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Human Resource Management for Growing MFIs

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As financial institutions grow, and particularly during periods of rapid growth, attracting the best staff and managing them for high performance becomes a key challenge. Developing effective human resource management systems and processes to fit the needs of the expanding institution can assist in managing growth and maintaining strong performance in financial service delivery. This briefing note provides examples of human resource issues to consider during a time of growth.

When institutions evolve and begin to employ hundreds of staff, many of the basic human resource systems come under stress. It is important to develop a clear plan for managing the human resource function on a full-time basis so that employment policies, salaries and benefits, incentives, recruitment and hiring, orientation, performance management and training are clearly supported for maximum productivity and to create the desired corporate culture.

Some of the growth related stresses affecting the human resources occur because of changes in the organizational structure, new communication channels, recruitment and hiring needs, training and staff development, performance management and development of the institutional culture.

Organizational Structure

As an MFI grows, many of the informal systems must be replaced by more formal systems. Job descriptions must be developed and revised as new positions are added and responsibilities multiply. Branch and head office structures evolve to support more activities and staff.

Generally, institutions with 50+ employees, are large enough to designate one employee to handle human resources on a full-time basis. Eventually this



manager is joined by a staff which specialize in aspects of HR management (e.g. training, benefits, etc.). For larger organizations with branch offices, the more pressing issue becomes how to manage human resource responsibilities in the branches. In general, it is best to retain the overall function and responsibility for human resources at the head office, but to empower branch staff to supervise and monitor performance on a daily basis.

A MFI in Mozambique poses what is a common question during rapid growth: “We are currently decentralizing HR and our supervisors like the increased autonomy but we see a need to establish some measure of control that will prevent supervisors from overstepping or taking advantage of their new found authority.” The following strategies are helpful in addressing this challenge:

Good Systems

Disseminating standardized and documented HR procedures such as personnel policies; recruitment process; performance appraisals; salary guidelines, etc. assists staff in understanding the organization’s expectations and ensures consistency in practices.

Training

Train all staff on how the HR systems work, especially during induction when introducing new employees to the MFI’s corporate culture.

Senior Management Support

Ensure senior managers not only recognize and advocate the importance of the HR systems, but also model and use the systems themselves.

Partnership

The human resource department should take the role of an expert resource working in partnership with managers, supporting them to follow the HR systems in place.

Time Management

Formally recognize the amount of time required for good staff management in job descriptions and performance appraisals. Staff management should not be seen as a responsibility in addition to a manager’s regular workload, but should have dedicated time and performance levels associated with it.

Communication

Growing institutions find that quick communication to the staff, and feedback from employees, becomes a challenge. The Managing Director or CEO may have once known everyone on a first name basis and could easily hold Branch Manager meetings in one room. Soon the number of staff and the rotation of staff requires that effective internal communication channels be developed to clearly explain changes in the organization, inform about institutional performance, solicit input from staff and customers, and manage the inevitable informal grapevine that may develop.

Managing the human resource function may require assisting in the development of effective communication

and feedback systems such as intranets, staff newsletters or bulletins, email policies, product manuals, frequently asked question guides and staff meetings.

Recruitment

When faced with growth, recruitment becomes a pressing issue for MFIs. A limited pool of qualified candidates and increasing competition makes finding and keeping good employees extremely difficult. In addition, the MFI will now need to attract new skills for positions such as Risk Manager, Internal Auditor, Treasury Manager, Marketing Manager, and others. This calls for both a strong recruitment process and a concentration on staff retention. An MFI in Nicaragua promotes staff from within finding that a current employee's experience, commitment and knowledge of the organization are strengths that ensure success. This strategy requires that the MFI provides staff training and development programmes to help staff develop appropriate technical and management skills to grow within the organization. MEDA together with SEEP PLP developed a training manual called "Staff Management Training for Branch Managers"¹ to respond to this strategy. The module introduces basic principles of staff management, an ideal tool for first time managers who have been promoted.

Training and Development

With growth, greater formalization of training is required, and is often reflected in longer, more structured induction periods, development of internal training courses to develop needed skills in the staff and dedicated training resources or facilities.

Opportunities for learning new skills and developing professional experience can improve an MFI's performance, and can encourage staff to remain with the institution. A MFI in Bosnia matches training with their business goals, but also provides general training on stress prevention, non-violent communication, and other topics applicable to all staff. This approach emphasizes the MFI's commitment to helping all staff grow and succeed, while also providing training in specific skills areas. Many MFIs find it helpful to adopt a training policy with guidelines on criteria and decision making for specialized training opportunities. An excellent example of a training policy is found in *MicroSave's* Human Resource Management Toolkit², developed in conjunction with MEDA's expertise.

Staff Performance Management

While training is vital to human resource management, roughly 70% of all staff development takes place through on-the-job experience, feedback, coaching and relationships with staff. It is vital to ensure managers are giving effective feedback and coaching their staff toward

success. A structured performance management process can be key to ensure this is happening.

A well-designed performance management system not only defines and monitors targets (e.g. new business, number of transactions, transaction speed, mystery shopping scores, etc.), but includes behaviours, attitudes and values that are expected from employees.

A MFI in Tanzania was having trouble with employees who were not working well as a team and even behaving unethically in order to reach performance targets. They decided to create a new section of the appraisal system that included expectations for behaviours such as teamwork, meeting deadlines, and being honest. Now the staff are not only meeting performance expectations, but the morale and work environment reflects the institutional culture desired by the MFI.

Institutional Culture

Understanding and managing the MFI's institutional culture and keeping the mission and values front and centre is crucial for a growing MFI. New employees bring both positive and negative attitudes to the institutional culture. In addition, the institutional culture may change during a period of growth to professionalise and standardise systems which were previously more informal. The principle to follow in transferring culture is to communicate and lead by example.

An MFI in Kenya confronted this challenge when it transformed to a commercial bank and began adding more than 300 new staff per year. These employees needed to understand the customer focused culture of the institution and become comfortable working in multi-task environments. The bank had to design strategies to quickly incorporate new staff into the way it did business. Corporate values were clearly articulated and posted throughout the institution. Institutional culture was emphasized in the induction training and new employees who failed to meet the expectations were not hired after the probationary period.

In conclusion

Understanding how human resource responsibilities change during growth, communicating effectively with the expanding workforce, finding the best people to join the team, providing training opportunities, supporting staff performance management and transferring institutional culture to establish work expectations and values are all important in supporting an MFI's growth. *MicroSave's* Human Resource Toolkit among other resources, offers detailed discussions and examples of these and other human resource topics. By building strong, well functioning human resource systems and tools, an MFI will be well poised to meet the demands of growth, manage the challenges of an evolving environment, and respond to the needs of clients.

¹ Available from <http://www.seepnetwork.org/content/library/detail/4711>

² Available for download from www.MicroSave.org