

# 14 Human Resource Management

The first component of organizational architecture, human resource management (HRM), is the process through which an institution recruits, develops and motivates people to accomplish its mission. Interrelated with every aspect of the organization — from the culture and customer orientation to the products and delivery channels, to the organizational structure, processes and technology — effective HRM is critical to microfinance success.

An MFI's human resources (HR) contribute significantly to its productivity; they provide the locus of interaction between the MFI and its customers; they also represent the single largest cost item for the institution. As such, they constitute one of the most important areas of focus for both efficiency and performance improvement.

As defined in Module 1, a manager is someone who gets things done with and through other people. The better managers are at managing their human resources, the better results they will have. This module explores the components of human resource management that are most important to microfinance institutions. Specifically, it addresses the following seven themes:

1. Creating an HR strategy and policies
2. Hiring the right people
3. Orientation and training
4. Career development
5. Performance management
6. Compensation
7. Care and appreciation

### 14.1 Creating an HR Strategy and Policies

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Human resource management is not just a series of activities that are somehow related to an organization's personnel. It requires a strategy, a plan for those activities. An **HR strategy** provides coordination and integrates activities so that they all work together. It also reinforces and strengthens the institutional culture, and helps ensure that the human resource management activities are internally consistent. Often included in the MFI's overall business or strategic plan, the HR strategy includes: 1) a statement about the role that human resources play in enabling the organization to fulfil its mission; and 2) high-level human resource goals for the period covered by the strategy (e.g., initiate an employee loyalty programme, introduce relevant in-service training, assess the effectiveness of an incentive scheme).

#### Parts of this module were adapted from:

- ▶ Brand and Gerschick (2000).
- ▶ Churchill (1997).
- ▶ Churchill, Hirschland and Painter (2002).
- ▶ Rhyne and Rotblatt (1994).



The main objective of an HR strategy is to enable employees to contribute as much as possible, as quickly as possible, to the achievement of the institution's mission. From the perspective of a microfinance manager, a key equation to remember is:

$$\text{Performance} = \text{Ability} \times \text{Motivation}$$

An analysis of this equation offers managers four important insights:

1. Some performance will be achieved as long as an MFI's employees possess some ability and some motivation.
2. If either ability or motivation is non-existent, performance will be nil. An MFI can have a wealth of technical, human and financial resources, but if no one is motivated to serve poor clients, they will not be served.
3. Even if an MFI possesses relatively less ability than it desires, it can achieve superior performance goals if its employees are relatively more motivated. In other words, the more employees are motivated the more results an MFI can achieve with a given level of ability.
4. The fourth insight is simply the converse of the third, i.e., the less employees are motivated or capable the less the MFI can achieve.

An effective HR strategy, therefore, focuses on creating and maintaining a capable and motivated workforce. Essentially, it strives to ensure that the organization has the right people in the right place at the right time with the right skills and motivation to achieve the organization's goals and objectives. Whether the HR strategy is one component of the MFI's overall strategic plan or a stand-alone document, it needs to describe how the institution's human resources will enable it to fulfil its mission.

The HR strategy is used to guide and shape an organization's **human resource policies**. These policies, often packaged into a **human resource manual**, are given to all employees to provide clear guidance on what is expected and acceptable, to specify the penalties for unacceptable behaviour and to state what the organization will do (or will not do) in relation to its employees. Box 14.1 provides an example of what the contents of an HR policy manual or handbook might look like for a MFI. Note that the introduction provides an opportunity to summarize both the values and the HR strategy according to which the policies and procedures have been designed.

Typically these policies are drafted by HR experts to ensure that the MFI's policies comply with the country's **labour laws**. Line managers who are involved in implementing the policies must be thoroughly trained so that they know what they can and cannot do. For example, many organizations have policies against discrimination on the basis of gender, race, disability, etc., but a careful look at actual hiring practices shows that those policies are not always, or even regularly, followed.

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Source: Adapted from Pityn and Helmuth, 2005.

### 14.2 Hiring the Right People

The first component of a successful HR strategy is the **hiring** of sufficient people at an appropriate time with the required skills and attitudes, as well as a high level of motivation. To ensure that the “right” people are hired, MFIs must pay careful attention to the early stages of the hiring process, namely **recruitment** and **selection**.

#### *Hiring for Staff Positions*

For entry-level or field positions, the hiring process in a microfinance institution usually consists of the following eight steps:

- 1) **Defining an HR plan.** Human resource management begins with human resource planning. The MFI’s business plan should provide guidance on what positions it has to fill, with how many people, in what locations and when. The HR plan should outline how the organization will address the human resource requirements of the business plan while complying with its HR policies.
- 2) **Being informed by the past.** If the MFI is seeking a replacement for an existing job, it is important to hold an **exit interview** with the departing staff member. The purpose of this conversation is threefold: a) to inform the MFI about the reality of the post being vacated; b) to reassess the content of the job description; and c) to explore the fit between the work that needs to be done and the stated skills required to do the job.



## Box 14.2 Sample Job Description

**Job title:** Loan Officer

**Reports to:** Branch Manager

**Supervises:** N/A

**Definition:** The Loan Officer is the primary point of contact with all borrowers in a designated area. The Loan Officer is a problem-solver, providing appropriate credit services to assist low-income people to solve their own problems. As such, the Loan Officer markets loan products, assists clients to determine credit needs, manages the application and approval process, insures prompt delivery and repayment of loans, and provides periodic portfolio information.

### **Duties, roles and responsibilities:**

1. Conduct survey to determine credit needs within area of assignment.
2. Initiate client contact.
3. Meet with clients to determine credit needs and business viability.
4. Assist clients with applications, including visits to workplace, completion of financial analysis forms, collection of client baseline data and verification of loan security.
5. Analyse loan applications and make recommendations to Credit Committee.
6. Disburse funds, obtain signature on contract, verify business conditions and formalize relationship.
7. Ensure prompt repayments.
8. Collect relevant data and submit timely and accurate reports.
9. Visit all customers periodically to build a relationship of mutual trust and assess future credit needs. Provide financial counselling as needed.
10. Solicit, respond to and resolve customer complaints. Document all complaints and suggestions.

### **Technical skills:**

- Secondary school or university degree
- Demonstrated ability in mathematics, economics or finance
- Fluent in the local language

### **Cultural and social requirements:**

- Social entrepreneur
- Utmost honesty and integrity
- Previous experience working in grassroots activities
- Excellent interpersonal and communications skills
- High levels of motivation and ability to work independently
- Strong decision-making and problem-solving skills
- Excellent organizational and time-management skills

*Source: Adapted from Edgcomb and Cawley, 1996.*

- 3) **Defining the position.** The MFI must describe the position and the characteristics of the most appropriate person for the job. A **job description** should outline key duties, roles and responsibilities; it should include the technical skills, as well as the cultural and social requirements for effective performance (see Box 14.2). When hiring a new person for an old post, do not assume that the previous job description is still relevant.

