



Deploying Executive Coaching to Drive Growth in Kenyan SGBs

SGBs account for up to 90% of businesses in sub-Saharan Africa¹, representing a potential powerhouse for employment and economic growth, with the potential to contribute to emerging economies to achieve their long-term economic goals. Yet SGBs face significant challenges, for example:

- Kenya ranks 80 out of 190 in the World Bank’s “Ease of Doing Business” ranking²; and 117 on starting a business, with new businesses taking an average of six procedures and 26 days to start
- MSMEs lack access to affordable start up financing and growth capital³, and
- Suffer from a limited supply of high quality professional services, lack of information about, and access to those services

The focus on access to finance has overshadowed the pivotal need for access to appropriately qualified and experienced human capital.

Without skilled human capital to develop a business plan, identify the strategic need for financing, understand the options for financing, apply for, and appropriately deploy the financing that is available, businesses cannot and will not grow. This is the fundamental issue that the Argidius ANDE Talent Challenge (AATC) was set up to highlight and address.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs):⁽⁶⁾

IN KENYA:

15 MILLION KENYANS
are employed by MSMEs



BUSINESSES 80%
or an estimated 7.4 million businesses in Kenya are MSMEs



34% NATIONAL OUTPUT
or KSH 3,372 billion is the amount MSMEs contribute to the total national output



MICRO 92%
of the licensed establishments in the MSME sector are micro



0.7% MEDIUM
of the total number of MSMEs in the country employ between 50 and 99 employees⁽⁷⁾



At the same time, the 2015 Argidius ‘Entrepreneurship and Enterprise Growth Landscape Study’ points to the abundance of organizations working in Kenya to support entrepreneurship and enterprise development, with Nairobi providing one of the highest concentrations of professional services in the Kenya⁴ and in the region⁵.

The study identifies the need to nurture the ecosystem, the navigation of which may currently be confusing and overwhelming, to enable entrepreneurs and SMEs to access the services they need.

Executive coaching provides a mechanism to intelligently help entrepreneurs navigate the ecosystem.

Creative Metier is one of five winners of the 2016 Argidius-ANDE Talent Challenge (AATC) a competition designed to support scalable models to address human capital constraints for Small and Growing Businesses (SGBs) in emerging markets.

CREATIVE METIER’S PRIZE-WINNING SOLUTION

To develop the market for executive coaching for Kenyan SGBs, by working with professionally qualified local executive coaches to support SGB senior leadership and orientate local coaching firms (who are themselves micro or small businesses), to deliver an ongoing service to the SGB market.

Creative Metier contributes to social and economic development in emerging economies by strengthening funders and their programs and by building sustainable local markets for executive coaching, professional learning and business development services. With core expertise in human capital and organizational development, Creative Metier resolves business critical people and organizational challenges to accelerate organizational growth and resilience.

The Program: Building the Market

OUR MARKET BUILDING APPROACH

Creative Metier takes a market focused approach to addressing the long term needs of SGBs for high quality professional services. The approach supports the development of local professional firms, orientating them to the potential of SGBs as a market, and demonstrating the value of their services to the SGBs. This focus on building both the supply and the demand side offers a sustainable, scalable, market based solution to meeting the needs of SGBs for professional services.

WHY OFFER A BUSINESS FOCUSED APPROACH TO EXECUTIVE COACHING?

The quality of management and leadership in a business of any size is a strong predictor of the current and future health of that business. The strength of a business' management and leadership capabilities signal that other factors impacting business success are more likely to be present. These include innovation, a committed team, clear vision, strategic thinking and the ability to access funding.

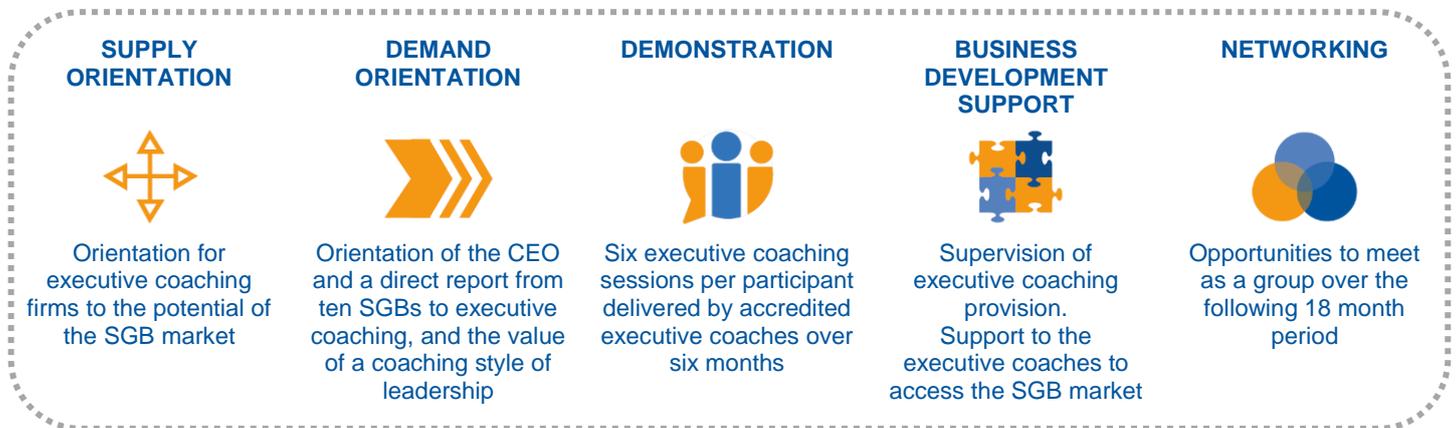
Creative Metier takes a business focused approach to executive coaching, enabling leaders to address critical strategic, leadership and organizational challenges in a structured, supportive and confidential environment. SGB leaders set challenging, future focused business objectives and use the executive coaching to deliver measurable business results.

