-selected and that the sample size is relatively small (less than 200). As a result, we are careful not to make any definite claims or over-reaching inferences. Nonetheless, the information collected from the online survey and informational interviews is broadly consistent, validating the existence of shared HR experiences and trends.

We see opportunities for further research to be conducted on the process of overcoming HR challenges using the best practices and conclusions outlined in this report. Additional research is also needed to test conclusions across specific geographies, cultures and sectors, to better understand how these factors inform best practices. We recognise that some sectors may have idiosyncrasies requiring customised solutions.

Demographics of survey respondents

Individual survey respondents

The survey respondents were retained by their organisation for an average of 3.2 years, with the following organisational background:

- 28% reported themselves as the founder or a co-founder;
- 24% reported themselves as the CEO;
- Other common positions the survey respondents held include: Managing Director, Executive Director, Partner, Operations Manager, VP-HR and HR Director.

These titles suggest the respondents serve at an executive level and have access to relevant and accurate information regarding their organisation's human resource data and practices.

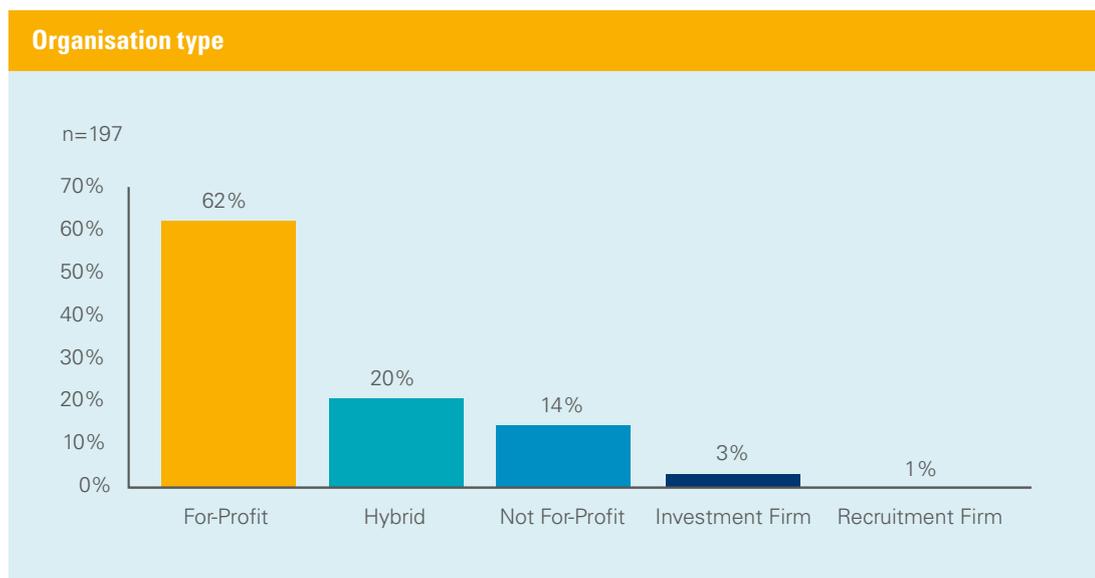
Geographic location

The 197 organisations were sourced from 25 different countries, including:

- Kenya (35%);
- India (22%);
- USA (15%);
- Indonesia (7%);
- Brazil (4%).¹⁸

Organisation type

A majority (62%) of organisations that completed this survey identified as a for-profit enterprise. A total of 20% of respondents identified as a hybrid for-profit/not-for-profit organisation and 14% identified as a not-for-profit or non-governmental organisation (NGO). Only 3% of organisations were investment firms and 1% (one organisation) identified as a recruitment firm. (see chart page 14)



Impact objectives

The organisations had a range of impact objectives, for which we used the IRIS taxonomy to categorise consistent responses. The most common objectives were:

- Access to education (15%);
- Income/productivity growth (10%);
- Access to energy (9%);
- Health improvement (9%);
- Employment generation (7%)¹⁹.

Financial status of survey respondents

Of the organisations surveyed, 71% operated an annual budget of less than \$250,000 per year. Another 18% operated with between \$250,000 to \$999,999 and 11% operated with slightly over \$1,000,000 per year.

CHAPTER FOUR

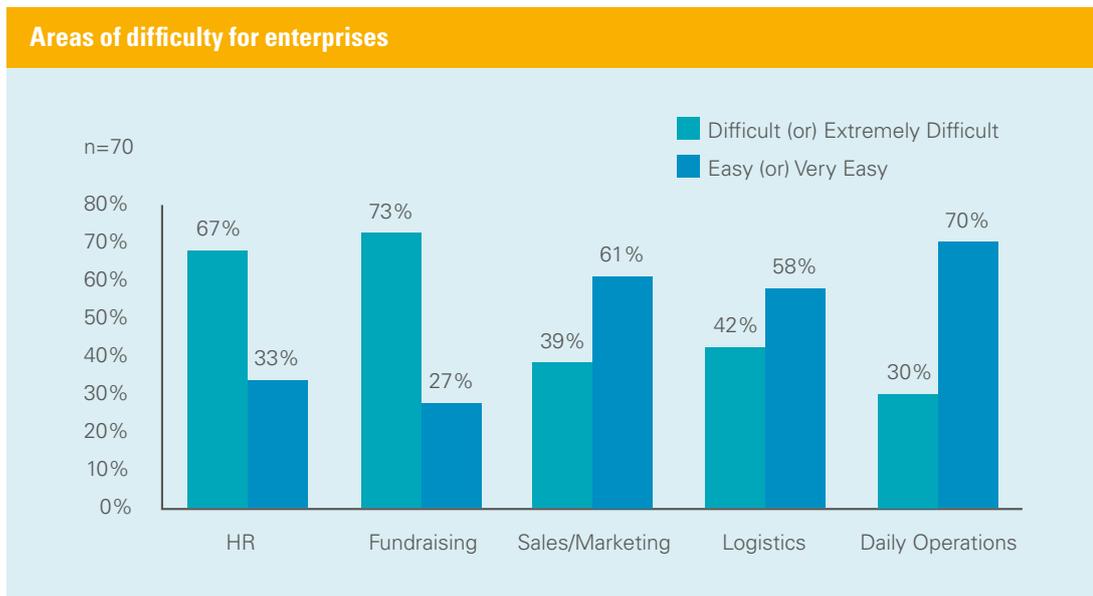
Research Findings

Research Findings

Macro-level observations

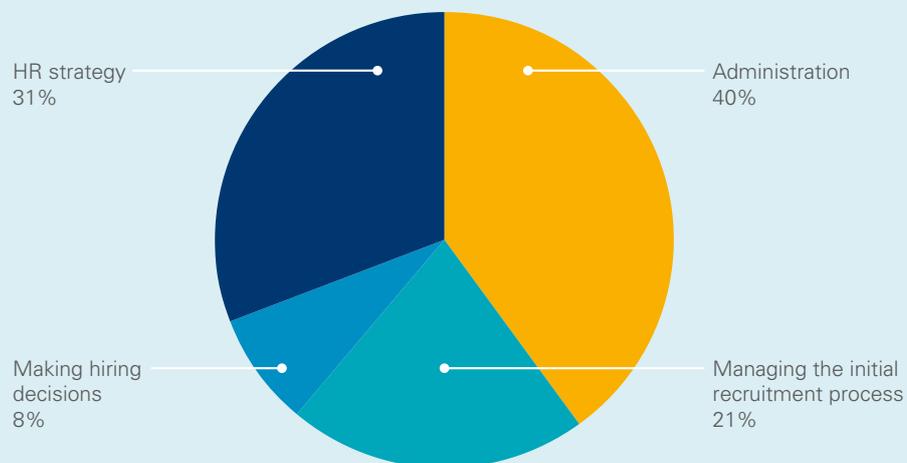
1. Human capital is a universal challenge, but not a strategic priority.

