Human Resource Management for MFIs Trainer's Manual

(Version 0711)

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November 2007

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Acknowledgements

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Introduction to the Trainer's Manual

Welcome to the *MicroSave/MEDA* **Human Resource Management Trainers' Guide**. This guide is meant for those people who have taken the *MicroSave* Human Resource Management training course and are going to reproduce the training elsewhere – or are going to "live it" by developing a human resource polices and procedures within their own organization. The guide provides comprehensive session plans and also offers the experiences of some of our research partners, staff members and trainers who have used the information to develop and improve human resource management in their MFIs.

It is intended that the trainer delivering this course will have a solid understanding of human resources and staff management issues. The trainer must take the time to thoroughly read *MicroSave's* Human Resource Management Toolkit. Trainers are also encouraged to identify issues, examples, and resources in human resource management that will be relevant to the size and region of MFIs they will be training.

The same person is assumed to be a capable trainer. The training on human resource management contains several case studies and exercises, but relies on a competent and experienced trainer to deliver the material. Much of the content is lecture based, and it is advisable that trainers are skilled in using discussion and interactive methodology to keep the participants interested and engaged. Throughout the Trainer's Manual tips are included for suggested discussion starters, however, we highly recommend that the trainer have additional techniques and ideas prepared to encourage dialogue about the content of the course.

For those trainers who may want to brush up on their training skills, *MicroSave* has compiled an accompanying manual (available from *MicroSave* on CD) specifically discussing training skills and training issues. Many other training manuals are available which the trainer may consult, including the "Participatory Learning & Action: A Trainer's Guide" of the IIED Participatory Methodology Series.[1] *MicroSave* uses several of the "Ice Breakers, Refreshers, etc." from these manuals.

A Human Resource Management Toolkit is on the *MicroSave* Website. Why is there a Trainers' Manual also?

Some people will read the Human Resource Management Toolkit that is on our website and find that to be enough for their organisation to go forward with designing and implementing effective human resource systems and procedures. However, many people and organisations have asked for a training course as well. Some people feel that it is faster and easier to train all the members of the senior management team or in human resource management principles at once. This way they will literally all be "reading from the same page".

Who Should I be training?

You may choose (or be chosen) to provide training for different types of participants: human resource administrators and managers of MFIs, senior managers, and consultants in the financial services industry, etc. Each training will be different and the trainer will need to adapt to the participant profiles and experiences. For example, if most participants are senior managers, you many concentrate

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[1] They can be reached at International Institute for Environment and Development/ 3 Endsleigh Street, London, WC1H ODD, UK

training on attitudinal buy-in and understanding of HRM's importance in operational success. However, if you have a group of learners who are administrators and in some fashion "doing" the work of human resources in their MFI's, you should concentrate the discussions around implementation and maintenance of the systems and tools.

Training one MFI's human resources and staff management team:

Training an MFI's human resource and staff management team is the ideal training situation will allow the trainer to tailor all examples to directly address the needs of the one MFI, and the process of developing one or more HR tools, procedures or policies within their institution. However, because the MFI team may be doing the training at their worksite, it may take slightly longer than the timings given here due to interruptions. As a trainer it will be necessary to continually keep the team moving through the material in the least disruptive and most productive way possible.

Training potential human resource and management team members – multiple MFIs:

It may not be feasible (cost, time, number of requests) to train just one organization. The trainer should insist – as much as possible – that the MFIs must send at least two to four members of the "inner core" of the management and HR team to the training. Training the key members of the team will show that the MFIs are serious about the training. This training situation is ideal, as it will provide for interesting and rich discussion between MFIs as to why/how their responses to the various exercises differ. But, beware – if your clients are in the same market, they may not go into the details of their human resource tools and systems.

Training individuals:

To provide this training to many individuals from many different organisations, the training should be handled more like a "Training of Trainers". Participants should be responsible for taking back the information to their organisation in order to convey the concepts as appropriate to the senior management team and staff managers. If you are working with consultants and/or trainers who will then work with various institutions to develop product marketing concepts you will want to tailor the training to demonstrate the various components of human resource management and how to coach an MFI to apply the systems and tools.

What do my participants need to bring with them?

The trainer must insist –and ensure- that the participants coming to the course are prepared to learn and "do". They are not coming to learn how to do it later, when they return to their MFIs. Therefore, this course is limited to MFIs and participants who are ready to implement or revise their HR systems and procedures. The amount of information "lost" in the long delay between the training course and the actual development and/or improvement and implementation of human resource systems and procedures can be significant. Participants should come prepared with information on their current procedures, existing challenges and future HR plans.

What do I need from *MicroSave* for the Training?

These manuals are intended to be utilized with several accompanying documents, all of which are located on the *MicroSave/MEDA* Human Resource Management for MFIs VCD, a resource CD (which you as a trainer can prepare with this specific toolkit and materials copied onto it) or our website www.*MicroSave*.org

Manuals:

Participants' Manual:
> *MicroSave/MEDA's* Human Resource Management Toolkit.

