



**SURVEY: How business is
managing its people dynamics**

The South African business response to Covid-19



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Executive Summary

The world of work has changed. In many cases, forever. Some of the workplace changes experienced in 2020 have been a direct result of the Covid-19 pandemic, others have been on the horizon for some time and the pandemic merely sped up their arrival and adoption.

There's a lot of talk about what these changes really mean for businesses and their employees, and there's already a plethora of data to back up the positive and negative arguments about the impact of this rapid workplace evolution.

Much of that data is global. While global insights are valuable in South Africa, it's important for us, as a South African business, to really understand the local dynamic so that we can, wherever possible, provide localised solutions to our valuable client base and the market in general.

So we asked our clients - South African executives in various sized businesses across multiple sectors - about the real impact they're feeling.

The results of our qualitative research are presented in this report which outlines areas of strength and vulnerability, opportunities and threats that require attention and action as a result of the pandemic.

Some of our key findings are that nearly two-thirds (59%) of respondents have between 80%-100% of their teams working from home. One-third (33%) of this subset are unsure when, if ever, they will return to the office.

This of course has a significant impact on recruitment. Very little permanent recruitment took place during the year, a trend which seems set to continue into 2021. But work must continue, so we're seeing a growing shift into the recruitment of contractors and 85% of respondents agreed that they could benefit from adopting a gig solution for missing skills.

What we do know is that digital transformation is attracting a larger share of the budget than ever before. According to the World Economic Forum, 54% of employees will need to be upskilled by 2022. Reskilling is cheaper than recruiting.

People solutions is now a primary area for businesses to focus on. People analytics - something that wasn't as important pre-pandemic - will be the base off which business can, with confidence, pivot (a term more used than ever) their business models. Knowing who your people are, the skills they possess and those they will need to learn to be redeployed in the business is essential for making future-looking decisions. This level of data does not currently exist in institutions.

Training will be required, regardless, and we have insights on how our respondents plan to role that out too.

Please enjoy the read, and if you have any questions about the findings, or how they can help you make future decisions for your business, don't hesitate to get in touch.

Jonah Naidoo
CEO

Context

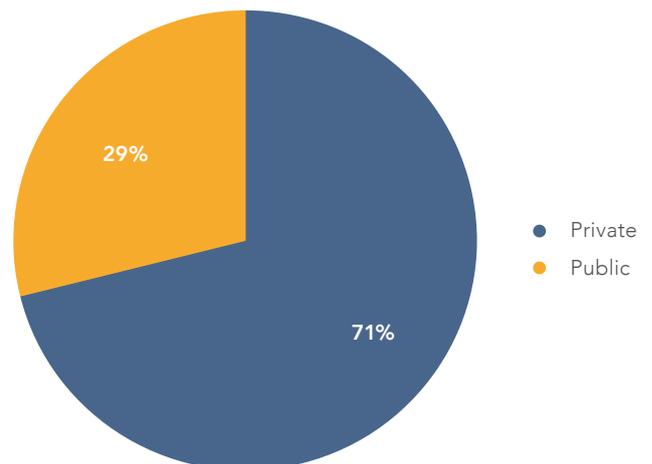
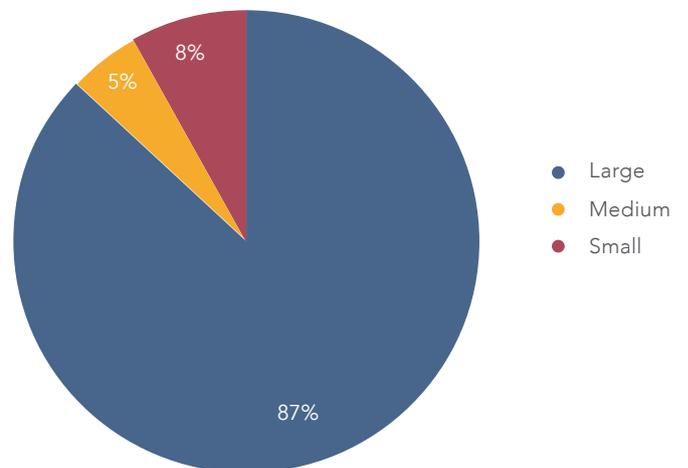
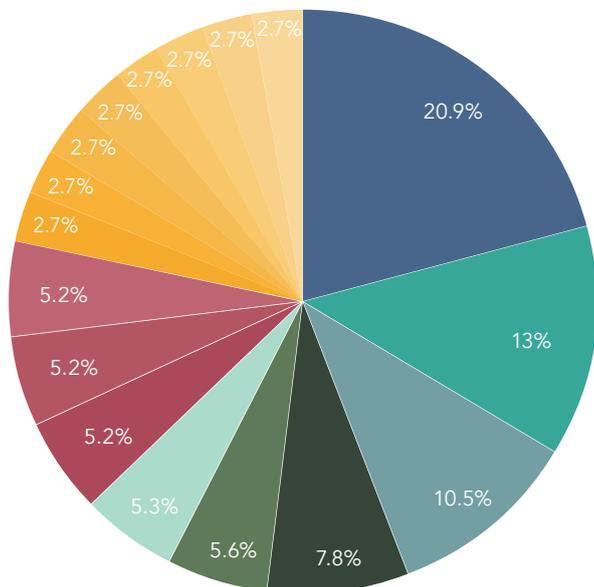
transformation
 contractor pivot gig .skill wellness
 HRanalytics continuity datum remotely
 digital reliance