Among the surveyed entrepreneurs, two issues stood out above the rest as most difficult: access to finance, and access to human capital. Logistics ranked a distant third. As Ernest Jura of Collabmed²⁰, a healthcare start-up in Nairobi, stated, “My first concern is revenue, and then talent.” In late 2014, Accion Venture Lab surveyed 35 financial inclusion CEOs globally and found that “talent” was identified as top issue facing their organizations, and the single most important issue for them personally. Even more recently, in a mid-2015 survey done by Bain & Company for Accion Venture Lab, “human resources” was identified most frequently as the biggest organizational need (in a tie with “sales/marketing”) in a series of interviews of C-Suite managers across 21 enterprises.



Despite this perceived importance, organisations do not value – and do not resource – HR as a strategic priority. The majority of organisations interviewed view HR as an administrative function vs. a strategic function. Kopo Kopo²¹, a Village Capital enterprise that is a financial inclusion-focused start-up in East Africa, is one of the outliers. Beryl Opar, head of HR at Kopo Kopo, noted: “HR people are seen as admin[istrative] right now, and it’s hard to find people who really understand what an HR strategy is.” Only 31% of interviewed organisations considered HR a core strategic need of the organisation. As one entrepreneur explained, “The biggest problem related to HR is that we are not strategic about it. Right now, HR is just hiring people; I need to do something and make sure their background and CV/résumé match.”

How do enterprises think about HR?



Talent before dollars: recruitment as a prerequisite to fundraise

While “fundraising” tops the list as the area of most difficulty as identified by entrepreneurs, slightly ahead of HR, Shell Foundation’s experience suggests that HR is in fact often the root cause of enterprises not being able to attract sufficient finance.

“Business growth figures speak for themselves. We have consistently found that pioneers who make considerable investments into attracting and retaining world-class talent can achieve scale and sustainability far more quickly than others. Paradoxically, failure to invest in people with the skills, track-record and experience to perform efficiently in uncertain environments ultimately harms an enterprise’s ability to raise funds; placing early-stage investment at higher risk.”

Chris West, former Director, Shell Foundation

2. Talent acquisition in new markets is currently resource intensive

With 87% of survey respondents having hired at least one person in the past year, hiring is clearly a priority for most CEOs, but the hiring process itself has proven to be a bottleneck for nearly everyone that we interviewed. Marion Moon of Wanda Organic,²² a Village Capital portfolio company that sells organic fertiliser in Kenya noted that when a CEO is creating a market, rather than sliding into an existing one, simple tasks such as writing a job description can be overwhelming. As Marion says, “I want to build out a team... but I’m overwhelmed with the hiring process.” Paul Breloff, the Managing Director of Accion Venture Lab, seconds this: “When growing a company, getting the right people in place is everything, and it often becomes the core concern and challenge for our founders and senior managers. Yet it’s often the area they get the least support, and with which they have the least experience.”

COMPANIES DON’T REALISE HOW EXPENSIVE HIRING IS.

A full 63% of organisations do not have any internal sense of time or cost spent internally on recruiting efforts, suggesting that teams are not internalising the significant cost to hire. For companies who do calculate time per hire, the average senior executive spends 40 hours of time – one full week’s work – per position that the company hires.

The perpetual hiring cycle: *From a reactive activity to the core focus of the CEO*

Too often, we see resource-constrained enterprises forced to react to gaps in their organisation structures as they arise, with no proactive plan to recruit for those gaps before they become bottlenecks to growth. Without exception, the enterprises that have become leaders in their respective subsectors treat finding, selecting and managing their human capital as their top priority. The CEOs of these organisations spend more time on HR than on any other activity, in some cases by a wide margin.

HIRING AS A PRIORITY AT INTELLEGROW

When CEOs view HR as solely an administrative task, companies fail. Shell Foundation found that the CEOs of the highest-performing portfolio organisations spend more time on HR than on any other activity, in some case by a wide margin. “I currently spend 40% of my time attracting new talent to the company and managing existing talent, which still isn’t sufficient for me. After closing a few key hires this year, I will be able to increase that allocation to 60%.”

Sanjib Jha, CEO, Intellegrow

Current HR practices revealed by our survey

1. Talent sourcing is usually done through personal networks

Most respondents cited referrals and networks as their top sources for talent. Internet job boards, social media, social networks and emails were considered useful by only 25% of respondents. Only 7% of respondents cited formal recruiters as one of the top three recruitment tools. Trade journals, email campaigns and in-person job fairs were cited as the least helpful recruitment vehicles.

Sourcing Methods	% Using this Method	Comments
Referrals	56%	Personal networks continue to dominate as the most frequently used sourcing methodology
Personal Connections	53%	
Social Networks	23%	
Internet Job Boards	22%	Relatively low use of internet job boards, formal recruitment agencies and an organisation's website despite their ubiquity
Organisation's Website	15%	
Formal Recruiting Agency	13%	
Newspaper Ads	19%	Social enterprises using newspaper ads almost twice as frequently as social media ... which is used by only one in 10 organisations
Social Media	10%	
Fellowship/Internship	10%	Low use of fellowships and university recruitment
College/University Career	10%	
Job Fairs in Person	2%	Methodologies with some of the best possibilities to reach specialist communities in personalised ways are the least used methodologies
Email Campaigns	2%	
Trade Journals	1%	

2. Most companies still evaluate candidates with the conventional “CV/résumé+ interview + reference check” method

There has been very little innovation around ways to screen candidates: The “CV/résumé plus interview plus reference check” method is the most commonly used method across enterprises.

Methods of Assessing Candidates	% Using this Method	Comments
Interviews	95%	This decades-old methodology still persists
Résumés	72%	
Reference Checks	71%	
Written or Oral Test for Job Skills	40%	Fewer than 50% are employing skills assessment methodologies to screen candidates
Written Assignment	26%	
Personality Tests	22%	
Computerised Skills Test	20%	
Written Aptitude Test	8%	
Social Media	38%	Far more organisations using social media to screen, but not to source candidates
Criminal Background Check	15%	Fewer than 2 in 10 organisations conduct formal background checks

Relying on résumés and interviews persists despite ineffectiveness

While they are the most popular method to assess candidates, research shows there is very little evidence that reviewing résumés and conducting interviews are effective ways to screen candidates. In follow-up interviews, founders widely recognised this. One Village Capital portfolio company in India lamented, “At the end of the day, no matter how diligent the process, hiring someone new from the outside, especially an unknown, is a crapshoot at best. There’s a strong probability that surprises, good and bad, will emerge six to 12 months later.”

“The biggest problem is that interviews have such poor predictive power.”

Craig Silverstein, Google’s first employee

This methodology is clearly widely employed by organisations outside the “social enterprise” sector as well. We interviewed several CEOs in Silicon Valley and found even greater levels of scepticism about the CV/ résumé + interview method. For example, Craig Silverstein, the first employee hired by Google who served a chief role in talent acquisition and management, explained, “The biggest problem is that interviews have such poor predictive power. It’s just impossible to test for the things that really matter: [the] ability to grow not just what they’re working on but the ecosystem it exists in; willingness to help others; whether they’re the kind of person who cleans up problems they see in other areas as they’re doing their task, or who creates new problems.”

THIS IS ALSO GOOGLE’S PROBLEM

In a recent article published on LinkedIn, the Head of People Operations at Google, Lazlo Bock, pointed specifically to this methodological problem, even for well-resourced organisations such as Google:

“Job-matching efforts suffer from information asymmetry, or what I call the Colour Blue Problem. How do I know that when I see the colour blue, it’s the same as when you see it? How do I know that when I describe myself to an employer, they know what I mean? And that when a hiring manager describes what she wants in a job posting, how do I know what she means?

Résumés stink. They’re a simply awful way of marketing yourself for a job... an employer has no way of knowing if most companies on a résumé are good or bad (is working at “LaszloCo” a good sign?), if a title means anything (VP is a senior title in tech, but not in banking, and even in tech some companies have one VP for every 20 people and some have one per 300), or even what my words mean (is a “superb programmer” the co-inventor of Google or just really, really good at Logo?). And employers are completely blind to the indefinable things that make you “you,” such as generosity, curiosity, or playfulness.