MFIs vary widely in how they define the optimal skill sets for staff positions. While there is no one right profile, the clarification of specific skill requirements enhances the chance that skill sets and job requirements will match. In defining microfinance skill sets, it should be noted that more is not necessarily best. MFIs may want to:

- **Consider employing less-educated staff.** Less-educated persons are often less costly and more likely to stay with an MFI than employees with greater opportunities. For example, MDF-Kamurj in Armenia no longer hires loan officers who speak English because they kept leaving to work for international organizations. In Bangladesh, ASA deliberately keeps job responsibilities simple so that it can hire loan officers with little education or experience at low salaries. This approach, however, may limit the product diversity or flexibility that the MFI can offer.
  - **Consider employing staff with little or no work experience.** Many MFIs argue that good field workers are made rather than found, especially in places where prevailing values conflict with the institutional culture. The Grameen Bank deliberately avoids hiring anyone with previous banking or financial experience for precisely this reason.
- 4) **Clarifying the selection procedure.** The MFI should specify the selection process and criteria that determine whether candidates have the required skills and characteristics specified in the job description. Consider for example, the description in Box 14.2. How will the MFI assess whether candidates have the expected cultural and social requirements? The MFI needs to define a specific means of assessing each requirement. The details of the process should be clearly mapped out before advertising the vacant position.
- 5) **Marketing the position.** Once an MFI has defined the job opening and the process for selecting someone to fill that position, it is ready to advertise the vacancy. The approach that an MFI takes to advertising matters because it defines the pool of potential applicants who will hear about the job. MFIs should consider the methods and languages they will use to communicate the job opening, as well as the cost. The goal should be to choose the communication channel that will help recruit the most appropriate and qualified candidates.

The recruiting process depends on the institution and labour market, but two strategies are particularly effective. First, a good source of new recruits is a satisfied and effective employee. This employee presumably understands the corporate culture and will know people who are a good match for the MFI. He or she can make a stronger sell to a prospective staff person than a human resource specialist who may not fully understand the intangible benefits of working in the field. Some organizations actively encourage peer recruiting by giving a bonus to employees who recruit others – half upfront and the second half if they pass the probationary period.

A second approach is to determine what mentors, books or organizations helped shape the character of the MFI's most outstanding employees. If there are some common sources — such as youth clubs, schools or community associations — then they would be fruitful places to actively recruit new staff. Such places might serve as incubators that



either attract or cultivate people who exemplify the MFI's institutional culture, attitudes and beliefs.

These two techniques are effective because they are more targeted than mass media advertising, and can lessen the burden on the HR department to review hundreds of applicants responding to a broadly advertised vacancy announcement. But more importantly, these approaches propagate the institutional culture because they ensure that like-minded people are being considered for employment.

- 6) **Evaluating candidates.** After recruiting a pool of potential candidates, the MFI will need to evaluate them according to the agreed-upon process and selection criteria. In this effort, MFIs would be wise to use a combination of assessment tools to screen applicants.

If there are many candidates for few posts, an MFI needs to find quick ways to cull applicants who are weak or not serious before investing time in the more labour-intensive process of interviewing them. One way to improve the efficiency of the screening process is to provide a **video orientation** about the MFI and the work that it does. If the video is done well, some candidates will realize that this is not the kind of work they are seeking and immediately exclude themselves. Another approach to pre-screening candidates is through **written aptitude tests**, whereby only those persons who achieve a certain minimum score advance to the next round of the selection process. Although it may seem simplistic, the administration of tests to determine the applicant's skills can help avoid hiring individuals who falsify or exaggerate their capabilities.

**Individual interviews** are probably the most common way of screening applicants, but they should not be relied on exclusively. Just because someone comes across well in an interview does not mean that they can do the job. **Group interviews** and **role-play exercises** can expose applicants' leadership and communication skills, their willingness to be team players, and their character. For example, since honesty is an important characteristic for all microfinance employees, MFIs could design a group exercise that tempts candidates to cheat to win.

In their efforts to hire the right person, some MFIs require their shortlisted candidates, for both head office and field posts, to visit clients. By observing them **interacting with clients**, the organization can get a better idea of how they relate to the target market. A variation on this approach is to ask candidates to interview low-income persons and then to prepare a presentation for the selection committee. This screening method has the added advantage of assessing if candidates are good public speakers who can organize their thoughts. These types of tools give a balanced picture of the applicants and their ability to operate in the MFI's environment, both in terms of the internal culture and the external environment in which the MFI does business.

In some organizations, pre-screened candidates are given opportunities to demonstrate their talents in a working environment before they are actually hired. At Equity Building Society in Kenya, selected candidates are not given an immediate contract. Instead, they are invited to work with the MFI for a week so that managers can see how they perform. Similarly, Moznosti in Macedonia rarely hires for entry-level posts directly. Instead it has one-month internship positions for persons who are interested in learning about microfinance, and it uses the internship process to assess the personality, attitude and motivation of prospective employees.

Besides helping an MFI identify the right candidates to hire, these exhaustive screening methods promote teamwork. Co-workers who were all selected through a thorough and competitive process tend to respect each other and feel a strong sense of belonging (see Box 14.3).

### Box 14.3 Candidate Selection at Prodem

Once a job profile was defined, Prodem began identifying candidates who met the profile. Advertisements were placed in the most important national newspapers announcing the open position. Thirty-five to 50 CVs were received for each position, of which seven or eight people were invited to participate in the next step of the recruitment process. They were brought together and two exams were administered. The first was a psycho-technical exam that tested candidates' abilities in the areas of spatial, mechanic and numeric reasoning, verbal logic, and comprehension. The second exam consisted of group simulations that tested candidates' ability to work in teams, interact with others, and exercise leadership. If relevant, a third exam was given to assess whether the candidate possessed the technical knowledge necessary to carry out the responsibilities of a particular position.

Results of the exams were tallied and finalists were chosen competitively on the basis of their average scores. Each exam was weighted equally, but a minimum score was required on each exam in order to pass; there was also a limit on the acceptable difference between the scores of the different exams. This helped to ensure that future employees were relatively balanced in all of the areas Prodem identified as important.

In the last step of the recruitment process, approximately three candidates per position were interviewed to assess their ability to do the job in question and their affinity with Prodem's culture. Since Prodem was more concerned with the potential of the person being interviewed than with his or her past accomplishments, many of the questions asked involved hypothetical situations. The interviews were generally conducted by a panel that included the supervisor for whom the new employee would be working and a representative of the Human Resource Department.

Besides facilitating the recruitment of qualified staff, Prodem's rigorous hiring process helped established a culture of merit and integrity within the institution. Because the process was so intense, and involved so many stages and people, there was no single individual to whom an employee needed to feel loyal once he or she was hired. Loyalty could be given to the institution that had sponsored the process and to the other individuals who had survived it. Knowing that everyone had passed the same quality check made employees feel like they were part of a high-calibre team, and that motivated them to perform as a high-calibre team.

*Source: Adapted from Frankiewicz, 2001.*

Three other recommendations can be made with respect to the evaluation process:

- **Screen for staff who are motivated by the organization's mission.** A MFI may be better able to retain staff if it hires persons who want to get more out of their jobs than just a pay cheque, people who want to make a difference in the world, work with amiable colleagues, and be respected and trusted. This characteristic can be assessed through certain interview questions, psychometric exams or role-play exercises.