TARGET AUDIENCE: SMALL AND GROWING BUSINESSES (SGBS)

Defined by ANDE as commercially viable businesses with 5 to 250 employees with significant potential, and ambition for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million and are different from livelihood-sustaining small businesses, which start small and are designed to stay that way. Unlike many medium-sized companies, SGBs often lack access to the financial and knowledge resources required for growth.

PROGRAM DESIGN AND FEATURES

The program was designed to demonstrate the potential of executive coaching for SGBs, and the potential of a market development approach to deliver a sustainable supply of professional services to SGBs by addressing key market constraints including supply, demand and lack of information. Ten SGBs were competitively selected to represent the diversity of SGB business types and structures, with coaching firms selected for their potential to deliver a high quality and sustainable service to the SGB market.



PARTICIPATING SGBS WERE SEEKING TO...



- Accelerate business growth
- Increase profitability
- Extend trade regionally
- Extend trade internationally
- Improve efficiency
- Increase productivity
- Improve governance
- Strengthen management structures
- Build team capacity

SGB CHALLENGES AT THE START OF THE PROGRAM...



- Building human capacity
- Access to markets
- Production and quality
- Financial management
- Access to finance
- Achieving growth
- Access to supplies

The Results: SGB Growth and Resilience

BUSINESS GROWTH AND BUSINESS RESILIENCE

The Kenyan business environment was particularly challenging for SGBs during 2017/18 with a severe and sustained slowdown of the economy due to political shocks, severe drought, and other socio-economic factors. Despite this, SGBs engaged in the program reported increased revenues and employment (on average). Nine out of the ten participating SGBs reported that their better than expected performance was due to the executive coaching, with the coaching sessions contributing to greater business resilience.

CEOs and senior leaders employed a variety of strategies to achieve these results, the primary change being in leadership style and delegation enabling a more strategic approach.

Two-year business objectives were set at the start of 2017. This case study draws on data from the end of the first year of the program. In spite of the serious economic challenges, two SGB leaders had fully achieved and 14 had partially achieved their objectives by the program mid-point (end 2017). Eight SGBs reported lower than anticipated results in 2017, but expect to reach or exceed their 2017 targets in 2018.

“ We have really fought through this crisis and so far we have survived. Other people have been affected both by the economic situation and regulatory issues. We have not had to lay anyone off and are hiring. We are still performing. ”

ANNUAL REVENUE 2016/17

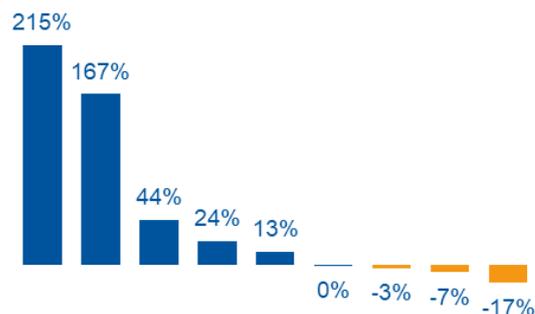


Figure 1 SGBs % revenue change over 2016-17

EMPLOYEE HEADCOUNT 2016/17



Figure 2 SGBs headcount increase over 2016-17

SGB	2016	2017
SGB 1	6	14
SGB 2	11	22
SGB 3	11	18
SGB 4	15	22
SGB 5	13	15
SGB 6	117	132
SGB 7	120	120
SGB 8	7	7
SGB 9	10	8
SGB 10	6	3
TOTAL	316	361

Figure 3 SGB headcounts over 2016-17

What the Participants Reported

ENABLING DIVERSE STRATEGIES TO OVERCOME THE DIFFICULT CONDITIONS

“(We were) 20% down on expectations for the year but we grew. We added machines and people. Exports to Tanzania have grown at the end of the year and we are working with a distributor for Rwanda.”