Résumé screeners and interviewers deliver the coup de grace. In the words of one hirer: “We all think we are great at assessing candidates. We’re not. We are biased, ask bad interview questions, rarely go back and check if our predictions were correct, and so on. We only hire the best, right? Then how did all those slackers in Sam’s department get hired? ...The job-matching process is fragile and error-prone. The root cause is that we can’t convey perfect information about our own skills, nor can employers convey perfect information about what they need.”²³

Vetting candidates through external recruitment firms

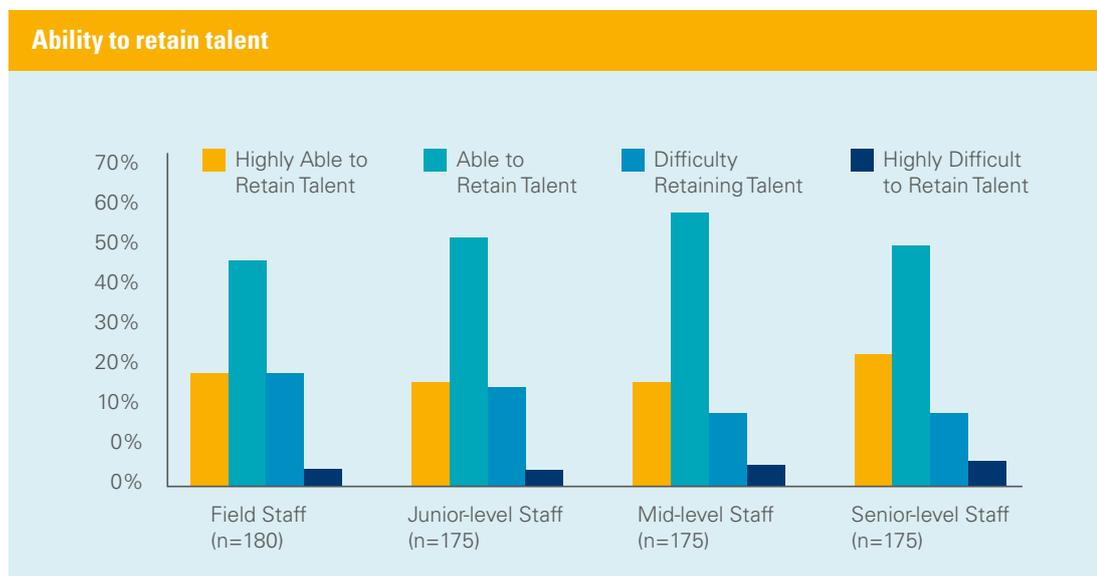
Though there are a small number of exceptions, **external recruitment firms appear to be largely failing at their primary task.** Out of the 13% of survey respondents that frequently use external recruitment firms, only 15% of our survey respondents believed they received more value than they paid for the service (translating into only 2% of all respondents). Out of these same respondents, a significant number (40%) have “never” or “rarely” hired the candidates that the firm suggests.

The organisations that never use external recruitment firms cited three primary reasons. They:

- (1) do not think that organisations will meet their needs;
- (2) do not know of any good organisations; and
- (3) are price-sensitive.

3. Talent retention, though easier than hiring, is still a significant problem

Organisations face much more difficulty hiring talent than retaining it, as is seen in the figure below. Over 75% of organisations believe they are able or very able to retain talent for all employee levels, from field staff to senior-level staff, for at least two years.



Many enterprises that serve low-income consumers in emerging markets expect that new hires outside of the founder group will be as motivated to remain at the company as its founders. Anecdotally, this occurs more often where senior staff that have already had successful careers in industry or military are hired to take on a role in an early stage enterprise. Their motivation at that stage in their career is often more focused on the subject matter of the work and the chance to affect social change than financial compensation.

But for most other hires in an organisation – especially junior hires in emerging markets, who might well be far more influenced by monetary rewards – the idea of quality people taking a pay cut to align with the mission of the organisation is not necessarily the case in reality. In the words of Chris West, Shell Foundation’s former Director, “you get what you pay for.”

CHAPTER FIVE

The Future of HR:

Looking Ahead to a New Hiring Industry

The Future of HR:

Looking Ahead to a New Hiring Industry

The new characteristics of the 21st century employee

Cultural fit – not résumé fit – is key

One of the most noticeable changes HR experts have observed is that employees are searching for jobs that allow them to do more meaningful and fulfilling work. In Net Impact's Talent Report: What Workers Want in 2012, 88% of respondents saw "positive culture" as essential for their dream job; 58% said they would even take a 15% pay cut to work for an organisation that had values like their own.

"I'd much rather commit myself to an organisation that values, challenges and allows me to make a tangible difference in people's lives than risk working in a vacuum where my work and time are not valued or create no value. No doubt the organisations offering more fulfilling work pay less. There is a minimum that is required to live and build a life, but after this amount is met, I'd trade in more money in for feeling valued, creating value, and being part of an exceptional team that is constantly pushing me to grow... because this is a reward that is renewed everyday."

Millennial jobseeker interviewed for this report

Today's employees are constantly searching for new job opportunities

Partly driven by advancements in technology and digital platforms (such as LinkedIn), today's workers are much less likely to stay with an organisation over the long-term. According to Careerbuilder.com, "nearly seven in 10 workers search for new opportunities on a routine basis", with 74% "actively searching for a new job or are open to new opportunities," and 35% "preparing for their next job within weeks of starting a new one." As Reid Hoffman, LinkedIn Founder, notes in his recent book, *The Alliance*, we live in an era of "at-will" employment. Employees "think of themselves as 'free agents,' seeking out the best opportunities for growth, and changing jobs whenever better offers beckoned."

Recruit employees to your mission vs. screening jobseekers

The Millennial Generation (born between 1980s and early 2000s) is widely known for seeking meaningful work. One HR executive commented, "Clearly, the rising social consciousness of the Millennial Generation is changing the hiring conversation – it's now much more about the intangibles of the business – culture, community involvement, meaning and purpose – a really healthy shift!"

Many HR experts are taking the non-monetary priorities of the Millennials they hire into consideration. David Kyle, the former COO of Acumen and now the CEO of Impact Business Leaders, a talent development organisation for the social enterprise industry, explains, "Money is still important, but not the be-all-end-all that it has been for recent generations. When hiring, managers need to think about the whole package they are offering, both to appeal to new staff but also, in an expense-constrained business world, the learning environment, stretch roles, the attention to professional development, transparency and meritocracy in an organisation."

HARNESSING WORLD-CLASS TALENT AT M-KOPA

Shell Foundation portfolio company M-KOPA is the world's pioneer pay-as-you-go solar business. Its founders Nick Hughes (who started M-PESA), Jesse Moore and Chad Larson, set out to change the way that energy products and services are delivered to low income consumers in emerging markets, by enabling customers to purchase an energy product in instalments over their mobile phone payment system. Enabled by machine-to-machine technology with embedded GSM chips, each product can be switched on or off remotely depending on payment performance of the customer and are sold via a large network of sales agents.

M-KOPA started as an idea in 2010 and has since grown to an annualised rate of over \$30 million in revenue, with cumulative sales of over 200,000 solar systems. The company is now rapidly scaling up geographically beyond Kenya.

From its inception, M-KOPA's founders understood that they would need world-class talent across a range of skill sets, from software developers to electrical engineers to sales executives to finance managers. They also understood that attracting this level of talent to a high-risk start-up would be very expensive. Jesse Moore explains, "Talent is my single biggest priority at M-KOPA. We recognise it to be the bedrock of our future growth and I spend more time on managing and retaining talent than any other activity on my plate. We also know that we can do even better and are perpetually looking for ways to improve the way we manage talent."