- **To serve women, hire women.** According to Mayoux (2003), there is a clear linkage between the empowerment of female clients and the levels of female staff in MFIs. If it cannot hire a sufficient number of women field agents, perhaps because the local culture prevents them from working outside the home or riding motorcycles, the MFI needs to carefully screen male applicants for their attitudes towards women.
  - **Check references.** This step in the screening process is often skipped by managers who think that it will take too long and that they are not likely to get useful insights by persons who are handpicked by the applicant. Those sceptics will be surprised at how valuable reference checks can be, especially if they specifically request the contact information of previous supervisors and co-workers from the applicant's last two or three positions. Often the most impressive applicants have some unsavoury skeletons in their closets that only get detected through reference checks.
- 7) **Select the best candidates.** At the conclusion of the evaluation process, MFIs should select the best candidate to fill the open position. The best way to avoid firing people is to hire the right people in the first place. This may seem obvious, but in the rush to hire employees an MFI may not screen prospective staff members properly. Hiring in haste invariably results in hiring the wrong person. MFIs may also want to involve current employees in the selection of their future team members. Ideally, the people who will work with the new employee should have a loud voice in the hiring decision. This input is especially important if the MFI relies on teamwork and group-based incentives since the chemistry between members helps determine the success of the team.
- 8) **Negotiate contracts.** Once a candidate has been selected, the MFI needs to make an employment offer and negotiate a contract to bring the candidate into the institution. Most MFIs include a **probationary period** in their initial employment contracts. They are also careful to specify the performance-based component of any compensation agreement. Typically incentives are not paid while new hires are in their probationary period to avoid stimulating unhealthy growth.

## *Hiring for Management Positions*

Recruitment and selection for more senior posts follows the same general process, although there are some important differences:

- Since expected vacancies for senior positions only arise occasionally, i.e., through retirement or new positions, it is more difficult to have a hiring plan.
- There is a smaller pool of potential candidates, so the recruitment process has to be even more targeted, perhaps involving a “head hunter” (an executive search firm).
- Unlike entry-level positions, for senior posts MFIs need to consider internal candidates, as described in more detail in Section 14.4.
- More attention must be given to assessing the existing capacities and skills of candidates because it is difficult for MFIs to provide technical training for senior posts.
- More careful background checks are required for persons with greater responsibilities.
- It may be difficult to use group interviews or role-plays as screening techniques, but MFIs definitely need to see how top candidates interact with their target market.

### 14.3 Orientation and Training

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**Training** is the second aspect of human resource management. New employees must be introduced to the institution, its culture and its way of doing things. This important HR element enables new employees to contribute quickly and effectively to the MFI. Existing employees need to develop themselves as well, adding new skills, knowledge and responsibilities that enable them to grow and to help the institution grow. Indeed, staff training is an ongoing process throughout the entire relationship between the employee and the MFI.

Staff training for both new recruits and existing employees generally focuses on two objectives: 1) promoting and sustaining the institutional culture; and 2) teaching staff the operating procedures they need to follow in performing their jobs, which includes exposure to the procedures performed by other parts of the organization.

#### *New Employee Orientation*

New employee orientation is the first opportunity to align corporate and employee values – and perhaps the most important opportunity as first impressions are enduring. Orientation transmits and propagates the institution’s culture in three ways:

- **Buy-in:** It is challenging to get new staff to embrace an MFI’s values as their own. During training, new recruits can be asked to discuss ideal working conditions, how they would like to see co-workers interact with each other and with clients, and how they would like to be treated by management. This discussion can be facilitated in such a way as to identify the core elements of the institution’s culture, and to give new staff a sense of identification with it.
- **Explicit messages:** Building on this discussion, the training can explicitly communicate the organization’s mission, values and culture. It can transmit clearly what the MFI aims to achieve, how it expects the staff to treat each other and its clients, and why this is so important to the institution. In some MFIs, the chief executive officer participates in the orientation session to welcome new employees, to share with them his or her vision for the organization, and to indicate how they will benefit if they are committed to making that vision a reality.
- **Modelling the culture:** Trainers should also “walk the talk”, modelling their explicit messages and the behaviour expected of staff. For example, if the MFI expects employees to be critical and analytical, then the training should encourage debates and welcome differing opinions.

Initial staff training usually includes two components: a) classroom training and b) on-the-job training. During the **classroom** phase, new recruits receive an overview perspective of the organization to see how their roles fit into the bigger picture. This setting is used to indoctrinate employees into the MFI’s core values, such as a commitment to quality and customer service, and to teach them the theoretical aspect of their jobs. The training curriculum will depend partly on the organizational structure. For example, if the business is organized around teams, it will be necessary to teach interpersonal and problem-solving skills. If the organization relies on the self-management of field staff, employees will be taught how to read and interpret performance indicator reports.



The **on-the-job training** phase, which may last several months, allows new staff to learn the technical aspects of the job and the tricks of the trade from experienced personnel. In microfinance, many skills of field staff, such as client selection and delinquency management, can be learned best through experience (see Boxes 14.4 and 14.5). The on-the-job phase can be enhanced through an **apprenticeship system** with trained mentors where new recruits can learn many of the nuances of microfinance without having to make major mistakes.

## Box 14.4 Unique Training Techniques at Grameen Bank

Grameen has no formal training manual. Instead, its written training materials contain a list of questions about Grameen objectives and operations that trainees are supposed to answer for themselves while they are in the field. Classroom time is devoted to discussing the answers trainees have found to these questions and comparing field experiences, rather than to the presentation of additional material. This technique places responsibility for learning on the trainees, while keeping them focused on the topics of greatest importance to Grameen.

*Source: Adapted from Rhyne and Rotblatt, 1994.*

## Box 14.5 On-the-job Training at Actuar Bogotá and ADEMI

After a week of initial orientation, new recruits at Actuar Bogotá in Colombia are assigned to work with an experienced field worker who already has a full quota of clients (60 groups). They work together for two months, during which time they are expected to add 20 more groups to their portfolio. When this target is reached, the portfolio is split, giving each worker a set of 40 groups.

Similarly, in the Dominican Republic new ADEMI employees spend two weeks at headquarters for an induction programme, followed by four weeks accompanying an experienced agent in the field. After observing the loan officer with his clients, the recruit is expected to start building his own portfolio in an adjacent geographical area within three months, at which point he will go off on his own.

*Source: Adapted from Rhyne and Rotblatt, 1994.*

It is critical that mentors know how to train new staff effectively since they, above all, bring the institution's culture to life. Their actions should demonstrate what the mission, values and culture mean in practice. MFIs should develop a **mentorship course** to teach experienced field staff how to provide on-the-job training. The human resource department should also follow up with new staff once they have been on the job for three or four months. By observing their performance in the field, it can assess the skills of both the trainee and the mentor, and recommend any additional training for either that might be required.

### *In-Service Training*

In successful MFIs, staff training does not end after new staff orientation. **Ongoing training** is required to assist employees to develop their skills, adapt to change, and contribute more productively and efficiently to the MFI's objectives. The HR strategy should include regular monitoring of the skills employees need to fulfil personal and institutional objectives, and it should facilitate **professional development opportunities** that respond to those needs.

Some MFIs provide all employees with two weeks of training every year. Others offer in-service training only when required. Although the latter strategy is cheaper, it is not necessarily effective. Recent literature on adult education supports the hypothesis that employees need ongoing training to reinforce and extend what they previously learned.