Extra Material for Participants:
Handouts:
> An electronic folder of handouts is included on the VCD. Ideally all handouts should be made available in soft copy so that they can be used by participants when they return to their institutions.

Exercises:
> An electronic folder of exercises is also included.

Extra Material for Trainer…and Participants
Slideshows:
> The training is guided by a PowerPoint presentation, divided into sessions. This course can be trained in several ways, as discussed herein. Ensure that you have the slideshow in the format most useful to you.

> Slides can be printed onto overhead slides and utilized with an overhead projector. However, due to the number of slides, the amount of text, and the "animation" of slides, it is highly recommended that the trainer utilizes an LCD projector, if one can be located (and electricity is available, etc.). Many participants request that they are provided with a copy of the slideshows at the end of the course, which the trainer is free to provide to them. Also you may chose to print out the slides as "hand outs" so participants can take notes as they follow along. Note that within the slideshow some slides can be hidden so they will not be visible during the general show. These slides often provide additional information, or illustrate another point.

Trainer's Manual:
> This manual has been designed for you as the trainer to provide you with an outline for presenting the materials and ideas for using the time, exercises and examples most effectively. Participants are not given this document, but if they become certified in this toolkit, it is a practical tool to have for training others.

Practical Examples
Practical examples have been provided throughout the course based on the experience of *MicroSave, MEDA* and with its Action Research Partners. The trainer should review the practical examples and where possible supplement or replace the examples given on the basis of his / her experience.

Providing examples based on experience adds considerable value to the course, especially where examples are contextually and culturally appropriate for those being trained.

What else do I need for the Training?
To conduct the training you will need:

- A digital projector, although an overhead projector could be used.

  Some knowledge of PowerPoint: The slideshows may need some "customization" – inserting the course schedule for example, customizing exercises to meet the needs of the MFI being trained, adding local terms for savings and credit, the names of the MFI being trained, etc. The trainer should be very familiar with the slideshow, running through it several times before the training starts. This will help him/her note when to "click" onto the next slide and to understand the kind of "animation" that is on each slide. Generally, the animation should NOT be too complex or distracting, but the trainer may choose to eliminate all animation as well (see box).

> **I hate "animation". How do I turn it off?**
> - Highlight all slides at once by clicking on the bottom left icon that shows four squares (slides). This will give you a view of all the slides in the show. Then press Ctrl and A at the same time; this will highlight all of the slides in the show.
> - Now that they are all highlighted, look on the toolbar at the top and click on "slideshow", then click on "preset animation" and select "off". There will be no more animation on any of the slides.

- Standard Training Room items: flip chart stands, flip charts, marker pens of various colours, hole puncher, stapler, masking tape, etc.

- Workshop materials for participants: Encourage participants to take notes in their manuals (pads of paper may not be needed) so they will remember the discussions better when they get back to their offices. It would be helpful to supply folders to participants to organize the considerable number of handouts and exercises. It may be useful to have pens, pencils, erasers, etc.

How do I use this Training Guide:
The training guide is, hopefully, self-explanatory.

Each session provides the Trainer with the **Session Objectives, Time, Methods, Materials, Overview and Process.**

- The **time** that each session will take is flexible depending on the trainer, the number of participants, skill levels of the participants and whether or not the participants are all from the same organization or from different ones.
- The **methods** simply alert the trainer as to whether the session is to be conducted as, for example, a presentation – which generally means the slideshow will be utilized, or as a breakout session and that breakout areas may be required.

- A list of all the **materials** that the trainer will need, above and beyond the list provided above, for the session is also included. Flipcharts, markers, tape should be assumed, even when not listed.
  - o Handouts to be referenced or reviewed during the training session are listed in the materials portion of the course outline. A large number of handouts are included for

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this training, however, only a few will be used for the purposes of instruction. Many handouts are considered "auxiliary" and are included simply for additional information the participant can read at a later date. "Auxiliary" handouts are noted as such in the Trainer's Manual and powerpoint slides. Handouts for instruction will be identified with they symbol shown below.

- The **overview** provides just that – an overview of the upcoming session.

- The **process** section provides the trainer with the steps they should follow to train each session. The process sections of the trainer's manual contains all the subject matter provided in the participants' manual, and training tips are be included. The information follows the participants' manual for ease of delivery. It is not intended that the trainer memorizes the text (then we would have added some of our standard jokes!), but rather that the trainer feels confident discussing the issues at hand. The trainer should bring in relevant examples from his/her own MFI experiences **and encourage participants to discuss their own experiences.** Adults generally learn better from "real life" rather than theoretical discussions.

Finally, the trainer will find the following **SYMBOLS** in the manual and slideshow to signify different things.