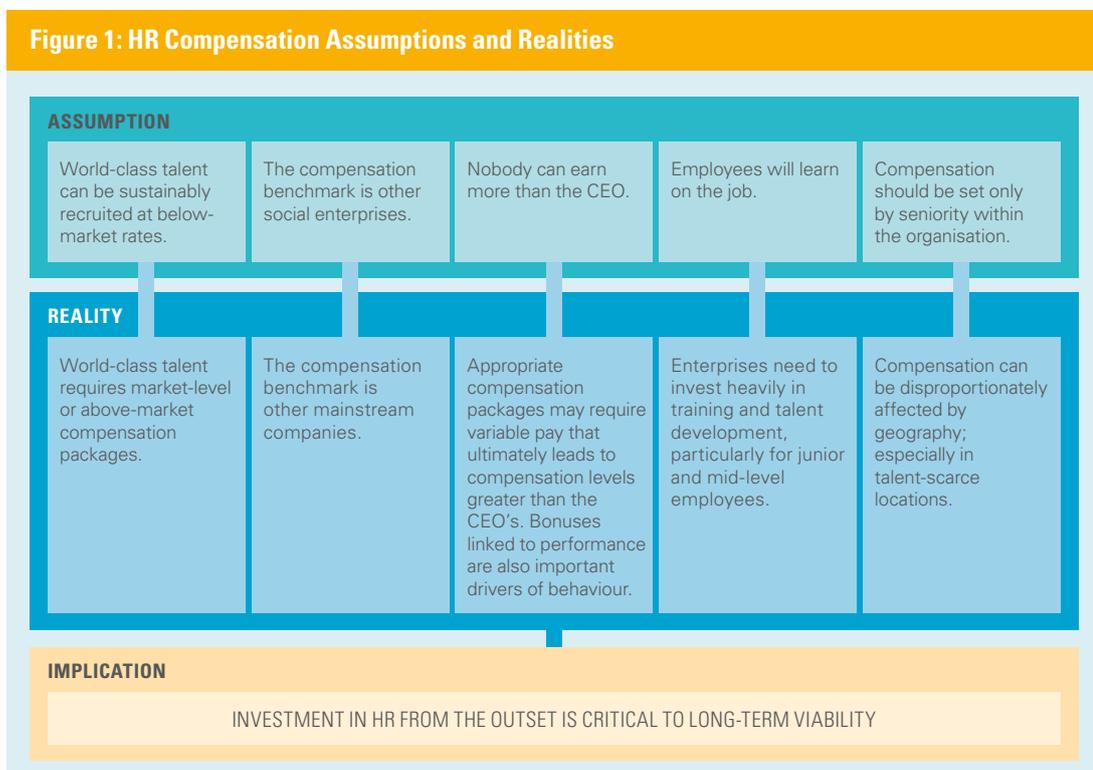
There are several ways in which the company has sourced and retained an unusually strong team:

- 1. Hire who you will need eight months from now, not who you need today.** M-KOPA has consistently begun the hiring process for key staff well in advance of the actual day-to-day requirement, which has reduced the pressure to compromise on a flawed candidate.
- 2. Introduce transparency and buy-in into the hiring process.** For key hires, M-KOPA has their future subordinates interview the candidate and provide feedback to senior management, which provides a sense of inclusion and helps ensure the final pick will be respected by their team.
- 3. Pay market rate salaries and secure investor buy-in early on compensation packages.** M-KOPA has had to pay its staff at levels aligned to their market value outside the company, which has significantly reduced turnover.
- 4. Hire locally, unless absolutely necessary to use expats.** This has occasionally resulted in a longer lead time to hire staff, but has reduced both costs and turnover rates.
- 5. Build a highly attractive working environment.** M-KOPA provides a work environment closer to what one might expect from a Silicon Valley start-up than a Kenya-based energy company, with free lunches, recreational and social activities on site, and well maintained office grounds, among many other perks.
- 6. Be explicit about your expectations around diversity and inclusion.** M-KOPA has made it clear to all of its staff – by way of employee contracts and frequent verbal reminders – that it expects its team to embrace the diversity of backgrounds among its staff, from gender to religious backgrounds. Many of M-KOPA's senior managers are women. The company also strictly enforces a zero tolerance policy regarding breaches of its ethical code of conduct.
- 7. Safety matters.** A topic that is often forgotten or left aside as a "nice to have" by many resource-constrained enterprises, M-KOPA recognises that health, safety, security and environmental (HSSE) issues are critical to reducing operational risk and providing a world-class working environment for its staff. The company has introduced a range of HSSE measures linked to road safety and travel security, among several others.

Some of these lessons may seem obvious, but they are extremely rare to see executed well in practice.

Busting the compensation myths

Shell Foundation has sought to identify the most common assumptions about compensation for enterprises and compare those assumptions to the reality they have experienced on the ground, as shown below in Figure 1.



Emerging thoughts on effective hiring

1. Hire for skill over experience (they don't always go hand in hand)

Personality and passion trump a person's past

The general takeaway from most interviews we conducted was that it is more important to hire based on personality and aptitude, rather than a person's past accomplishments. John Shine, CEO of SamTec, a large employer in the Midwest and a partner of Village Capital, said, "We have a lingua franca around our company, and we use "TTW" – "Throw Them to the Wolves" – all the time. If someone is smart and passionate, I've never been afraid to put them in a job for which they have little direct experience as long as I'm confident they have the aptitude and drive to be successful."

Perhaps the largest problem with the “CV + Interview” is it yields the candidates with the most impressive paper credentials, not the best candidate for the job. Ron Cordes, founder of Asset Mark and GenWorth, advises to find out who the person is before judging them based on what they have done. He explained, “Most organisations pay closest attention to what people have done in the past – I look for who they are (and what experiences have shaped that) and most importantly the value I think they can deliver in the future.” Paul Breloff, at Accion Venture Lab, says, “When looking at candidates both for our team and at portfolio companies, we look for ‘athletes,’ those people who prove over and over that they will perform and figure it out no matter the context, whether or not they have years of experience with a specific function or area of expertise. You trust they’ll get up the learning curve quickly, but teasing out these hidden attributes like grit and a drive to excellence can be hard with a CV or interview.”

Credentials may also create a bias that excludes large percentages of the most qualified candidates. Over a decade ago, Mitch and Freada Kapor Klein created the Level Playing Field Institute to enable greater representation of women and minorities in start-ups. The Level Playing Field Institute has an impressive body of research and action plans on how start-ups can be more inclusive.

The findings from the Level Playing Field Institute are particularly contrary to this report’s CV/résumé + Interview approach. A résumé excludes people from lower socio-economic statuses who may not have access to the appropriate networks. The Level Playing Field Institute suggests that you not even ask a candidate’s university when interviewing. One founder shared, “We don’t filter for college degrees. I found zero correlation with success/intelligence and a college degree. I consider that our recruiting secret.” As Freada Kapor Klein says, “impact investors seek to close gaps of access and opportunity; we can’t do that without having our employees and entrepreneurs come from the communities we are trying to serve. Their insights and their lived experience are essential in creating successful businesses.” The way that companies are hiring may be injected with implicit bias that excludes candidates that can create the conditions for business success.

Building an inclusive recruitment and hiring process

In our survey, early stage organisations consistently cited salary requirements as the primary reason that they could not attract talent. Companies can, however, develop specific practices in a cash-constrained environment that can lead to recruitment of better candidates. One example is that promising middle managers often face student debt obligations from higher education degrees and feel that they cannot justify a lower-paid job due to these obligations. At Village Capital, we have consistently faced this specific barrier, and as one example of potential innovation in HR, we have partnered with the Kapor Centre for Social Impact to offer a student loan forgiveness programme as an employee benefit.

2. The CV is dead. It’s time to re-think the way we assess candidates

The majority (72%) of organisations review CVs as the primary method of assessing candidates, though often those hiring find they read about a different person on paper than they meet in person. Evidence suggests that many more applicants today – by some estimates, nearly 50% – embellish their CVs than did so in the past, reducing the utility of résumés as initial screening tools.²⁴

RECRUITING FOR VALUES AND FIT

Molly Alexander, Head of Talent Development, Acumen

At Acumen, we have learned that some of the most important predictors of successful candidates are the intangible characteristics specific to working in early-stage enterprises. Specifically, we have identified four sets of characteristics in candidates who will be successful within our organisation.

Proven commitment and passion for this work

Is this work – your work, the mission of your organisation, solving those same problems – their life's work? What drives them and how aligned is that with what you need this person to do both within and beyond your organisation? Is this individual committed to something bigger than him/herself?