There are several different types of in-service training:

- **Job-specific training** is often a one-time event and is commonly associated with the installation of new software or the introduction of new products. However, job-specific training can also address an employee's evolving needs as identified during regular performance reviews.
- **Promotion-related training** prepares an employee for a higher level of responsibility or managerial authority. This usually includes job-specific training for the new position as well as leadership and management training to improve employees' ability to guide, supervise and motivate the performance of others. Promotion-related training may also endeavour to strengthen planning, analysis and reporting skills.
- **Cross-training** enables employees to perform a variety of different jobs. By developing employees who can perform multiple functions, MFIs can reduce their vulnerability to absenteeism and attrition, and increase their flexibility. Staff can be moved around based on changing demands; they can deliver multiple products; and they can participate meaningfully in redesigning procedures because they understand the work environment from various perspectives. Cross-training is particularly relevant in MFIs that are diversifying or are aggressively seeking efficiency improvements.
- **Basic skills training** provides opportunities to learn skills that can be applied in almost any position, such as word processing or financial spreadsheets.
- **Cultural seminars** can reinforce the institutional culture, promote teamwork and motivate staff. Some MFIs provide such refresher courses on an annual basis, while others hold a 30-minute session at the branch level every two weeks. These activities usually focus on improving cooperation, enhancing communication and building morale, but they can be used to strengthen any cultural area. They can be particularly useful in helping an MFI maintain and/or adjust its culture during times of growth, reengineering, or major change in the external environment.
- **Staff rotation** moves employees to another physical location, i.e., to another branch or department. Unlike cross training, new skills will not necessarily be learned, but the change of perspective can enable employees to learn new ways of doing their old jobs. Serving different types of clients in a different environment under the supervision of a manager with a different style provides opportunities for employees to develop their skills and to find ways of dealing with new challenges. The rotating employees also have an



opportunity to bring their experiences, perspectives and innovations to the new location, thus providing a transfer of lessons learned in both directions. Some MFIs also use this strategy to reduce their vulnerability to fraud.

## 14.4 Career Development

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Career development is another key component of HR management. This section covers the following important issues: job enrichment as an alternative to promotion; the advantages and disadvantages of promoting from within versus hiring from the outside; career development obstacles for women; and succession planning.

### *Job Enrichment*

A key staff retention strategy is to provide employees with opportunities to advance within the institution – to be promoted to a higher level of responsibility, to be delegated additional responsibilities within one’s current position, or to be given greater autonomy in implementing one’s current responsibilities, for example, by increasing a credit officer’s loan approval authority.

MFIs tend to have relatively flat organizational structures, so opportunities for promotion are often limited. Since everyone cannot be promoted, the jobs for deserving employees can be made more interesting or challenging through **job enrichment**. Similar to cross-training, job enrichment strategies expand the scope of an employee’s involvement in and contribution to the institution, such as self-management opportunities, participation in task forces that are working on product innovations, engaging in market research or learning new skills.

### *Promoting from Within?*

Yet all MFIs have some promotion opportunities to offer their employees, and growing institutions will frequently need to fill non-entry-level positions. In staffing these positions, MFIs face a choice between promoting from within and hiring the most qualified people from outside the institution. The definition of a **recruitment and advancement policy** involves significant tradeoffs between corporate identity, staff satisfaction and the proper mix of internal knowledge versus technical skills. MFIs resolve these trade-offs in different ways, and thus their career patterns vary considerably.

At one extreme, MFIs like the Grameen Bank recruit almost entirely from within. All but a handful of its head office staff members originally served as field workers or branch managers and have been promoted into their current positions. The benefits of this history include the sense of solidarity among staff, and the clear understanding that head office personnel have of field operations.

There is much to gain by promoting from within. Successful companies develop, promote and carefully select managerial talent grown from inside their organization as a key step in preserving their core values and institutional culture. Promoting from within is also an important motivational strategy – encouraging employees to deliver the kind of quality performance that would enable them to be promoted.

This promotion strategy, however, has some limitations. MFIs that develop their human resources entirely in-house miss out on the cross-fertilization and stimulation that can come from bringing people into the institution from the outside. Employees that are promoted from within may also make assumptions about the way things work in the field based on their own experiences, and fail to recognize changes in the environment.

In general, MFIs combine promotions with external hiring. Most MFIs first try to fill positions through internal recruitment, but if they cannot find the right person for the job, they go outside. As MFIs choose between internal and external recruitment, they may want to consider the following recommendations:

- If an MFI has a long-term relationship with an employee who has developed, learned new skills and demonstrated leadership attributes and abilities, that person should be considered a strong candidate when a management position opens up.
- People should be promoted only because they can perform the responsibilities of the new position. Promoting people into positions that are above their heads or for which they are not adequately prepared is a recipe for disaster, both for the MFI and for the employee. Good loan officers do not necessarily make good branch managers.
- If an MFI wants to pursue internal recruitment seriously, it needs to commit itself to ongoing training to ensure that, when staff are promoted, they can handle their new responsibilities.
- Internal promotions may make transitions easier. During periods of rapid growth, a new external manager may not have time to learn on the job. In this situation, someone from the inside who already knows the organization may be a better candidate. However, in structural transitions, such as when NGOs are transformed into regulated financial institutions, MFIs may be better served by an external manager who is familiar with the new institutional type and has the skills to manage it.
- All MFIs can benefit from the new ideas and perspectives that come from externally recruited staff.

### *Gender and Career Development*

In designing their approach to career development, MFIs should also pay attention to **gender issues**, especially obstacles that may prevent women from being promoted or even seeking promotions. When organizations analyse this issue, the results often surprise senior managers. Executives often assume that women are not interested in leadership positions, but such research may identify the institutional culture and attitude of top executives as a major source of the problem (see Box 14.6). If such findings emerge, hopefully senior managers will instigate a discussion about how to change the culture to provide legitimate career development opportunities for women.



## Box 14.6 The Glass Ceiling for Women Managers in Microfinance

Although equal employment rights are an essential element of women's human rights and non-discriminatory development, they do not necessarily lead to women's empowerment. The experience of many MFIs with equal opportunity policies indicates that recruiting women, particularly to senior positions, is often difficult. This is due to the gender constraints that affect clients as well as staff. To overcome these constraints, fundamental changes in recruiting procedures, institutional culture and conditions of work may be necessary. For example, staff frequently lack expertise in gender analysis, so additional training may be required. If MFIs are serious about their mission to empower women, then they need to set an example for their clients by hiring and promoting women.

*Source: Adapted from Mayoux, 2003.*

Besides the perceptions of senior management, there are also more concrete issues that need to be addressed to reduce gender barriers for career development. In particular, a common challenge is the conflict between the demands of the home and office, which in most cultures is felt more strongly by women. To allow female and male managers to combine their work and family responsibilities, MFIs could consider the following:

- **Flexible working hours:** The MFI's office hours may not make the most sense for all employees, particularly parents who have to adjust their schedules because of their children. MFIs can be parent- and gender-friendly if they allow more flexible working hours, perhaps even including telecommuting. Some organizations find that such flexibility actually increases productivity.
- **Part-time opportunities:** Because of parenting responsibilities, some employees would prefer part-time work, either shorter hours spread throughout the week, or just a couple of days a week.
- **Job-sharing arrangements:** To accommodate part-time employees, some organizations arrange for job sharing whereby two (or more) persons complete the work of one position. For example, two half-time loan officers could manage the portfolio of one full-time loan officer. Job sharing is a little bit more difficult to arrange for management positions, but not impossible. For several years, CARE's small enterprise unit was managed by a husband and wife team who each worked three days a week.
- **Day-care allowances:** Since most MFIs are not large enough to provide day-care services, an alternative is to support their parent-employees financially. In some circumstances, such allowances might also make sense for tax purposes.
- **Career breaks:** An important factor in supporting the professional advancement of women is to allow them to take time off during their careers, and allow them to return to the organization when their personal situation permits, without losing seniority or benefits. Such leave-without-pay or sabbatical arrangements can be particularly important for female managers.

### Succession Planning

It is difficult to find strong leaders – when possible, it is better to create them. A final career development issue that is essential for MFIs is **succession planning**. Microfinance institutions tend to be dependent on the leadership and expertise of a small cadre of executives – sometimes very small. If the CEO was involved in an accident, it could potentially destroy the organization. Consequently, as an HR risk management strategy, the board should have a plan to replace key members of the senior management team, and be developing the expertise of those replacements accordingly.