Mindworx embarked on a client survey to provide insight and context to challenges and opportunities faced by our clients. The interviews were conducted by our business managers with executives from our client base in a conversational open ended question

approach. In some cases we interviewed more than one executive at a client in order to achieve the required depth of information required. The survey ran from August to October 2020.

Sectors covered by survey

- Financial Services
- Professional Services
- Insurance
- IT
- Media
- Consulting & Recruitment
- Food & Beverages
- Transport & Aviation
- Energy
- National Government
- Local Government
- Hospitality
- Mining
- Telecommunications
- Service Industry
- Retail
- Property

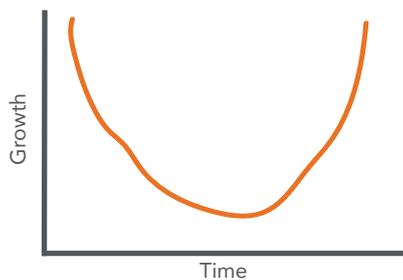


Whilst the focus of the survey was primarily on large business, one third of the survey constituted the public sector and overall, we were able to cover a representative cross section of business sectors.

Trends that we identified across our client base during, and immediately post, the initial Covid period included:

- The uncertainty around business continuity
- Reduction in sales, budgets and staff numbers
- The need to smartly pivot existing business models and leverage new opportunities created by Covid
- Teething problems and the transition to staff working from home
- Management of staff working remotely
- New skills required to meet changing business needs
- Increasing need for contractors and gig workers
- Increased reliance on data and the cloud
- Increased need and reliance on digital transformation
- Increased business need for HR and people analytics
- Maintaining employee wellness
- Uncertainty around traditional learning and training models
- Space utilisation

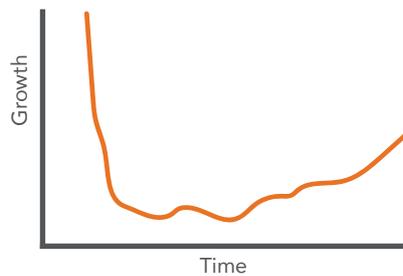
Executives outlook on recovery



U Shaped Recovery

55%

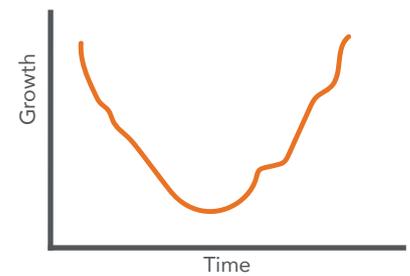
Extended period of recovery, previous growth levels attained once Covid is under control



L Shaped Recovery

20%

Slow long-term growth with difficulty reaching prior profitability levels and growth levels



V Shaped Recovery

15%

Quick return to previous levels and strong growth levels

It should be noted that the above scenarios did not include the potential impact of 2nd and subsequent waves of Covid, nor the possibility of different strains and mutations of the virus.

Working Remotely



Most non-client facing staff work remotely

Not everyone can work from home (WFH). Mostly managers, professionals and financial workers who can carry out their jobs on computers reported being able to work from home. It was not possible for some employees to work remotely. The graph below indicates the survey respondents that reported the percentage of their organisation that is currently working from home.

Most companies say they successfully transitioned to WFH at the onset of the lockdown, productivity levels though cannot be confirmed.

Working remotely will become a norm for many employees and companies and is set to be part of the employment mix of options available to employees.

Only employees that require access to critical and sensitive company systems or are required to be physically client facing are being asked to work at the office.