Self-awareness and humility

How well does this person know himself or herself? Do they recognise what they don't know? Is their description of themselves congruent with how you are experiencing them? Do they instinctively give credit to others? Do they ask for help? Is there evidence they roll up their sleeves to accomplish any job – big or small?

Resilience, grit and agility

Gritty determination to get a job done while being able to listen and adapt within reason is a real differentiator. We are looking for those who have the ability to bounce back and make the best of situations without losing sight of the bigger picture.

Alignment with your organisational values

There are (at least) two hard things about assessing for values. First, you need to have defined them before evaluating candidates against them, which requires reflection and focus on what's most important to your organisation's success. Secondly, if you don't figure out a way to screen for them, it's only a matter of time before values misalignment comes back to bite you; often in the form of longer-term organisational tensions and limited common ground across team and leaders to solve them.

Alternative ways of gauging aptitude

We believe there are more effective and less bias-prone models to screen candidates – many of which are already available to recruiters. For example, an increasing number of banks and other financial institutions are employing radically different ways of assessing a loan applicant's credit worthiness. While they are not looking to hire their borrowers, they are looking to screen for a specific attribute that they know is directly tied to their organisation's performance.

Rather than backward-looking loan applications and costly in-person diligence screens, companies are beginning to use psychometric tests (such as those developed by Entrepreneurial Finance Lab), social media digital footprints (Lenddo) and peer group reputation scores (a range of well-known microfinance banks) to enable them to make more informed and more efficient lending decisions.

Other human capital enterprises are developing methodologies to screen for a range of different attributes well beyond creditworthiness. Knack²⁵ – a Silicon Valley start-up – is one such enterprise, which is working on the “gamification” of hiring. Candidates play interactive internet-based games and are assigned scores across a range of attributes (or “knacks”) based on how they play the games. A recruiter could screen for a candidate’s entrepreneurial qualities, for example, or their propensity to take risk. We believe this example only hints at the potential for organisations to leverage data-driven outcomes to make better hiring decisions more efficiently.

When enterprises have made investments in alternative ways to screen for the right skills for the job, the market has responded well. Rama Siva, the former head of training for Shell Foundation portfolio company Husk Power, left Husk Power to build AnthroPower, an alternative training and screening company for workers in the energy industry in India; AnthroPower attracted over 1,000 candidates in the first 12 months.

Some social enterprises feel that the current method of screening for talent is so poorly predictive of performance that they have adopted a strategy of hiring by volume, and using the first 2-3 months. “You can only figure out the basics from résumé plus interview – and those basics are usually not related to skill, they are related to values. We have a 2-3 month trainee screening period where you learn how they perform,” says Crispin Glover, CEO of Copia, a fast-growing start-up in Kenya that provides a “catalogue” of base-of-the-pyramid products. The talent to serve Copia’s needs – front-line sales people – is nearly impossible to detect using traditional methods.

Finally, it’s not only start-ups who are starting to believe that the CV is dead. Large corporations who are hiring by volume across emerging markets are exploring new methods. “At Unilever, we once put a degree of formal education on sales. It didn’t work,” says Peter van As, who formerly served as Director of Market Development for Unilever in sub-Saharan Africa. “Instead, we started testing for the character trait of “happy loser.” The biggest problem is that sales are not a skill you can learn – it’s a trait that some people have, and some people don’t.”

3. Reference checks should be out of candidates’ hands

Currently, the approach to reference checks is: 1) candidate gives potential employer three references, 2) employer calls one to two of them, 3) reference gives glowing report, 4) employer decides how much to discount them. In a networked age, the reference check should be outside of the candidates’ control; hiring companies can use trusted personal networks to determine fit for the right role.

THE LINKEDIN BCC REFERENCE CHECK, BY VILLAGE CAPITAL

One thing we do at Village Capital is when we are considering a potential hire, we look into that candidate’s LinkedIn network (if applicable) and find who is a 1st-degree connection with both that candidate and team members. Then, we send a BCC email from the candidate’s connection highlighting the candidate, role, and job description. We write to those connections: “if you think the candidate would do an ok, or even a good job at this role, no need to respond to this email. If you think the candidate would be one of the top five people in the world you’d hire for this role, please respond and send a paragraph or two explaining why. We’ve found that all our great hires have had very busy people respond immediately with these references, and with some other potential hires, silence is equally telling.”

4. The traditional recruitment firm is (also) dead

It was striking how different survey respondents, from small enterprises to successful entrepreneurs running large companies, had almost the same frustrated reaction to external recruitment firms. Through in-depth interviews with over 60 entrepreneurs, we discovered that traditional recruitment firms brought a high volume of CVs to companies, with very little attention to skills-position fit.

“Recruitment firms,” said one active early-stage investor in East Africa and India, “often charge for access to names - a problem our enterprises do not have. Having the right candidate, at the right time, for the right fit – now that’s a need.” Entrepreneurs explained that, much more valuable than access to a list of names or CVs, would be a short list of five to 10 names of highly qualified candidates whose interest in the position (title, salary, responsibilities), as well as skills-position fit.

Entrepreneurs, however, do have a high desire to outsource the procedural elements of recruitment - job posting, initial screening, promoting the job, and getting in touch directly with top candidates, even if they are in other positions. Radhika Thakkar, Managing Director of African Operations at GreenLight Planet, which has over 600 employees, had retained two different recruitment firms to do just this – but ultimately, the burden of sourcing and screening candidates fell to the company itself, as the candidates the external firm delivered did not meet basic qualifications. Cost was also an issue: “If it were cheaper, I would absolutely outsource sourcing and screening candidates. I do not want my staff to be working on these tasks. Pricing right now is just way too high – asking 30% of salary. For a top-level position, this could put GreenLight Planet²⁶ out of pocket by \$5,000 with no results in a worst case scenario.”

5. Re-design interviews: they’re better for recruitment, not selection

Use interviews to determine candidate role-fit

Evidence from the research discussed in Section II suggests that interviews have very little predictive power on which candidates will perform best, though we still see a role for interviews – perhaps as a better way to set a high-quality company culture, rather than a “test” that chooses which candidates to hire. A few initial ideas emerge from this thinking:

- Group interviews, rather than individual interviews, can set the tone for company culture. Group interviews can (a) gauge the collective wisdom of the team on impressions of the new hire, and (b) can determine whether a candidate will fit with the values and direction of the company. Ron Cordes (founder of AssetMark) says he “put candidates through an interview process that involved at least five different executives – as we gained great power from the collective wisdom of the team – allowing us to get several different perspectives of a candidate before we made a hiring decision.”
- Interviews are an excellent way to set a tone for potential hires that this is a place where they will be valued. In *The Alliance*, Reid Hoffman outlines how Brad Smith of Intuit begins every interview by saying, “Tell me in three to five minutes how your life’s journey led you to become the person you are today,” touching on major moments such as bullying or the loss of a loved one. “What makes this approach work,” the book argues, “is that the Intuit interviewer goes first, both to set the example and to model vulnerability for the candidate.” David Kyle²⁷ explained it is also important to interview everyone who is hired, even if it is not part of the official vetting process. He urges CEOs to “interview every single person before they are hired, even if only a five minutes conversation – receptionists and administrative staff included. New hires never forget being interviewed by the boss and it communicates to the individual and the entire organisation, which notices these things, that every employee is important to the team and, at a certain level, are equal members of the team.”

A VIEW FROM ARUN GORE, MANAGING PARTNER OF GRAY GHOST VENTURES AND FORMER COO OF T-MOBILE

Human capital is the single most important factor in the success of a company. You can have the best product in the market but if you don't have the right people, you're not going anywhere.

There is no guaranteed hire...

The biggest challenge in HR today is teaching people what to look for when screening candidates. Since many companies don't know what they really want in a candidate, they end up hiring the wrong people. Training is expensive and firing is even more expensive. For upper-middle to senior hires, it takes 3-6 months to find someone and another 3-6 months to realise they're the wrong hire, followed by another 3-6 months to replace them. That's a massive resource drain on an organisation. While there's no such thing as a "guaranteed hire," if more people thought about it in these terms they'd end up spending more effort on sourcing and screening candidates more carefully.