“We have bought in new products. Improved the technology.”

“We were able to bring other clients on board who are less impacted by the economy.”

“I try as hard as I can to lead from a coaching perspective; my way of leadership was dictatorial; now whenever we are presented with a problem I address it as a coach.”

“Now we are adding three more classrooms. Management goes hand in hand with the growth of the business. At the end of the day good management changes the business. Last year we had 650 pupils and in January we expect to have 700 pupils.”

“It has been a good year, very tough. We have met a lot of targets and set a good foundation for the future. We are now looking for funding...We are offering services across the country and the increased business footprint will result in increased revenue.”

DELIVERING BUSINESS GROWTH AND RESILIENCE

“If we hadn't done the coaching we would have been in much worse position...Without the coaching things would have been very dark.”

“The coaching helped greatly, how we analyze the problem, mitigate the risk and strategize. We plan each month and translate everything that we learn into the business.”

“Coaching allows SGBs to step back and think about their way of doing things because they have some habits; they are growing in a piecemeal way based on their needs; at a crisis mode or a point of growth. It gives them an opportunity to think about how they are doing things and whether it serves them well. They are then able to see blind spots that they would miss; people who are being unethical or not performing in the business. The weak links will drag the business down so if you can catch them and take action it really makes a big difference.”

“It (the coaching) can build the foundation to help you to get to the next level. It forces you to think and it opens your eyes to the next level so it makes you think about what you are not doing, and how you can do it. It helps you to understand the basis for growth.”

“We have almost tripled in terms of our sales and opened up into new businesses, it is a whole new company now we have the new strategy.”

The Results: Coaching Firms Build Their Markets and Positioning

The coaching firms realized tangible benefits through engaging in the program and with other professional business coaches. Firms reported increased numbers of SGB clients in their portfolios and on average, increased revenues overall, despite the challenging economic conditions. The climate for executive coaching is changing, with understanding of the value proposition amongst clients improving and with more opportunities to present and advocate for the value of executive coaching.

ANNUAL REVENUE 2016/17

- Seven firms reported increases in 2017 revenue over 2016; of these, one firm increased their revenue by 200% and one by 137%
- One firm's revenues remained the same across the two years
- One experienced a drop of 54% due to CEO absence from Kenya for professional development

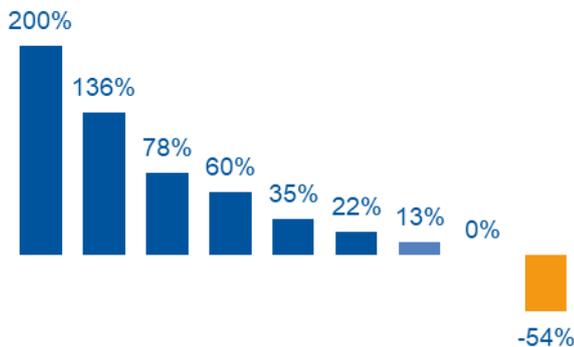


Figure 4 Coaching firms' % revenue change over 2016-17

MARKET STATUS

At the start of the program:

- SGBs were unaware of the value of executive coaching and other professional services; they knew they had needs, but did not know how to articulate those needs or access services to meet them
- Executive coaching firms (who are often micro and small businesses themselves), needed better access to potential markets, they were invisible to the potential SGB market
- There was a lack of visibility on pricing and SGBs were unaware of the likely costs of professional services
- There was a lack of awareness (amongst the SGBs) of how to procure high quality professional services

By the end of the program:

- Proof of concept: The SGBs achieved significant business results and reported the value of executive coaching in achieving these outcomes
- Participating SGBs were seeking financing to build on their success
- SGBs had been supported by their coaches (where needed) to specify and procure the professional services that they needed
- Whilst the SGBs recognize the value of executive coaching, and will use coaching services in the future, there is a mismatch between what they are able to pay and the fees that the coaches need to charge

THE EXECUTIVE COACHING FIRMS REPORTED THAT THEY ARE:

- More **visible** in the market, having developed their websites
- More **strategic** in their marketing
- More **connected** to their markets through networking and presenting on executive coaching
- More **connected** to other coaches/firms, who they can draw on to bid for and deliver larger contracts

REFLECTIONS AND ACTIONS

Programmatic - The power of:

- **Executive coaching:** To support SGB GROWTH and RESILIENCE in challenging market conditions, by meeting the needs of the SGB at exactly the right time
- **A coaching approach to leadership:** CEOs and senior leaders were able to take a more strategic approach once they had delegated to their teams and developed a coaching style of management
- **Extended contact between the SGBs:** Understanding the challenges that other SGBs faced created a sustainable ecosystem for ongoing business support
- **Data:** Enabling Creative Metier and the participating SGBs to acknowledge and understand the successes achieved when the going was tough
- **The program:** To build a pipeline of SGBs with newly identified financing needs

