The strategic role of HRM in promoting good corporate governance in utility companies: A case of Kenya Electricity Generating Co. Ltd.

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INTRODUCTION

Definitions:
- Corporate governance as defined by Iskander & Chamlou is maximizing value subject to meeting the corporations financial & other legal and contractual obligations. It stresses on the need for board of directors to balance the interests of shareholders with those of other stakeholders.

INTRODUCTION cont…..

- From a narrow perspective, it is a set of arrangements internal to the corporation that defines the relationship between managers and shareholders, ensuring fairness, transparency, accountability and responsibility.

KENYA ELECTRICITY GENERATING CO. LTD

- Vision: to be the market leader in the provision of reliable, safe and quality and competitively priced electric energy in the Eastern Africa region.
- Core values: integrity, professionalism, team spirit, and safety culture
KENYA ELECTRICITY GENERATING CO. LTD

- The leading electric power generating company in Kenya
- Uses geothermal, hydro and thermal in electricity generation
- Produces about 85% of electricity consumed country wide
- Has a staff population of about 1500

AN OVERVIEW OF HRM

- The nature of HRM is such that it can be defined from 2 functional levels
- The management functional level which entails planning, organizing, directing and controlling.
- The operative functional level which entails procurement of HR, development, compensation, integration and finally separation.

The role strategic HRM is playing in promoting good corporate governance

Staff training & development:
- transparent procurement of training consultancy services
- Training Needs Assessment for staff to establish competence levels prior to training

The role strategic HRM is playing in promoting good corporate governance cont......

- Company policy –one training per staff per yr applicable to all cadres
The role strategic HRM is playing in promoting good corporate governance cont……

Performance management

• In order to continuously improve strategic performance, clear performance agreements have been signed between staff and supervisors using the BSC management system

• It provides feedback in the four perspectives of the BSC namely-

The role strategic HRM is playing in promoting good corporate governance cont…..

Performance management monitoring

This is done through use of

• weekly tracking spreadsheets to check weekly progress & achievements made to ensure timely completion of tasks

• use of performance boards

The role strategic HRM is playing in promoting good corporate governance cont….

• Financial perspective
• Customer perspective
• Internal processes and
• Learning & growth perspective

The role strategic HRM is playing in promoting good corporate governance cont…..

• Timely submission of progress reports either monthly, quarterly, ½ yearly and annually
## Perfomance Board

<table>
<thead>
<tr>
<th>Week No.</th>
<th>Date</th>
<th>Next meeting</th>
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### ALLOCATION OF CRITICAL TASKS

<table>
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<th>TM DUTIES</th>
<th>Due Date</th>
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### ISSUES & ACTION PLANS

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<th>Action</th>
<th>Responsibility</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>No computer for Ruth</td>
<td>Follow up with IT for issuance</td>
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## The “Good to Great” Transformation Journey

- HRM has piloted the G2G transformation among the support divisions
- Clear performance agreements have been signed between supervisors and staff
- The piloting has witnessed identification of major transformation initiatives using a participatory approach

## STRUCTURE & POLICY REVIEW

- The G2G transformation has witnessed the creation and mergers of new divisions
- Creation of a performance management section with a performance management manual to strengthen & manage performance company wide
- Creation of a Talent management policy to manage talent company wide

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The “Good to Great” Transformation journey cont…

- HRM has set up a clear reward system where talent and innovation is recognized and rewarded
- There is greater staff involvement and participation where juniors become team leaders
STRUCTURE & POLICY REVIEW cont…..

- The review has incorporated one training per staff per FY for all cadres
- The training policy has been reviewed to incorporate changes in the trainings layout with clarity as follows thus:
  - competence based
  - corporate based
  - personal development

REWARD & RECOGNITION

- HRM uses reward & recognition as a strategy for motivating employees
- Rewards are do not necessarily carry with them heavy financial implications e.g. letters of commendation, t-shirts

CORPORATE SOCIAL RESPONSIBILITY

- To maintain a balance between business objectives and social needs, HRM continues to:
  - Provide medical services for communities around the power stations
  - Facilitate awareness trainings on HIV/AIDS
  - Participate in peace initiatives (the Lewa Marathon, Tecla Lorupe peace race)

CHANGING ROLES OF HRM

HR professional is no longer what it used to be instead he/she is changing to:
- A change champion - championing change like KenGen
- A voice for employees
- A people-solution provider
- A partner in promotion of good corporate governance - partnering with other divisions
CHALLENGES FACED BY HRM

- Rightsizing amidst widespread unemployment
- High staff turnover in some specialized areas e.g. IT
- Maintaining board of directors with the right skill mix - not the role of HRM

CHALLENGES FACED BY HRM

- Reorienting staff during the transition of the co. from wholly state owned to private
- Achieving regional and gender balance is quite a challenge
- High cost implications to company arising from New labour laws – 2 weeks paternity
- Protection of whistleblowers

CHALLENGES FACED BY HRM cont....

- Placing a monetary value on HR services rendered that are not readily quantifiable e.g. high staff morale

CHALLENGES FACED BY HRM

- Sexual harassment at the workplace - although a policy is in place, peoples perceptions & interpretation of sexual harassment makes it more intricate. A grievance of this kind is very sensitive
- HIV/AIDS scourge - among employees, currently with no known cure
CASE STUDIES OF COMPANIES THAT EXPERIENCED PROBLEMS DUE TO THEIR CORPORATE GOVERNANCE PROCEDURES

- Enron—one of the largest Energy groups in USA, Bank of Credit Commerce International were riddled with malpractices in financial reporting systems, overstated profits,

CASE STUDIES OF COMPANIES Cont….

- Fictitious purchases and transactions reported in the balance sheet
- Executives received substantial benefits while they carried out insider trading
- On the local scene in Kenya, we have cases like Nyagah stock brokers, Anglo leasing, golden burg which are still under investigation.

CONCLUSION

- ‘we must become the change we want to see in the world today” Mahatma Gandhi 1869-1948

THANK YOU

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