The future of HR will be driven by analytics

Technology should be playing far greater role in screening candidates. How do you identify leadership qualities in a CV? It's very difficult to do this in a short interview, particularly when people these days have not been trained enough to manage interviews effectively.

The biggest benefit of the Internet with respect to HR has been the ability to globalise your reach and increase your talent pool. We now need to leverage technology to help us weed out the best candidates from this global pool. Today, not enough intelligence and analytical tools are being used to this effect. Five years from now, all the basic evaluation questions will be done online, with fewer face-to-face conversations. Analytical tools will be used to judge behaviour patterns and personality traits as part of an integrated hiring process. Today, these tools are being under-used, if at all, and are often applied only after a candidate has been hired, when they are the least valuable.

Channel skills into the right role for better output

Channelling skills effectively is extremely important. You might be the most knowledgeable and skilled guy in the world, but if you don't channel that knowledge and skill effectively to generate output, it doesn't mean much. Finding the right "job fit", which involves matching someone's skill set with the true requirements of a role needs to be done in a more structured and transparent way if we are going to see real change in the human capital sector.

Building your own talent pipeline: fellowships and internships

Over the past few years, fellowship and internship programmes have blossomed as a potential solution to the human capital gap. Organisations that offer fellowships include:

- Universities (e.g. Frontier Market Scouts programme of the Monterey Institute for International Studies);
- Independent non-profits (e.g. Impact Business Leaders, Edge, IDEX Fellowship);
- Enterprise support organisations (e.g. Kiva, Acumen, Villgro, LGT); and
- For-profit companies (e.g. ThinkImpact).

The promise of fellowships as a talent solution

“You really don’t know if someone’s gonna be good unless you’ve worked with them.”

Tracey Turner, Co-Founder, Copia

The concept of fellowship programmes is simple: jobseekers gain a low-risk experience (lasting three to 24 months) with a start-up company and entrepreneurs are able to afford talent (who is often willing to accept much lower rates for a shorter period of time) that they might not otherwise be able to.

To-date, however, fellowships/internships do not seem to be a long-term source of talent for the majority of enterprises. 78% of enterprises in our survey do not have any affiliation with a fellowship or internship programme, primarily due to two reasons: (1) never having heard of a fellowship/internship programme, or (2) not having the resources to offer even a basic small stipend.

For the organisations that have had an affiliation with a fellowship programme, the concept seems to be a viable solution to part of the human capital problem. Of organisations that have a relationship with a fellowship programme, 62% report they hired a fellow or intern after the programme. Of the remaining 38% of organisations that did not, 24% said it was because they discovered the fellow or intern did not have the appropriate skill set for the job, while the other 14% did not hire because the intern or fellow was too expensive.

Fellowships: perpetual lease or “lease-to-buy”?

We ultimately find that fellowships with an explicit goal of yielding long-term management talent – treating enterprises as primary customers - is a better path towards solving the talent gap. While fellowships deliver value to both fellows and placement partners, we see two distinct ways that fellowship/internship programmes can be structured, with one typically yielding better results.

1. Short-Term Fellowships (with no expectation of full-time hire) is a fellowship programme that has a value proposition of a transformational experience primarily for the fellow. Fellows typically expected to bear the cost of the programme and go into the fellowship with a specific, time-bound experience.

In our experience at Village Capital, through an informal survey of a subset of our 450 alumni enterprises, placements with fellowship programmes that do not have an explicit hiring value proposition to the enterprises have yielded full-time hires of the fellows 15% of the time after the placement ended. In discussing with both placement enterprises and fellows, we see two primary issues:

- The placement enterprises do not build the true cost of hiring the fellow full-time, and therefore are not able to absorb the salary the fellow would take on;
- As a result, the fellow starts looking for post-fellowship jobs almost immediately and does not envision a long-term future at the company.

We heard consistent disappointed feedback from enterprises hosting short-term fellows, even when the fellow did a great job, due to (a) the high upfront investment in training/on boarding the fellow; (b) the relatively short amount of time the fellow stayed with the enterprise.

2. Fellowships as a “lease-to-buy” that serve to build long-term talent for placement companies. In our experience at Village Capital, through an informal survey of a subset of our 450 alumni enterprises, fellowship placements with an explicit expectation of a potential job at the end of the programme have yielded full-time hires of the fellows 70% of the time after the placement ended.

Increasingly, we are seeing fellowships place talent in companies with some iteration of the “lease-to-buy” value proposition. Companies may not have the cash today to invest in senior management; however, they can afford a fellow for a six-month period at a reduced salary to see if the employee and employer both want to work together in the long haul. These can be handled externally (e.g. Edge and Impact Business Leaders both have this value proposition as an explicit strategy) as well as internally (for example, East Africa’s Open Capital Advisors runs its own in-house training programme to develop its own talent pipeline).

Ultimately, fellowships have the potential to provide valuable leadership development for fellows and talent acquisition for enterprises.

TALENT MATCHING AT IMPACT BUSINESS LEADERS

“There is an overwhelming interest from leading enterprises and corporates to pay for high-potential talent, especially local talent, though they often just don’t have the networks and resources to source it. Equally, young professionals have limited ways to break into the sector.”

David Kyle, Co-Founder and Director, Impact Business Leaders

A role for philanthropy?

Often, investors are unwilling to approve market-rate compensation packages or accept investment that may delay short-term profitability but will invariably lead to accelerated growth and greater blended returns over the long haul.

Few of the many challenges that enterprises face are as critical to determine successful growth as the shortage of human capital. Given the potential for wider catalytic impact on multiple sectors and geographies, the philanthropic community is especially well placed to support innovation in this area.

Over the last decade, Shell Foundation has found that partial and time-bound subsidy support specifically to enable enterprises to hire appropriate senior-level talent has been a highly effective use of philanthropic capital to help enterprises move through the critical validation phase of their growth. Critical to the success of doing this has been to ensure there is a clear plan and business case for the enterprise to absorb the full cost of an individual after a set period of time (less than three years), avoiding the need for permanent and unsustainable subsidy.

HR's "New New Thing": What needs to get built?

"HR needs an extreme makeover driven by the need to deliver greater business impact and drive HR and business innovation. While CEOs and top business leaders rate talent as a key priority, only 5% of survey respondents rate their organisation's HR performance as excellent."

Global Human Capital Trends 2015, Deloitte University Press

In this report, we've attempted to outline that:

- Human capital is as critical a challenge for enterprises seeking a positive impact on the world as financial capital;
- The way that social enterprises recruit, hire, and attract talent is antiquated, ineffective and ripe for disruption; and
- Social entrepreneurs, investors and foundations ought to put attention and resources into innovating how organisations can attract the best talent.

We encourage readers to think of the human resources industry today for start-ups as we'd think of a bricks-and-mortar agency pre-Expedia, a taxi company pre-Uber, and an advertising agency pre-Google ads. Currently, HR firms charge for access, not curation, and screen candidates' abilities to do the job in highly conventional ways.

"An evolution in the marketplace of talent has quietly but irrevocably changed how people look for work and how companies find workers. The faster your company adapts to the new ways of acquiring talent, the more competitive your business will be."

Hiring Is Getting Harder For Employers, Not Easier, Dan Finnigan, Forbes 2011

As a concluding thought, we've outlined a few key areas of what the successful HR firm of the future (the "New HR Firm") would look like.

1. The New HR Firm leverages the significant trend of candidates becoming present online.

The value proposition of this firm will shift away from selling a Rolodex to sourcing and screening talent in proprietary ways.

2. The New HR firm will provide more access to opportunity for jobseekers. Current approaches to human resources favour the well-educated and well-connected, and many terrifically talented people lack access to the jobs for which they are best suited. A new HR firm will yield access to job opportunities for jobseekers who do not have the best-looking CV, but can do the job, and will yield a faster, more seamless ability for top companies to access talent. The firm will also deliver value to candidates by helping them understand their own skills, strengths and weaknesses irrespective of whether they are selected for the role.