Ecosystem development - The need for:

- A more extensive program to build from proof of concept through scale, to a sustainable market shift
- Access to a broad range of professional services (in addition to executive coaching) to meet the needs of SGBs
- The application of a similar approach to the development of the market for other professional services e.g. marketing, accountancy
- More accurate information regarding professional services, pricing and the value to SGBs
- Procurement skills to be included in SGB programs
- Access to information; the need for portals for SGBs to access locally provided services and international programs via a single point of access
- Developing sustainable mechanisms for the subsidy of professional services for SGBs as they grow and change

Behind the Scenes

PARTICIPATING SGBS



Adpack

adpacklimited.com

Manufacturers of woven polypropylene sacks and fabrics known for their tensile strength, dimensional stability and wear resistance exporting regionally and internationally

Compulynx

compulynx.com

Software Product Development firm, specializing in systems integration, support, and software development for retail, identity management, fraud and loss prevention

Deepa Dosaja

deepadosaja.com

Designs and manufactures high quality bespoke and off-the-rack clothing collections; aims to become one of the largest fashion design houses in Africa

HarmonySolutions

harmony.co.ke

Delivers professional management development and executive education programs. Aims to be the leading provider of IT management solutions in East Africa

Markmann & Co

markmann.co.ke

Specialists in fleet management and industrial control equipment such as Digital Speed Governors providing customized solutions for the corporate sector in Kenya & East Africa



MeryCliff School

Providing quality education for junior children from low income homes from Mukuru kwa Njenga for more than 11 years

Mohazo Eximpo

mohazo.co.ke

Works with highly skilled African artisans to produce handcrafted home décor, gift packages, and accessories, for local hotels, chain stores in the US and UK and for global importers

Odyssey Capital

lipalater.com

Offers affordable micro financial products and services to low- to middle- income individuals and businesses in Kenya to raise living standards and bridge the financial gap

Perfection Plus

pplus.co.ke

Designs, produces, brands and personalizes wooden gifts from sustainable sources of timber for the individual and corporate markets

Swiss Corporate Interiors

sci.co.ke

Specialists in construction, fit-out and refurbishment from new builds, extensions and full renovations to office fit-outs and small works

FUNDERS



argidius

Argidius aims to help entrepreneurs to build profitable businesses and contribute to the sustainable development of their communities. We do so by improving the effectiveness and reach of small and medium enterprise capacity development services.



Aspen Network of Development Entrepreneurs

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty. ANDE is part of the Aspen Institute, a nonpartisan forum for values-based leadership and the exchange of ideas.

THE ARGIDIUS-ANDE TALENT CHALLENGE (AATC)

Finding talented managers is a critical challenge for entrepreneurs everywhere, but it is especially difficult in emerging markets. The Argidius Foundation and the Aspen Network of Development Entrepreneurs (ANDE) Talent Challenge identified five promising solutions to the human capital constraints faced by small and growing businesses (SGBs). Creative Metier was selected alongside Amani Institute, Open Capital Advisors, Shortlist and Village Capital as winners. Winners were selected based on the clarity, feasibility, capacity, expected impact and scalability of the proposed solution.

COACHING FIRMS:

Akili Vantage
Bloom Consultancy
Executive Development Company
LEAP Afrique
People First
Quality Management Solutions Africa
Sheetal Shah
Skills for Life
S-Saba Consultants Africa

DELIVERED BY:



We would like to thank CBA (Commercial Bank of Africa) for their support in marketing this programme.

- 1 International Finance Corporation website: www.ifc.org/wps/wcm/connect/region_ext_content/regions/sub-saharan+africa/advisory+services/sustainablebusiness/sme_initiatives/sme_initiatives
- 2 www.doingbusiness.org/data/exploreconomies/kenya
- 3 Business Consulting Team, Intellectap, 2015. #ClosingTheGapKenya - Update on Key Challenges for the "Missing Middle" in Kenya
- 4 Julia Brethenoux - Sr Advisor for the SCBD program and Marnix Mulder - Head of Advisory Services, from Triple Jump, "Unleashing the Full Potential of the SME Sector 2015"
- 5 The Argidius Foundation "The Entrepreneurship and Enterprise Growth Landscape Kenya 2015"
- 6 Kenya National Bureau of Statistics (KNBS) 'MSME Survey' 2016. The KNBS defines MSMEs as businesses with 1 – 99 employees
- 7 kenyabusinessguide.org/facts-statistics/ The full report by KNBS can be found here: www.knbs.or.ke/2016-micro-small-and-medium-enterprises-msme-survey-basic-report-2