Even if the organization is not concerned about accidents, it is still wise to be grooming internal candidates for future executive posts. The process of leadership creation also includes leadership renewal. Rising stars in the organization should be encouraged to take sabbaticals to further their education and broaden their experiences.

### 14.5 Performance Management

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Once an MFI has hired and trained staff, its HR strategy must guide and motivate employee performance so that it contributes to the institution's objectives. Ideally, it will motivate employee performance over the short and long term so that the institution can reap as much benefit as possible from its early and ongoing investments in its staff. Towards this end, an effective human resource strategy requires managers to: 1) set performance objectives and evaluation criteria with each employee for a specified time period; 2) supervise employee performance in pursuit of these goals; 3) discipline employees whose performance or behaviour is unacceptable; and 4) evaluate the degree to which employees achieve their goals so that performance can be rewarded, adjustments can be made and goals for the following period can be set. For employees that still cannot meet the targets, even after repeated remediation attempts, managers need to consider a fifth element: termination.

### Setting Performance Objectives

To generate strong performance, managers must communicate what they expect from employees and how their work contributes to the overall plan of the institution. The process of setting **performance objectives** is most successful when both managers and staff are involved. Staff members contribute to the discussion from their perspective of past work and experience, their aspirations and the areas of work they particularly enjoy. Managers make the link between individual or unit goals and institutional goals and strategy. This combination enables a focus on both:

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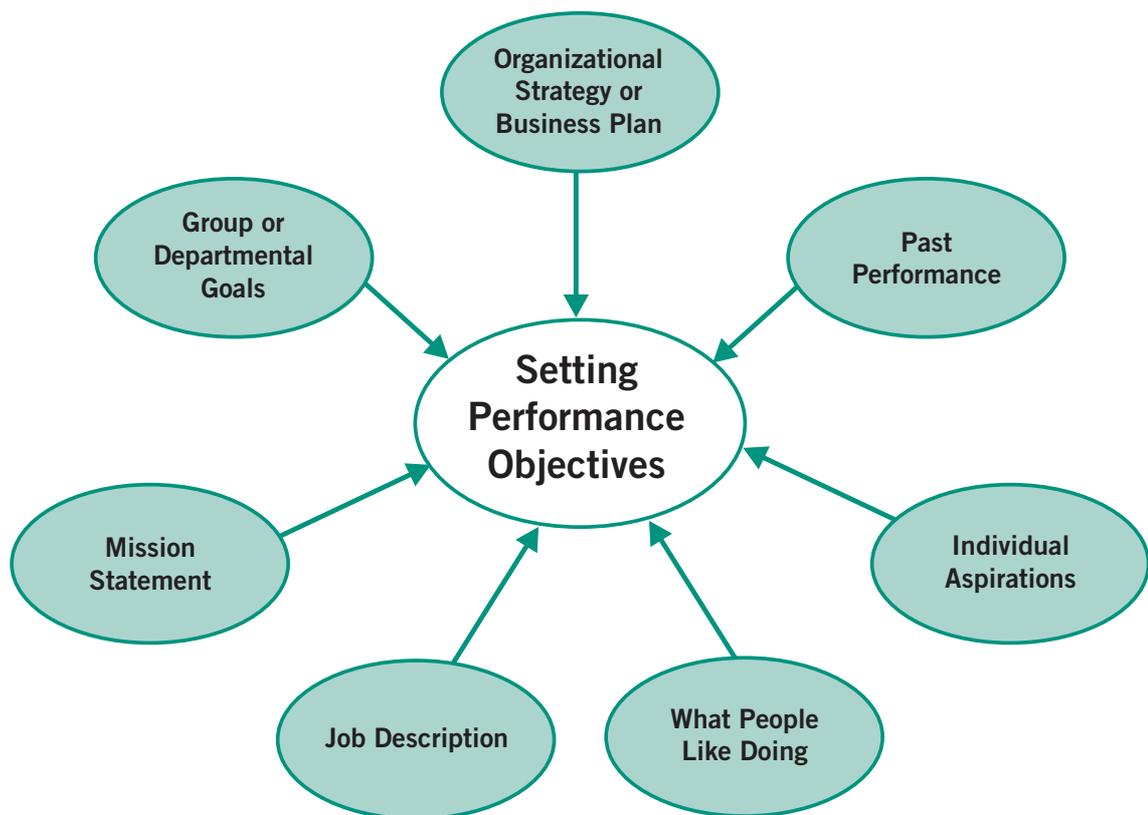
**DOING THINGS RIGHT** (the individual contribution)  
and  
**DOING THE RIGHT THING** (the managerial contribution)

---



This process, summarized in Figure 14.1, helps to set objectives that are challenging, yet realistic. Challenging goals lead to higher employee performance – provided the goals are accepted by those who have to achieve them. Not surprisingly, the degree to which employees accept performance objectives is a function of their level of participation in setting them. If a goal is too difficult, employees will not even try to attain it, or they will become frustrated and stop trying.

**Figure 14.1 The Process for Setting Performance Objectives**



Taking the objectives of the MFI as a starting point, targets or individual objectives should be set for each employee (or for each team, if the institution organizes its work in this manner). The targets should describe the contributions that employees are expected to make to the institution's objectives, and then define specific, measurable outputs. This process includes:

- Reviewing the previous year's objectives and performance
- Agreeing on a work plan or personal action plan that outlines the areas of work for which an individual is responsible
- Developing a professional development plan to ensure the employee has the skills to meet the challenge ahead
- Agreeing on an incentive and compensation plan that links achievement of the objectives to individual and/or group rewards

In setting individual or team performance objectives, MFIs should consider the following:

- **Aim for SMART objectives:** Targets that are specific, measurable, achievable, realistic and time-bound are much easier to understand, pursue and evaluate.
- **Include quality objectives:** Most MFIs limit quality objectives to levels of delinquency or portfolio at risk. Although portfolio quality is undeniably important, quality objectives should also take into consideration customer service, paperwork errors (e.g., with loan applications or receipts) and timeliness (e.g., for staff meetings, customer appointments).
- **Establish performance objectives at all levels of the institution:** In many MFIs, the establishment of performance objectives begins and ends with the loan officers and branch managers. Yet the creation of a dynamic, enthusiastic team that intentionally and routinely seeks out opportunities to improve quality, customer service and efficiency requires motivation at all levels.
- **Make sure employees have control over outcomes:** For objective setting to positively impact performance, employees must have control over the results they are asked to produce. If external barriers make it impossible for them to achieve the objectives, and if they have no way to remove the barriers, the unachievable goals are likely to discourage performance.

### *Supervising Performance*

Once objectives are set, employees need constructive feedback and encouragement to perform to the best of their abilities. They need supervision that offers more than reprimands and instructions for correcting performance. They need coaching, energizing and assistance removing performance obstacles. In other words, they need supervision that supports successful staff performance.

In a **staff-centred approach** to supervision, managers see their primary role as problem solvers and mentors, not as overseers. They demand accountability and track progress towards goals, but they also recognize achievements and support necessary training and development. They provide honest and timely feedback to employees to reinforce effective behaviour, to reduce ineffective behaviour and to help employees identify opportunities to improve their work performance (See Box 14.7).

Experience shows that most of the energy for ensuring good performance comes from the **daily interaction** between staff and supervisors. Staff-centred supervision must be hands-on, consistent and systematic. Be aware of the squeaky wheel syndrome – it is not only poorly performing employees who should receive attention. Nor should employees receive feedback just once a year during a formal evaluation process. Performance monitoring and appraisal needs to be an ongoing process if it is to have a real and direct impact. Indeed, this is such a critical issue that managers who recognize that they are not particularly good at interpersonal communication should urgently investigate training opportunities for themselves.