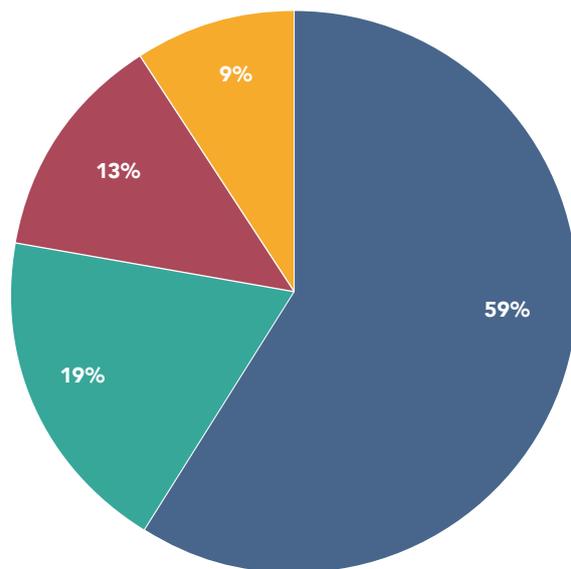
Other exceptions to WFH are those employees where the office environment is more productive, from a family and connectivity perspective. Despite the savings in travel time and increased flexibility benefits, not everyone can be as productive in a home environment.

The challenge for most organisations is to get this hybrid model to work to their advantage and meet the company's objectives, but it can also become a source of employee retention, and used to attract and retain talent.

This hybrid model of working has already taken off, and will increasingly, drive digital transformation.

59% of the respondents indicated that more than 80% of their staff is working remotely as a result of the pandemic and are only looking into coming back into the office full time in 2021.

Percentage of staff working from home



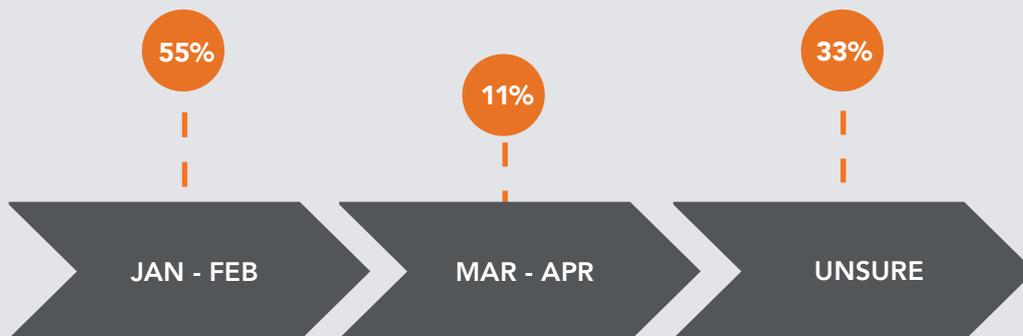
- 80% and 100%
- 60% and 79%
- 40% and 59%
- 20% and 39%

Many companies experienced teething problems initially. These included:

- The sharing and storage of information across platforms and machines
- Adapting office based processes e.g when documents require signing:
 - When can one use an electronic signature?
 - Is the audit trail of the document intact?
- The capability to manage staff remotely and ability to keep staff engaged
- Companies did not have available hardware required to support work from home
- Internet connectivity
- Employees not knowing how to balance the work/home life ratio
- Employee wellness - as fatigue sets in, increasing instances of isolation, loneliness and depression

There was a slight but noticeable change in the survey insights depending on when the survey was done in the period August to October. Initially there was a resounding move towards a high level of working from home. This later became more balanced with some companies looking to a hybrid model.

Planned timeline for returning to work in 2021



Of those companies that had not yet returned to work at the time of the survey, 66% intend returning between January and April 2021 with the balance either unsure or have decided not to return to the office. This is inline with international trends.

- Companies such as Microsoft, without abandoning the office, are offering employees the option of working remotely with less than 50% of their time at home.
- Research by BCG shows three-quarters of the employees surveyed in Germany, India, and the US who have transitioned to, or remained remote, during Covid say that they are at least as productive in performing their individual tasks as they were before the pandemic struck.

Interestingly, many clients are reporting that they are migrating to 2-3 days at the office per week per employee on a rotational basis. The intent here is to clearly foster team socialisation, and maintain team productivity.

A potential area of concern relates to support staff. Respondents mentioned that these staff often felt excluded and there was a high proportion of people who distanced themselves from colleagues. Productivity levels were also noticeably lower. Companies who retained high-touch engagement with their teams did not experience these problems.

Some organisations with a large proportion of blue collar staff, who are unable to work from home, continued to work with responsible social distancing and health protocols in place.