3. The New HR firm will replace many in-house admin-focused HR departments. The New HR Firm focuses on managing almost all HR-related administrative tasks, once the hard strategic work is done upfront, out of recruiters' hands – publicising and promoting job postings, receiving initial CVs, conducting initial candidate screens and vetting salary, location, and job description for initial fit. The client enterprises should have access to all information related to their job description, but should see no more than 5-10 applicants.

Critical investment in improving the way we manage human capital is the next step in creating businesses that build a better world.

CHAPTER SIX

About Us

Village Capital

Village Capital draws on the power of peer support to build enterprises that change the world. We have supported nearly 300 mission-driven entrepreneurs across six continents worldwide. Our ventures have since raised more than \$30 million, created over 5,000 jobs, and served over four million customers. And we're just getting started. The heart of Village Capital: democratising entrepreneurship.

Peer support is at Village Capital's core. Inspired by the "village bank" in microfinance, we convene and support cohorts of peers. Our entrepreneurs become allies in one another's businesses, sharing insights and inspiration, along with hard-won lessons of practical experience. In partnership with a network of like-minded investors, we convene and deliver programmes that:

1. Source top entrepreneurs – We're looking around the world for leaders who seek both financial sustainability and impact. To-date, more than 5,000 have applied for our programmes.
2. Operate targeted training programmes – We connect programme participants to mentors and formal learning about HR, customer development, financials, scaling their enterprise and their impact, and we focus them on one another through intensive peer review.
3. Deliver investment capital – At the end of each programme, top ventures selected by programme peers received pre-committed capital through a unique process we call the "lens of an investor."

Ultimately, we make the hard work of company-building easier by creating a productive programme where entrepreneurs draw on one another for the kind of constructive feedback and strategy development that only comes from experience. Village Capital calls this "Democratising Entrepreneurship." We're giving the entrepreneurs of tomorrow the best possible opportunity to change the world.



Shell Foundation

Shell Foundation is an independent charity, established in 2000 by the Shell Group. We work to create and scale new solutions to global development challenges by applying business thinking to major social and environmental issues linked to energy and mobility.

Learning from both success and failure we have gradually developed a new “enterprise-based” model to catalyse lasting social and environmental impact on a global scale. This sees us deploy a blend of financial and non-financial resources to accelerate transformative innovation and harness private markets to deliver public benefit at scale.

Our Approach

Shell Foundation works with a small number of entrepreneurial partners to identify the underlying market failures behind intractable problems and co-create new enterprises to solve them. We provide patient grant funding, extensive business support and access to networks to help pioneers to validate new models, achieve financial independence and expand across geographies.

We then create specialist intermediaries to facilitate growth and replication at an industry level. By working in this way we now have several strategic partners – addressing issues as diverse as energy access, sustainable mobility and job creation through the SME sector – that are now delivering large-scale impact in multiple countries across Africa, Asia and Latin America.

Shell Foundation | 

About the Authors

Ross Baird

Ross developed the Village Capital concept in 2009, and has led the development of programmes worldwide. Before launching Village Capital, he worked with First Light Ventures, a seed fund focused on impact investments. Prior to First Light, Ross worked on the development of four education-related start-up ventures: the Indian School Finance Company in Hyderabad, India, the National College Advising Corps in Chapel Hill, North Carolina, and two ventures using technology to promote civic participation. He has a MPhil from the University of Oxford, where he was a Marshall Scholar, and a BA from the University of Virginia, where he was a Truman Scholar and a Jefferson Scholar.

Simon Desjardins

Simon is Shell Foundation's Access to Energy Portfolio Director, overseeing several strategic partnerships and the pipeline development process. Before joining Shell Foundation in 2008, Simon has worked globally in a range of business and development roles, with experience in start-ups, multinationals and NGOs. Simon holds a BBA from Wilfrid Laurier University and has completed the Accelerated Development Programme at London Business School.

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Last, but not least, this report would not have been possible without the generous support of Potencia Ventures. Thank you for your patience, advice and catalysing role to help share these insights and recommendations with enterprises eager to improve their HR practices to better their organisation and the world.

CHAPTER SEVEN

Appendices

Appendices

List of Surveyed Organisations (organisation names in alphabetical order)

1	Aakar Innovations Pvt Ltd	30	Carao Ventures
2	Access Afya	31	CloudPay
3	Access Energy	32	Cocon Africa
4	Action Aid International - DRC	33	Coinvest Enterprises Holdings Ltd
5	Agri-ProFocus	34	Collabmed Solutions Limited
6	Akili Holdings Ltd	35	Communities First Association
7	AltruHelp	36	Consumer's Choice Limited
8	Am-Utua Technologies	37	Cop(m)adam
9	Ameliorate Business Interlink	38	CropConnect Enterprises Pvt Ltd
10	Annika Linden Centre	39	Deemsys, Inc
11	Annuvia	40	Dinero Ltd
12	Arche Education Pvt Ltd	41	Dynamo Micropower
13	Aruman Creations (Brand Name Smart Champs)	42	Echoing Healthy Ageing
14	Bachpan Banao Fellowship	43	Eco Frontier Kenya Ltd (formerly Ecoscope Kenya)
15	Bamba Rewards	44	Eco Fuels Kenya
16	Banco Pérola	45	Eco Plant Limited
17	Baobantu Naturals	46	EdSix Brain Lab Pvt Ltd
18	Benetech	47	Emeden Kenya
19	Benevolent	48	En-Globic Waste Recycling Enterprise
20	Beyonic	49	Energy Harvesters LLC
21	Biomethane	50	Ennovent
22	Blue Gate Technologies Ltd	51	EnWake
23	Blue Startups	52	Essmart
24	Bodhi Health Education	53	Eve'smama Company
25	Bolt Ventures	54	Evotech
26	Botanic Treasures Ltd	55	FairMail Cards
27	Building Markets	56	Favela Experience
28	Bungoma Youth Development and Resolution Centre	57	Flourish Company Limited
29	Burn Manufacturing	58	Food Forward

59	Foresight Consultants Limited	87	Kamworks
60	Frugal Innovation Lab	88	Karibu Solar Power
61	Genext Students Limited	89	KC Robotics & Embedded Ltd
62	Gera Venture Capital	90	Kiduca - Educational Platform
63	Gifts and Graces Fair Trade Foundation	91	Kinara Indonesia
64	Global Social Benefit Institute (GSBI) at Santa Clara University	92	Kindoma
65	Grassroots Water Limited	93	KOI - Komunitas Organik Indonesia
66	Great Mercy Development Centre	94	Kopo Kopo Inc
67	Green Bio Energy Ltd	95	Kranti
68	Green Pencils Ltd	96	Kraviti
69	Home Delivery Services Ltd	97	Kriyate
70	Hosy Safaris	98	Kuli Kuli
71	Hubud	99	Kytabu
72	Husk Power Systems	100	Lamaco Agencies
73	ICT for Development Kenya	101	Leap India
74	iKureTechsoft Private Limited	102	LGT Venture Philanthropy
75	Indus Action	103	Magic Pathshala
76	Infoyote.com Ltd	104	Mainway Alternative Solutions Co. Ltd
77	Innovate Limited	105	Mank and Tank
78	inQuisitive Learning	106	Mantra Social Services
79	Iriemo Technologies Pvt Ltd	107	Maple Technologies
80	IXCACAO Maya Belizean Chocolate	108	Mapsoft Technologies Ltd
81	Jiro-Ve	109	Masyarakat Komik Indonesia (Indonesia Comic Society)
82	JITA Social Business Bangladesh Ltd	110	Mavir Green Energy Supplies
83	Job Rooster	111	MIET
84	Juabar Design, LLC	112	Mobi Changa Limited
85	Kaambol	113	Mobileworks
86	Kaina Online High School	114	Musoni Services

List of Surveyed Organisations (continued)