## Box 14.7 Techniques for Providing Feedback

1. **Focus on specific behaviours.** Tell the recipient *why* you are being complimentary or critical. Use examples that demonstrate your feedback, especially when giving negative feedback.
2. **Keep it impersonal.** Examples in negative feedback should be descriptive not judgmental or evaluative. Examples should be *job related*, not personal.
3. **Make it well timed.** Feedback is most meaningful to a recipient when there is a short interval between her/his behaviour and the receipt of feedback on the behaviour.
4. **Ensure understanding.** Feedback needs to be concise and complete. The recipient needs to clearly and fully understand your communication.
5. **If the feedback is negative make sure the recipient can control it.** Negative feedback should be directed to something the recipient can do something about.
6. **Be solution oriented:** If there are problems, rather than dwelling too much on the criticism, re-direct the discussion into the positive: what ideas does the employee have to fix the problem?
7. **Tailor the feedback to fit the person.** High performers with potential should get frequent feedback to encourage them to take corrective action, but the feedback should not be controlling. Adequate performers require minimal feedback as they display reliable and steady behaviour, but they can be encouraged to reach for more. Poor performers require frequent and very specific feedback to bring about change in behaviour. Feedback should also be geared to personality style.

*Source: Adapted from Pityn and Helmuth, 2005.*

One technique that MFIs may want to consider as part of their monitoring system, especially for managers, is **360 degree feedback**. A 360 degree feedback process assesses an employee's performance through a number of people (i.e., manager, subordinates, peers, and customers), and provides feedback to that employee. It has proven most useful when applied as a confidential tool for ongoing staff development so that responses cannot be traced back to an individual rater. The process helps employees identify where and how they can improve their own performance, and it helps MFIs identify areas for organizational improvement (see Box 14.8).

### **Discipline**

One of the more difficult tasks of managers is to discipline those whose performance or behaviour is unacceptable. It is much easier to tell employees what a great job they are doing and to keep up the good work than to take action against those who are not complying with the HR policies or are not reaching their performance targets. To help managers be effective disciplinarians, MFIs need to have transparent human resource policies that not only outline the "dos" and "don'ts", but also the ramifications of flouting policies or not achieving results. If these are clear to everyone in the organization, much of the subjectivity will be taken out of managers' hands and make it easier for them to discipline employees.

### Box 14.8 How a 360 Degree Feedback Process Works

Individuals are asked to rate an employee's performance on a number of statements representing the competencies related to the employee's position. This is typically facilitated through a written or electronic survey that is completed by the employee, as well as by staff and customers who interact with her. The assessments from all raters are then summarized to provide a detailed document on the individual's strengths and development areas. Most often an outside consultant or HR Manager will collate the results and present the findings to the employee. As an outcome of their meeting, the employee can establish a development plan which is then discussed with the employee's manager. By reviewing the results for all employees together, the HR Manager or consultant can identify overall trends and development needs for the MFI and establish an organizational development plan. Although the process can be repeated as often as necessary, it is usually recommended every two to three years.

*Source: Adapted from Pityn and Helmuth, 2005.*

Managers should think distinctly about two types of behaviour that would require disciplinary action, as they require quite different responses (although some employees may require disciplining for both):

- **Unacceptable behaviour** can take many forms, from relatively minor transgressions like repeated tardiness or dress code violations to more intermediate problems like insubordination and instigating conflict at the workplace, to gross misconduct like dishonesty and fraud. HR policies should categorize the types of unacceptable behaviours into degrees of severity and establish proportional responses (e.g., informal warning, formal warning, suspension, dismissal). Clear cause-and-effect policies will allow managers to take appropriate disciplinary action rather than over-responding in the heat of the moment.
- The only way to assess **underperformance** is if the manager and subordinate have established objective targets against which the performance can be compared, as discussed above. Performance objectives are easier to establish for loan officers (e.g., number of loans, portfolio at risk below a certain threshold), but they are also possible with other positions. For example, managers can assess the performance of data clerks and tellers based on processing speed and errors.

In both cases, managers will need to take disciplinary procedures, but with different styles. For underperformance, a manager has to be a mentor, providing support and encouragement, helping the employee to identify the root causes of performance problems, and suggesting training if necessary. For unacceptable behaviour, the manager adopts a more disciplinarian approach, stern and strict, but fair.



A model disciplinary process should aim to correct unsatisfactory behaviour, not punish it. In addition, managers should thoroughly investigate situations before taking disciplinary action. Disciplinary procedures are likely to include the following items:

- Allow the individuals concerned to state their case, ideally accompanied by a fellow employee (or union representative)
- Document all disciplinary actions. Managers should even keep a record of informal warnings since cumulatively they could justify a formal warning
- If in doubt, managers should discuss formal disciplinary situations with their supervisors or with the HR manager before taking action
- Formal warnings should stipulate the nature of the misconduct or underperformance and the expectations for the coming period, for both the manager and the subordinate. The document should be signed by both parties
- Senior management, such as an HR manager, should always be called in to assist with serious disciplinary actions that might result in suspension or dismissal
- Employees should have a right to a formal appeal against any disciplinary action

## *Evaluating Performance*

In traditional performance evaluations, supervisors sit with their employees on an annual or semi-annual basis to review each individual's performance during that period against the objectives set during the previous performance appraisal. The manager recognizes achievements and identifies areas for improvement. Then the supervisor and employee prepare objectives for the following period.

Some managers are reluctant to appraise their employees, preferring to rely on informal supervisory practices. They must recognize that these informal means are insufficient. The vast majority of employees crave an opportunity to have a structured discussion at least once a year to receive formal feedback about their performance and to raise any issues or concerns that they might have. In fact, the performance appraisal process can be seen as a unique opportunity to fulfil four functions of management simultaneously, an opportunity not to be missed:

- **Planning:** The performance appraisal process is used to set targets for the next period of time. It is also an opportunity to discuss future roles for the employee in the organization and to identify the training and development needs to fulfil those roles.
- **Organizing:** Managers may use the performance appraisal to reassign the employee's roles or responsibilities.
- **Leading:** Managers can take advantage of this one-to-one time to motivate and perhaps even inspire employees. In an effective appraisal, managers and subordinates should spend roughly the same amount of time talking and listening so the result is a sharing of ideas and observations.
- **Controlling:** A performance appraisal is certainly not the only forum in which managers should compare the employee's performance to expectations, but it does provide a formal opportunity to do so. In addition, managers may use performance appraisals to reward employees for their contributions to achieving team or institutional objectives.

Typically, the performance appraisal process is directly linked with annual salary increases. In MFIs, which are generally flat organizations with relatively few opportunities for promotion or significant changes in compensation systems, appraisals may have a less overt connection with pay rises and promotions. Instead, the performance appraisal process can focus on increasing an employee's value to the team and personal satisfaction with his or her current job.

There should be no major surprises in the annual review discussion; indeed, there will be none if:

- Performance expectations have been clearly communicated
- Performance monitoring has taken place regularly throughout the year
- Manager feedback and coaching has been open, honest and consistent

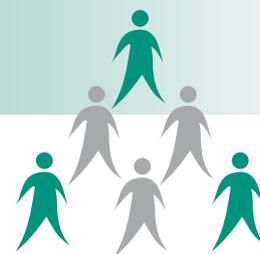
The annual appraisal discussion should be a wrap-up session, a summary to a year-long review process. It should also be a forward-looking process that is action oriented. The past will be useful only in terms of what the manager and employee can learn from it (Pityn and Helmuth, 2005).