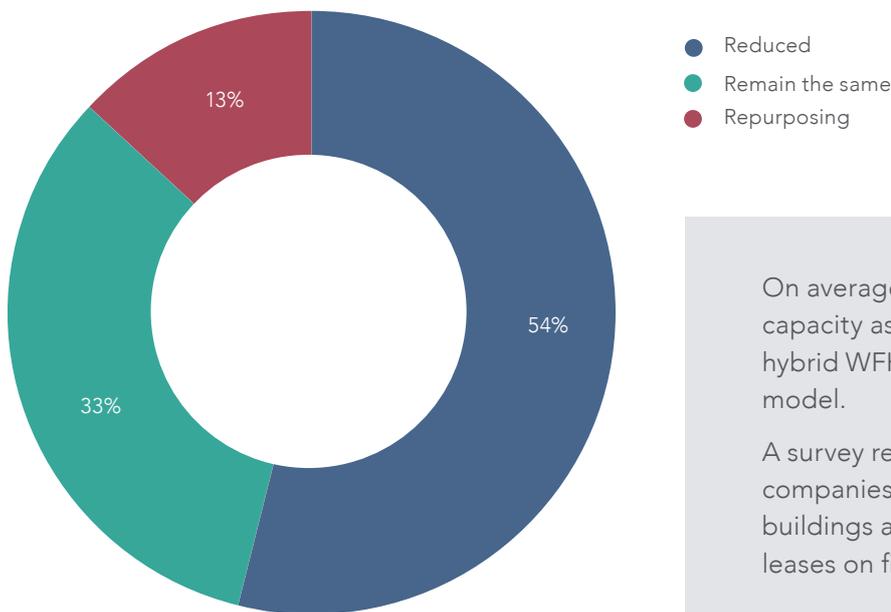
Many companies are reporting work from home fatigue, juggling home schooling and minding children.

More progressive firms provided allowances for employees to set up home offices and upgrade connectivity.



We may never go back to the old model again

Use of office space



On average there is a 30-40% spare office capacity as most companies end up with a hybrid WFH (40-60%) and Office (60-40%) model.

A survey respondent indicated that many companies were looking to sell owned buildings and were committing to long term leases on fit for purpose space.

85% of staff have been able to adapt to technology allowing for a seamless work from home experience. Technologies like Teams, Zoom, Google Meet, Skype, Facetime, Slack, email and cloud computing have proven to be of great use in ensuring that there is no longer a necessity for one to be in an office full-time to be a productive member of the team.

While this has been positive, 15% faced challenges in transitioning to a WFH model. Of concern is Eskom's ability to provide a stable electricity supply. This is a core ingredient to support remote working, and load-shedding can make it less viable for employees without generators or other forms of backup power.

Recruitment



All recruitment has been put on hold

Permanent recruitment

Given the uncertainty of the economy, very little permanent recruitment appears to be happening.

Fewer companies plan to hire, other than critical roles. In many cases the work still needs to be done and the trend is for existing staff to take on more duties and be flexible around functions performed.

A lot of restructuring initiatives are in progress, with a view resizing / downsizing companies, as they focus on cost cutting measures and targeting value for money.

As a result, permanent recruitment will only become a reality post restructuring and as the economy re-opens.

Permanent recruitment will continue to be restrained as several companies expect to return to the office in January 2021.

While recruitment Preferred Supplier Lists (PSL) exist, many of the companies surveyed are doing their recruitment internally with in-house talent acquisition teams.

Whilst LinkedIn seems to be used most frequently, there is increased reliance on other skill specific platforms like ERP, SAP, Oracle, Sage.

Many companies have embraced virtual recruiting and onboarding solutions and we may see this trend growing in the future.

Scarce roles frequently cited include:

- ICT related roles
- Digital and data skills
- Software development
- Cyber security and architecture
- 'Everything' cloud
- Data centres



Contracting

Despite many executives confirming that they would move towards a contracting model, few companies actually grew their contract staff base over the lockdown.

Contractors prevalent in IT areas and blue collar work (logistics, operations, demand-driven) and blue collar workers were in demand over the lockdown for companies in the manufacturing and health sectors.