115	MyCareerCoach	144	Save Energy Systems, Inc.
116	Mypo	145	Scansoft Technologies Pvt Ltd
117	MyRain	146	Send a City
118	Nangos Ventures Ltd	147	Simpa Networks
119	Nazava Water Filters	148	SITAWI
120	Ndovu Card	149	Skillschool Learning
121	New Avenue	150	SMV Wheels Pvt Ltd
122	Nulis Buku	151	Soko, Inc.
123	One Earth Designs	152	SolaBlock
124	Open Capital Advisors	153	Solar Site Design
125	OpenCastLabs	154	SolarKiosk Kenya Ltd
126	Opportunity Lab	155	Spasys Ltd
127	Oxynet Traders	156	SpellAfrica Initiative
128	Penda Health	157	Spring Health Water India Pvt Ltd
129	PlanetRead	158	Spyls
130	PollVault	159	STAMP Investments
131	Programmea Vivenda	160	Stroika
132	PS Business School	161	Sudiksha Knowledge Solutions
133	Pt. Familia Ekokultura	162	SunFarmer
134	PulpWorks, Inc.	163	Sustainable Green Fuel Enterprise
135	Ramp IPB	164	Synacor Consortium
136	Readwell	165	Synergy Social Ventures
137	Riwik EA Ltd	166	Tadreesna
138	RMinds Education	167	Taita Taveta Wildlife Forum
139	Rural Spark	168	Takachar
140	Sage Schools	169	Takamoto Biogas
141	Salauno	170	Takawiri Initiative
142	Sarjana.co.id	171	TayaSola
143	Saútil	172	Teer Design

173	TerViva
174	Text to Change
175	Tigri Innovations
176	Trainoholics Learning Academy
177	Travel Another India
178	Tusqee Systems Ltd
179	uBiome
180	uhired.me
181	UpEnergy
182	Usalama Innovative Systems Ltd
183	Ushahidi
184	Vertesac Smart Shopping Bag
185	Villa Hutan Jati
186	Village Capital
187	Vision in Practice
188	Wanda Organics
189	Web Applications Kenya
190	Wecyclers
191	Wello
192	Wennovation Hub (Operated by LoftyInc Allied Partners Limited)
193	Wizen World
194	Yangon Bakehouse
195	ZanaAfrica
196	Zege Technologies
197	Zimba

List of Interviewees

Interviewee	Company	Job Title
Bahiyah Yasmeen Robinson	Appfrica	Executive Director
Colin Sloman	Accenture	MD of Talent and Strategy
David Cummings	Pardot	Founder, Serial Entrepreneur
David Kyle	Impact Business Leaders	Executive Director
Diana Lynn	Echoing Green	Consultant, Human Resources Director
Hayley Darden	Ashoka	Search Associate
Jana Svedova	Synergy Social Ventures	Co-Founder
Janet Kyle	CitiBank	Former Head of Human Resources
Jim Davidson	Peak Change	President
John Griffin	Blue Ridge Capital	President
John Shine	Samtec	President
Joseph De Wolk	Annika Linden Centre	Director
Joseph Walla	HelloSign	CEO
Manuela Mueller	Edge Talents	Director
Nathaniel Koloc	ReWork	CEO
Paul Breloff	Accion Venture Lab	Managing Director
Riad Mahmud	JITA Social Business	Manager, HR Administration
Ron Cordes	Cordes Foundation	Founder
Swheta Sharma	Karmany	Founder
Temitope Isedowo	Wennovation	Operations Director
Tom Kagerer	LGT Venture Philanthropy	Chief Project Manager, Cape Town

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Endnotes

¹ J.P. Morgan and the Global Impact Investing Network (GIIN) of 125 major fund managers, foundations, and development finance institutions found \$46 billion in impact investments under management in 2013 (p.6).

² Havens, John J, and Paul Schervisch. "Why the \$41 Trillion Wealth Transfer is still valid." Demographics, 27 January 2003.

³ The eight industry reports reviewed for this were: (1) "Impact Investing 2.0", (2) "Priming the Pump", (3) Bridging the Pioneer Gap, (4) From Blueprint to Scale, (5) Beyond the Pioneer Gap, (6) "Emerging Markets, Emerging Models", (7) JP Morgan/GIIN annual investor survey and (8) the GIIN 2013 report.

⁴ The terms related to financial capital were: "money", "cash", "funds", "assets", "investing", "funding", "investment", "debt", "equity", "venture capital", "finance", "financing", and "bank". The terms related to human capital included: "human resources", "human capital", "HR", "employee", "employer", "salary", "team", "company culture," "retention", "recruitment", "recruiter", "interview" and "hiring".

⁵ Cappelli, Peter. "HR for Neophytes." Harvard Business Review, 17 July 2014. <http://hbr.org/2013/10/hr-for-neophytes/ar/1>.

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⁷ Bock, Lazlo. "Work Rules!" 2015, page 67.

⁸ Bersin, Josh, Pelster, Bill, Agarwal, Dimple and Jeff Schwartz "Global Human Capital Trends 2015: Leading in the new world of work", Deloitte University Press.

⁹ Boudreau, John W. and Ranstad, Peter M. "Talentship and the Evolution of Human Resource Management: From "Professional Practices" to "Strategic Talent Decision Science" (2004). Center for Effective Organisations. Web.

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¹¹ Bateson, John, Jochen Wirtz, Eugene Burke and Carly Vaughan. "When Hiring, First Test, and Then Interview." Harvard Business Review, 01 Nov. 2013. Web. 29 Jan. 2015. <https://hbr.org/2013/11/when-hiring-first-test-and-then-interview>.

¹² Ibid.

¹³ Richardson, Ben, Janine Webb, Lynne Webber and Kaye Smith. "Age Discrimination in the Evaluation of Job Applicants." Journal of Applied Social Psychology 43.1 (2013).

¹⁴ Isaac, Carol, Barbara Lee, and Molly Carnes. "Interventions That Affect Gender Bias in Hiring: A Systematic Review." Academic Medicine: 1440-446.

¹⁵ Ziegert, Jonathan C. and Paul J. Hanges. "Employment Discrimination: The Role Of Implicit Attitudes, Motivation, And A Climate For Racial Bias." Journal of Applied Psychology: 553-62.

¹⁶ “Our Hiring Process is Broken. Can a Hackathon Fix It?” Deborah Branscum, Medium Backchannel, 2015.

¹⁷ One of the incentives to complete the survey was a \$500 cash prize to one of the enterprises that completed the survey. The prize was distributed in July 2014.

¹⁸ The remaining organisations were located in one of the following countries: Uganda, Tanzania, Zimbabwe, Nigeria, Democratic Republic of Congo, Jordan, China, Burma, Bangladesh, Philippines, Hong Kong, Cambodia, Costa Rica, Liberia, Madagascar, Turkey, Netherlands, Belize, Peru, and Mexico.

¹⁹ Other impact objectives, represented by 6% or less of organisations, include access to clean water, access to financial services, access to information, affordable housing, agricultural productivity, biodiversity conservation, capacity-building, community development, disease-specific prevention and mitigation, employment generation, energy and fuel efficiency, equality and empowerment, food security, generating funds for charitable giving, human rights protection or expansion, natural resources conservation, pollution prevention, waste management and sustainable land use.

²⁰ Collabmed aims to improve patient care by creating solutions that effectively and efficiently manage healthcare information.

²¹ Kopo Kopo is a software enabling small businesses to accept mobile money payments from multiple providers.

²² Wanda Organic helps farmers in sub-Saharan Africa improve food security and economic growth by contributing to soil fertility using their organic fertilisers.

²³ <https://www.linkedin.com/pulse/article/20141013220744-24454816-let-s-fix-it-blame-unemployment-on-the-color-blue>.

²⁴ Bateson, John, Jocheon Wirtz, Eugene Burke, and Carly Vaughn. “When Hiring, First Test, and Then Interview.” Harvard Business Review, 01 Nov. 2013.

²⁵ www.knack.it

²⁶ Greenlight Planet creates low-power LED lanterns affordable enough for under-privileged villagers.

²⁷ Impact Business Leaders helps entrepreneurs develop innovative, market-based concepts that address major social problems while assisting investment firms deploy capital to grow world-class companies.