### Termination

Unfortunately, not everyone will meet expectations. Not everyone will respond to remedial efforts. Invariably at some point, managers will have to perform their most difficult task and dismiss an employee, either because of repeated underperformance or gross misconduct. When dealing with performance problems, managers who maintain records of their interventions, agreed targets and remedial efforts will find the termination process somewhat less difficult than those who lack documentation.

Regardless of the reason for termination, it is important to plan a process that will clearly communicate the situation to the employee in a compassionate manner. Some of the elements to consider in planning a termination process include (Pityn and Helmuth, 2005):

- **Legal counsel:** If the employee has not been given appropriate written warnings or management is concerned about the reasons for termination, the MFI should seek legal counsel for advice on severance payments and other potential legal issues.
- **Termination package:** This usually consists of a letter outlining the amount and terms of the termination pay, how long benefits will continue, and information regarding any career services the MFI may be providing.
- **The meeting:** The primary purpose of a meeting is to communicate the decision to terminate. The meeting should be conducted by both the terminating manager and the HR Manager (or other senior manager). The HR Manager is present in the meeting to support both parties, diffuse a potentially volatile situation and to act as a witness. By conducting a well-prepared meeting, both the manager and the employee will feel more at ease with the transition.
- **Communicating to staff:** The MFI must decide how and when it will inform staff that an employee has been terminated. The way this process is handled will speak volumes to the remaining staff about how the MFI treats employees, and will impact morale and the office environment. Be sure to plan the message and deliver it carefully. Clear communication can be the difference between a successful and an unsuccessful termination.



- **Communicating to clients:** When the terminated person works in the field, it is also critical to communicate the situation to his or her clients. The MFI does not want to lose the clients *and* the staff member. In addition, to control fraud risk, clients need to be informed not to give that person any repayments or savings deposits.
- **Transition of work:** As part of the decision to terminate, the HR Manager and the manager should decide how the employee's work will be passed on to others in the MFI. This will allow for a smooth transition and no duties will be left undone.

Of course, not everyone who leaves the organization is asked to do so. Some employees retire while others move on to other organizations. If employees leave willingly, the human resource department should conduct **exit interviews** to understand why they are leaving. As with client exit interviews, sometimes the most honest feedback is given by persons leaving the organization. Such discussions might reveal specific problems with individual managers, or they may uncover general problems in the organization unbeknown to senior managers.

## 14.6 Compensation

Once an MFI's goals are set and employees help to achieve them, the HR strategy must compensate staff for their time, ideas and effort. Inadequate compensation will tempt employees to take their time, energy and skills elsewhere. Even if they remain with the MFI, employees who do not feel adequately compensated will not be willing to give the organization the best they have to offer. Thus, compensation is key to motivating both performance and commitment.

The traditional approach to compensation encourages people to do what is in their job descriptions, but not necessarily what is best for the company. Employees are typically paid based on their position in the corporate hierarchy, their level of responsibility and the number of people who report to them. This approach actually rewards additional overhead and higher costs. MFIs cannot afford to adopt this approach because they have to remain lean organizations with few layers of bureaucracy. As a result, they must seek alternative approaches to complement their basic salary and benefits package, such as the performance incentives described in Module 19.

MFIs need to ensure that their salary packages are competitive, in both the development and the finance markets, to minimize staff turnover<sup>10</sup>. In countries with a national association of MFIs, such research would fit into its mandate. If for financial reasons an MFI is unable to offer a competitive package, it should heighten the use of non-financial rewards. As MFIs grow, however, they will need to find resources to become competitive employers. In the past, there was an impression that, because MFIs pursue altruistic objectives, their staff should work for less than the value of their effort. This was a mistake. The organizations that reward their staff in market terms attract better employees and are more successful. In some markets, the competition for staff is almost as fierce as the competition for clients, stimulating a discussion for an industry-wide solution, as described in Box 14.9.

<sup>10</sup> MFI managers looking for guidance on how to create competitive salary systems should see MEDA's tool kit, Pityn and Helmuth (2005), "Human Resource Management for MFIs", developed for *MicroSave*.

### Box 14.9 A Collective Labour Agreement in Senegal

Microfinance in Senegal has experienced remarkable growth during the past five years. In February 2005, there were 781 MFIs, including 7 networks, 422 mutual institutions, 348 savings and credit associations and 11 NGOs. In 2004, MFIs created 1,630 new jobs compared to 793 in 2000. The industry, however, lacks a legal framework to regulate working and employment conditions. The analysis of working conditions in Senegalese MFIs reveals that:

- MFIs are using more volunteers without a proper labour contract, such as interns.
- The cooperative structure of many MFIs does not facilitate a discussion for improvement of working conditions since board members, who often earn less in their day jobs than the MFI managers, have difficulty considering better compensation packages.
- Long distances between branch offices make it difficult for workers to meet, discuss their problems and collectively find solutions.
- Lack of regulation of working and employment conditions allows arbitrary actions by managers. Workers are not organized, do not know their rights and therefore are not able to negotiate with management for better working conditions.
- The heterogeneity of MFIs, and the small size of the large number of MFIs, poses a problem for regulating working conditions: to what extent can employment in small MFIs be regulated?
- The absence of social protection is a problem. Most MFIs do not provide pensions, health insurance and protection for workplace accidents.

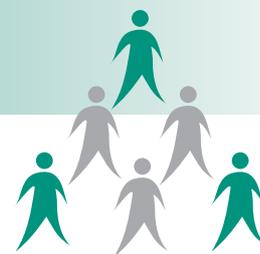
These problems concern small MFIs more than the networks. In fact, the networks have managed to achieve a good level of salaries, benefits and social protection. They recognize the contribution that improved working conditions can make to the financial viability of the institution. As a service industry, microfinance is labour-intensive, with personnel costs representing 50 to 70 per cent of an MFI's total expenses. Consequently, MFIs have to take great care with their human resources and retain them whenever possible.

In 2005, with support from the ILO, the Senegalese microfinance industry initiated a discussion about creating a collective agreement to improve the working conditions for microfinance employees. Collective agreements are deals negotiated by unions and employers. They provide employment terms and conditions including wage rates, health benefits, vacation entitlement, and occupational safety provisions for a group of employees, who are represented by a trade union. Procedures for enforcing employee rights are also set out in collective agreements.

During initial discussions about a collective agreement, all the parties — government, workers and employers — were willing to be involved in a social dialogue process to ensure more harmonization and equity. They recognize that better-quality human resources are needed to professionalize the industry, and a collective agreement could help avoid some of the tension between board members and managers in cooperatives since it would establish minimum conditions for the industry at large. Furthermore, staff turnover of competent employees is a significant concern. Larger MFIs with better benefits are in a position to attract staff away from the smaller MFIs.

Although the results of these discussions are unlikely to be felt for several years, the microfinance industry should be carefully watching the situation in Senegal to see if collective agreements make sense in other jurisdictions.