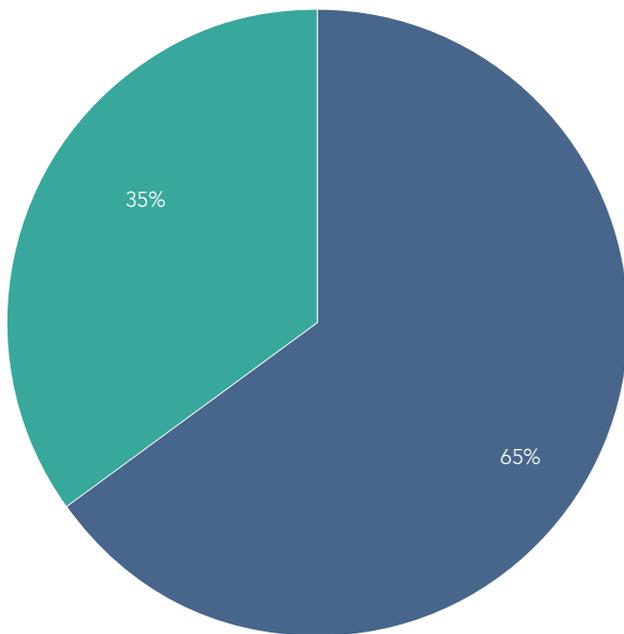
A pronounced trend is that companies facing the Covid crises chose to use their existing staff and resources to manage multiple roles and also to fill gaps that arose.

Companies clearly did not have the appetite or confidence to make new hires even of contractors, owing to the uncertainty to the duration of the lockdown.

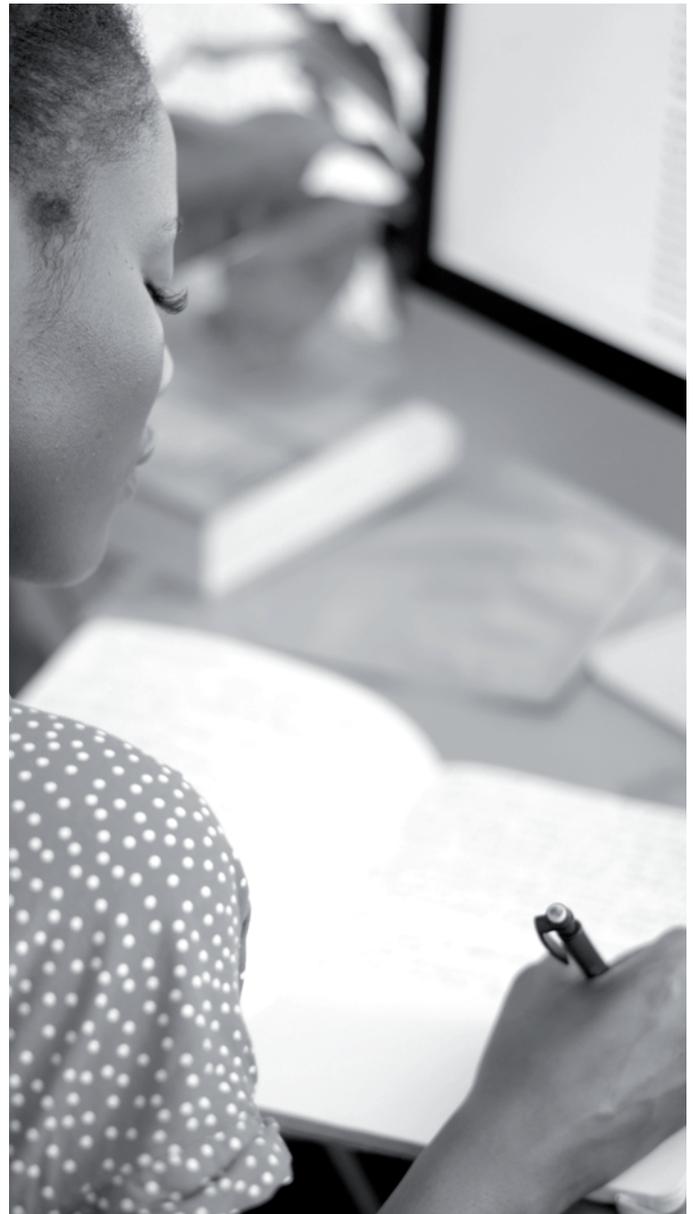
In a few companies and depending on the sector, contractors were reviewed and companies reduced contractor headcount first before reducing permanent employees, as part of its cost cutting measure.

We expect this trend to continue and contractors will remain anxious as more companies continue cost-cutting even as the economy opens up post lockdown.

Contracting trends



- Unchanged
- Moved towards contractor model



Executive search

In keeping with general recruitment trends over lockdown, companies only pursued executive search services where the processes had already commenced or where critical skills were needed.

In many firms, search is often conducted by internal talent acquisition teams and if that is exhausted, then external agencies are engaged.

Senior level roles were particularly impacted, with very few new roles becoming available as many firms focused staff retention and reallocation of work internally over the lockdown.

However, some companies took the opportunity to target scarce skills in industries entirely lockdown, such as the hospitality industry. An example is that of a telecommunications firm that targeted key architectural skills from a major hospitality firm whose employees were subjected to salary cuts.

Gig economy

85%



15%



85% of respondents agree that they could benefit from adopting a gig solution for skills that are not available using the conventional permanent employment model.

- General supply of workers increased exponentially during lockdown, due to reduced time or underemployment and retrenchments
- Self-employment set to grow as formal employment sector declines
- Companies are no longer able to afford specialists and subject matter experts as permanent employed resources
- Several mature global firms use gig economy platforms to fill scarce roles, project type roles, Nomad, Upwork, Jobox, etc
- However, most companies do not have a gig work platform in place
- In SA, there are implications for a flexible labour regime

People Analytics

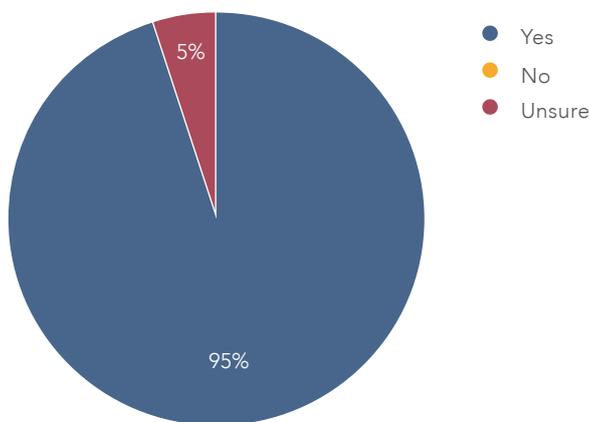


What do you mean by People Analytics?

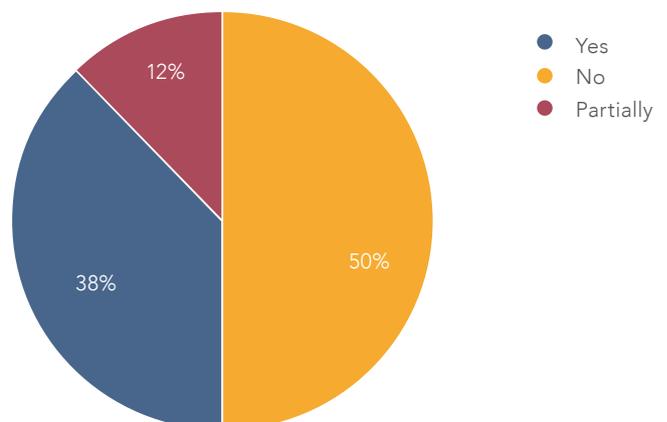
Many companies understand the potential benefits of using HR analytics and that understanding has expanded beyond focusing on legacy HR systems and the simplified data it provides to more inclusive information that provides a platform to manage talent and make evidence-based people decisions.

The pathways to destination People Analytics are varied. Approach, team size, positioning, composition and organisation vary widely and most companies need help in planning and implementation of capability development and maturation as the skills do not exist within institutions.

Would you benefit from People Analytics?



Do you understand what HR and People Analytics is?



Covid has increased the need for integrated people analytics

- Many companies reported that people’s data was not really a focus pre-lockdown, but during lockdown people data transitioned into a primary focus area, as companies responded to the crises of the pandemic and lockdown. This was due to:
 - Companies transitioning to video conferencing platforms Zoom, Teams, Google hangouts, etc
 - The complexity of hybrid models of working from the office and working from home
 - Changes in the business model of companies
 - The need to retain and bring in specialist skills on a limited budget
 - Pressure on companies to reduce staff costs and increase performance and efficiency
- The opportunity has emerged to fast track people analytics as we migrate to new ways of working

| Current maturity

- Generally speaking, People Analytics as an area of expertise is very immature in most firms, or where data is collected it's not seen as adding value or aligned to business objectives
- There is a wide chasm between companies that are mature and companies that are not ready to implement People Analytics
- Mature HR firms with useful People Analytics capability, however, appeared better prepared to cope with the lockdown
- Where companies were actually collecting people data, this was not always made visible to relevant stakeholders
- Of concern is that some HR professionals surveyed did not have People Analytics as a high priority
- It is not easy to adapt legacy systems to cater for the data required by People Analytics

| Areas that will benefit from People Analytics the most:

- Capacity of staff and deployment of staff to address capacity gaps
- Better understanding employee performance, wellness and engagement
- Increased understanding of staff mobility and aligning that to career development



Online Training



Online training has become mainstream

Due to the hard lockdown and subsequent social distancing requirements, many classroom based skills development programmes were interrupted and or cancelled.

Initial limitations included, lack of devices for learners, lack of digital content and access to and the high cost of data.

This created a backlog on skills development spend which will potentially impact clients' B-BBEE scorecards in 2021 financial years. The impact on the talent pipeline will be with us for years to come.