*Source: Adapted from Diop, 2005.*



## 14.7 Care and Appreciation

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The ways in which an MFI can motivate performance and commitment are limited only by the institution's creativity. Each MFI should holistically strategize about what might work best in its environment and define an HR strategy that is attractive to staff. A salary and benefits package, training and career development opportunities will no doubt be part of the strategy, but beyond this, what will motivate staff is the sense that their employer cares about them, values them as people, and regularly demonstrates its appreciation. To create an environment that brings out the best in employees, an MFI could consider the following suggestions:

- **Recognize accomplishments.** Recognition can be as powerful an incentive as a bonus cheque. Many MFIs designate an employee of the month who receives special privileges, such as lunch with the executive director, an article in the newsletter or a picture on the wall. Other recognitions include most-improved loan officer, best innovative idea and most promising new staff member. But recognition need not be a special occasion. As described in Module 19, managers can and should recognize superior performance whenever they see it. They should also recognize improvements in performance of any kind, since this appreciation can go a long way towards encouraging additional improvements.
- **Create the social infrastructure to support staff.** Often the human resource department is tasked with the responsibility of attending to the staff's social needs, such as assisting employees during personal crises or addressing grievances. Larger organizations may even have an in-house social worker to support employees' mental health.
- **Ensure that employees work in a safe environment:** In some environments, microfinance can be very dangerous work. Every year, hundreds of field agents are involved in traffic accidents as they travel around visiting clients by bicycle, motorcycle or public transport. Even more are threatened by disgruntled clients (and their spouses) whose loans were late or whose applications were rejected, or by borrowers trying to avoid repaying their loans. MFIs that handle cash are also extremely vulnerable to security threats, as thieves try to steal the money either at the branch or in transit. Microfinance institutions have a legal and moral responsibility to carefully analyse this issue and find solutions to create a safe work environment. There is also a compelling business reason for investing in occupational safety since an injured loan officer cannot very well generate sales or income.
- **Give employees a voice** in shaping their work environment. Through staff surveys, employee advisory committees and open communication channels, MFIs give their staff opportunities to participate in decision-making at a variety of levels.
- **Forge a strong sense of belonging.** Use the institution's culture to integrate an employee's personal identity with the institution's identity (see Module 15).
- **Use the mission to give the workplace greater meaning.** A powerful mission — such as improving the lives of the poor — makes work more than an economic exchange. By creating an environment in which all employees feel that they can make a difference, an MFI can increase the value of the job.

## 14 Human Resource Management

- **Build social ties.** Loyalty to companies may be disappearing, but loyalty to colleagues is not. By encouraging the development of social ties among employees, MFIs can often reduce staff turnover.
- **Encourage teamwork.** Commitment is easier to establish among individuals than between an individual and an institution. Team members work hard because they do not want to let the rest of the team down. The more accountable a team is for its performance, the greater the peer pressure on members to make sacrifices for the team (see Module 16).
- **Hire and develop servant leaders:** Seek out managers who serve as facilitators and resource providers rather than bosses and controllers. Employees feel valued and cared for by managers who listen to them, encourage them, provide guidance and feedback, help to remove obstacles, and give their ideas a forum at more senior levels of the institution.
- **Give personal treatment:** If managers want to bring out the best in people, they need to avoid treating everyone alike. A reward to one person may be of little value to the second person, and a punishment to a third. They must also recognize that employee interests change over time. Through the performance evaluation process and other mechanisms, managers need to ensure that they regularly learn what their staff members want from their jobs. Listening to employees and endeavouring to deliver what they value demonstrates that the manager and the organization care for them and want to recognize their contributions in a meaningful way.

Ultimately, it is a mix of strategies rather than any one technique that will convey to employees that the MFI values a productive, long-term relationship with them and will motivate employees to want the same.

### Main Messages

1. Managers cannot do their jobs effectively if the organization does not have an HR strategy and clear policies.
2. An ounce of prevention is worth a pound of cure – make sure you hire the right people!
3. Carefully plan the orientation and training for new employees to convey the required skills and indoctrinate them into the institution's culture.
4. Training is an ongoing requirement.
5. Evaluate for the future, not for the past.
6. Involve employees in setting objectives and evaluate performance against those objectives.
7. Regularly and creatively demonstrate appreciation for employees.



## Case Study: BASIX's Recruitment and Selection Policy

### **Recruitment Policy**

1. BASIX is an equal opportunity employer, making no discrimination in recruitment on the basis of sex, caste, religion or political beliefs. However, recognizing the value women could add and difficulties faced by them in the present-day socio-cultural context, additional care will be taken to facilitate their joining the company.
2. BASIX believes that high-quality human resources, including people with professional training in a technical field such as agriculture, animal husbandry, engineering, management, accounting, banking, computers and social work, need to be deployed in the rural areas.
3. Being in the service industry, BASIX attaches high value to its human resources, who generate its services

### **Recruitment Sources**

1. Internal sources
2. Campus recruitments at educational institutions
3. Word-of-mouth
4. Advertisements in the media

### **Selection Process**

1. Applications are processed as and when received, even one at a time.
2. Applicants whose profiles match the job requirements are asked to spend some time in one of the units.
3. On completion of his/her stay, the applicant prepares a report of his/her observations and submits it to the HR Division.
4. Feedback about the candidate is also sought from various levels of the organization, including potential reporting officers, peers and subordinates.
5. Motivation mapping of the candidates is done using psychometric instruments developed for assessing achievement, power affiliation and motivations of the candidates.
6. Shortlisted candidates are called for an interview on the basis of the:
  - Curriculum vitae
  - Report prepared by the candidate
  - Report received from potential mentor, peers and subordinates
  - Motivation map of the candidate
7. Interview of the candidate is conducted by a Panel comprising of three managers

**This case study was adapted from:**

- ▶ The Operations Manual of Basix Finance, India.

8. At the final interview, the following parameters are evaluated:
  - a) Motivation
  - b) Clarity of thought
  - c) Communication
  - d) Grasp of subject matter
  - e) Attitude towards rural people and working in rural areas
  - f) Mental alertness
9. The Managing Director will make the final selection of Executives and Managers. Other selections will be done by the Vice President, Human Resources.
10. Candidates shortlisted by the interview panels will be finally interviewed by the recruiting authority as indicated above.
11. If found suitable, the candidate will be appointed, under probation for six months.
12. Confirmation of services, on the completion of the probation period, will be done on the basis of:
  - Achievement of some mutually agreed performance parameters
  - Written report of the mentor, and
  - A test of minimum level of understanding administered by the HR Division



## Recommended readings:

- ▶ Brand, M.; Gerschick, J. 2000. *Maximizing efficiency: The path to enhanced outreach and sustainability*, at: <http://www.accion.org> (Washington, DC, ACCION International).
- ▶ Cappelli, P. 2000. “A market-driven approach to retaining talent”, in *Harvard Business Review*, Jan./Feb., pp. 103-111.
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- ▶ Churchill, C.; Hirschland, M.; Painter, J. 2002. *New directions in poverty finance* (Washington, DC, SEEP Network).
- ▶ Collins, J.; Porras, J. I. 1994. *Built to last: Successful habits of visionary companies* (New York, NY, Harper Business).
- ▶ Edgcomb, E.; Cawley, J. 1996. *An institutional guide for enterprise development organizations*, at: <http://www.seepnetwork.org> (Washington, DC, SEEP Network).
- ▶ Frankiewicz, C. 2001. *Building institutional capacity: The story of Prodem 1987-2000*, at: <http://www.pactpub.com> (Toronto, ON, Calmeadow).
- ▶ Pityn, K.; Helmuth, J. 2005. *Human resource management for MFIs toolkit*, at: <http://www.microsave.org> (MEDA, MicroSave).
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- ▶ Rogovsky, N.; Sims, E. 2002. *Corporate success through people: Making international labour standards work for you*, at: <http://www.ilo.org> (Geneva, ILO).