In certain areas the need for classroom interaction and hands on training made it difficult to completely make up for the lack of conventional classroom training.

Post level 5, there is a trend towards blended learning.

On a positive note, lockdown presented an opportunity for employees to learn new skills, and this is seen in the growth of platforms such as Udemy, FutureLearn, edx, Coursera etc.

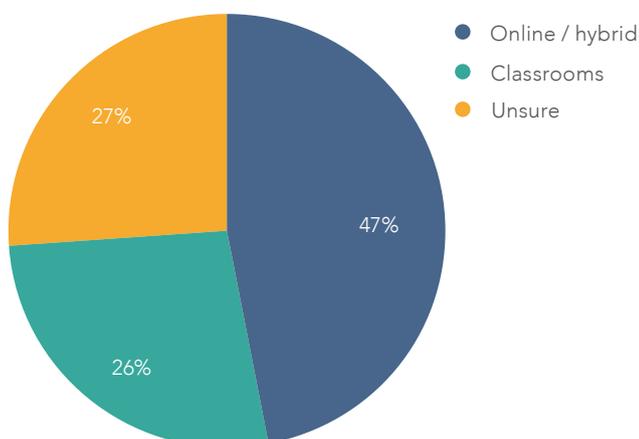
Across those surveyed, the ability of learners to adapt to new ways of learning has been nothing short of remarkable. This was further supported by the price of data being reduced to slightly more manageable prices by service providers.

The trend for upskilling or learning new skills on online learning platforms could well be driven by the uncertainty caused by the pandemic, resulting in people cost containment.

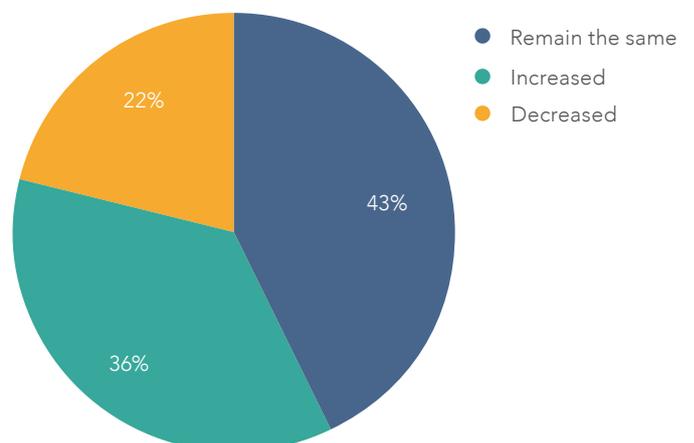
There is an opportunity to further digitally transform the learning and education sector given SA's high data costs, skills challenges and unemployment crisis.

Onboarding and mentorship of learners has been impacted by work from home.

Classes after the pandemic



Outlook for training programmes in 2021



Digital Transformation



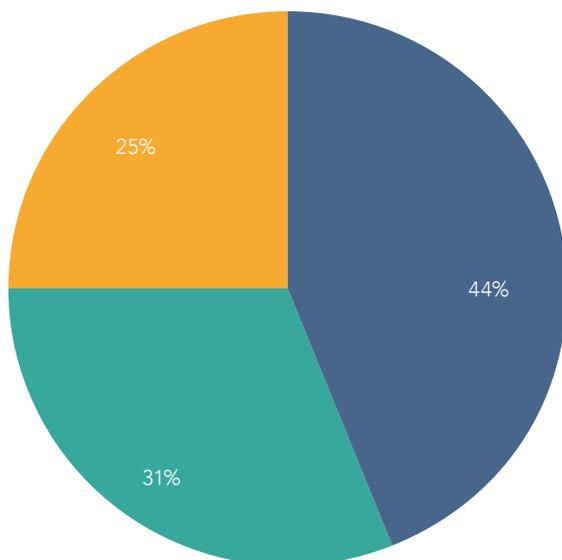
Covid has been a catalyst for digital transformation

Microsoft CEO, Satya Nadella, mentioned this rapid rate of change in April 2020, noting at that time, "We've seen two years' worth of digital transformation in two months."

So many customers were already commencing digital transformation initiatives prior to the lockdown, and were into early stages of their transformation, the impending lockdown no doubt accelerated all initiatives.

Covid-19 effects on digital transformation

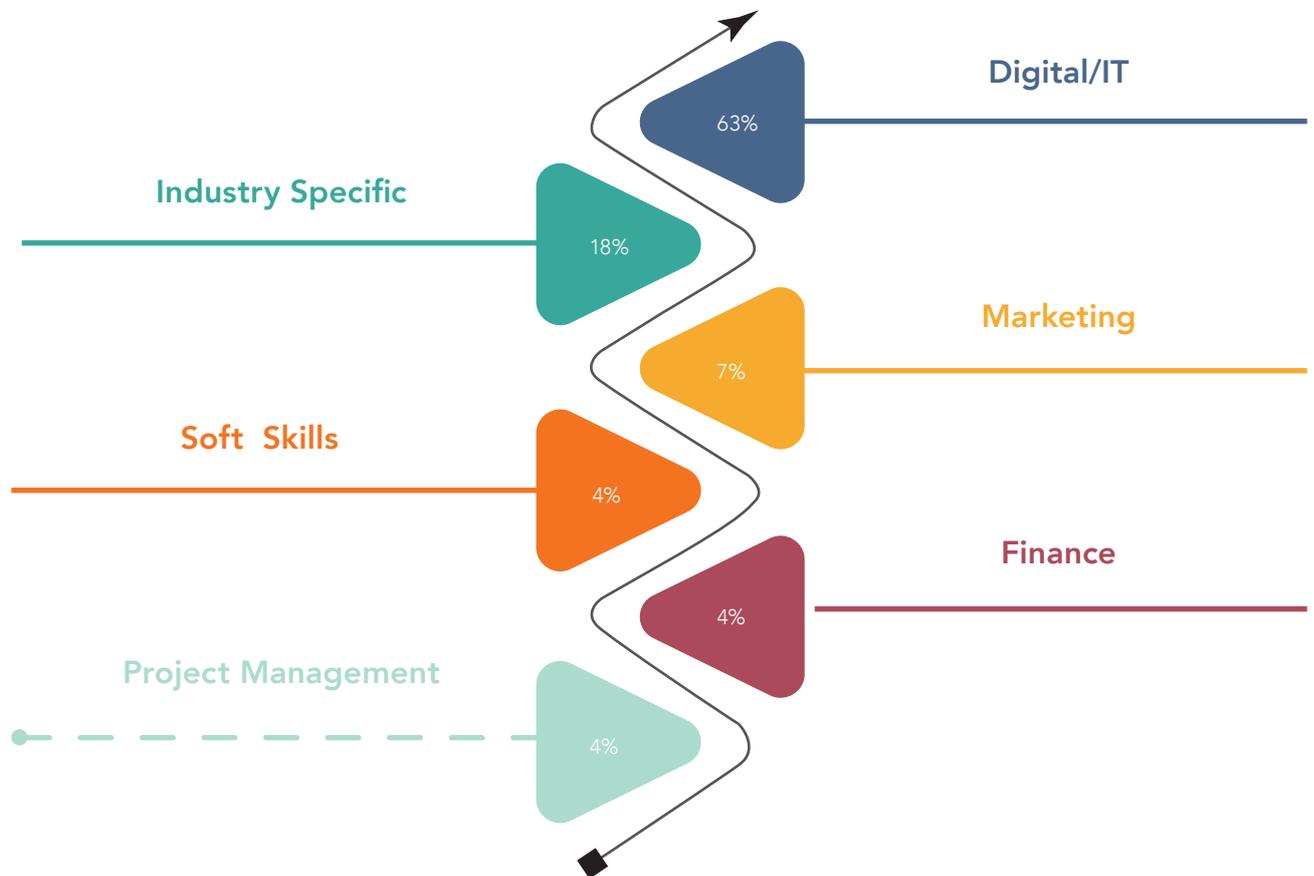
- Positive
- Negative
- No effect



Trends noted included:

- Digital transformation allocated a bigger share of firms budgets
- WFH has been a major driver for digital transformation
 - Getting employees productive has been a major drive of digital transformation
- Online experiences
 - Focus also on customer experiences
 - Several large call centres struggled during the lockdown
 - Self-help functionality on digital channels has increased exponentially
- Scaling of digital transformation to meet increased e-commerce needs due to people preferring not to leave home
- Building virtual capability to serve customers and intermediaries
- Opportunity exist for SA for export its services / resources to international markets
 - Skills in technology and analytics to translate automation into innovation and growth
 - Encourage labour force participation
 - Increased demand for digital skills

In-demand skills



Internationally, demand for digital skills which was high before the pandemic has gone through the roof. South Africa is no different. Despite the majority of people polled agreeing that this is a priority area, not many companies have developed strategy and action plans to address this.

According to the World Economic Forum, 54% of employees will need to be upskilled by 2022. Reskilling is cheaper than recruiting. The benefits of reskilling existing employees have been largely ignored. In addition, many companies have not made provision for much required change management.



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