The *idea* symbol means that you will find comments from our experienced staff and certified trainers. More comments, questions and ideas can be directed to *MicroSave*, their research partners or their trainers by using the e-mail addresses on the front of this manual, or accessing the website.

Offers training suggestions such as leading a discussion based on questions supplied and flipchart answers. This helps to keep the training interactive and engaging for participants.

This symbol helps the trainer find the exercises that are in each session.

This symbol in the powerpoint indicates that the trainer should instruct participants to turn to the specified handout at that point in the training session. The trainer can then take a few minutes to review various aspects of the handout.

Preparing Your Slideshow

MicroSave has "hidden" slides within each training. These will not appear when you are doing the slide presentation, but they provide additional details and more information from the toolkit. It is your job as a trainer to go through the slide presentation and decide which slides to "unhide" for greater depth in a particular session. Likewise, you may choose to hide some slides that are not as relevant to your audience. See the box at right for the steps to hide or unhide a slide.

Also, when printing out the slides you need to be careful to uncheck the box that says "Print Hidden Slides." Otherwise all the slides will be printed for your participants and they will have a difficult time following your presentation (because you will skip over several slides).

Hiding and Un-hiding Slides

1. On the **Slides** tab in normal <u>view</u>, select the slide you want to hide.
2. On the **Slide Show** menu, click **Hide Slide**. The hidden slide icon appears (or disappears to unhide) with the slide number inside, next to the slide you have hidden.

Preparation for Training

You have chosen your participants for the course (or they have chosen you!) and you have**:**

- COSTED and CONTRACTED the training and agreed with the MFI the number of days for training *and follow-up* if required and you have sub-contracted additional trainers and assured that all contracts and TORs are prepared.
- Sent, via e-mail or hard-copy, all the "pre-course" handout files to your participants, if there are going to be any. It is particularly important to send out the timetable/session plan.
- Sent via e-mail and/or hard copy, a letter requesting that the participants bring any relevant information related to their HR systems or procedures.
- Chosen an appropriate venue (steady supply of electricity, enough room for "breakout groups", etc.) and seating plan for the number of participants you will have (a "U" shaped seating arrangement; 6 tables angled towards the front, etc.)
- Copied, bound and prepared all the manuals and handouts.
- Practiced with the slideshow so that you are confident how to use it.

Session 1: Overview to Human Resource Management Course

Course Objectives:

➢ Recognize and appreciate the importance of effective Human Resource Management for successful microfinance operations

➢ Understand the key functions of Human Resource Management

➢ Become familiar with systems and structures that support effective Human Resource Management

➢ Review tools and templates used in Human Resource Management

Time:	**30 mins**
Methods:	Lecture and icebreaker
Materials:	**Slide Show:** Flipcharts and pens, Electronic PowerPoint presentations: Module 1, hard copy of the PowerPoint presentations, facilitator's notes.

Handouts:

➢ Handout 1.1: Session Plan

Overview: This session welcomes participants and provides any logistical information required for the course. Take time to do introductions. Given the course topic, have each person to introduce themselves, their institution and how they have been involved in Human Resource Management in their institution. This schedule allows time for an icebreaker. Due to the sensitive nature of Human Resource Management, it is important to establish an environment where learners feel comfortable asking questions and sharing experiences.

1. **Opening Remarks**
   Time: 5 minutes
   Exercise: none
   Slides: 1
   Handouts: none

2. **Introductions / Icebreaker**
   Time: 15 minutes
   Exercise: Use your favourite icebreaker to get the group warmed up
   Slides: 0
   Handouts: none

3. **Suggested Ground Rules**
   Time: 5 minutes
   Exercise: none
   Slides: 0
   Handouts: none

4. **Overview of Course/Course Outline**
   Time: 5 minutes
   Exercise: none
   Slides: 5
   Handouts: 1.1 Session plan

Session 2: Introduction to Human Resource Management

Session Overview

Objectives:

- ➢ To understand the model and functions of Human Resource Management (HRM)
- ➢ Review HRM in the organizational structure
- ➢ To understand the changing role of HRM in MFI growth
- ➢ To appreciate the importance of institutional culture

Time: 4.5 hours

Methods: Lecture, exercise and discussion

Materials: Flipcharts and pens

Slide Show: Electronic PowerPoint presentations: Session 2: hard copy of the PowerPoint presentations and trainer's notes.

Handouts:

- ➢ 2.1: Responsibility for HRM Functions in Medium to Large MFIs
- ➢ 2.2: Effective Human Resource Management in MFIs: The Case of CAPA
- ➢ 2.3: Organizational Chart for a Small MFI
- ➢ 2.4: Organizational Chart for a Medium MFI
- ➢ 2.5: Organizational Chart for a Large MFI
- ➢ 2.6 BN 53 Human Resource Management for Growing MFIs
- ➢ 2.7: Levels of Institutional Development
- ➢ 2.8: Sample Staff Survey
- ➢ 2.9: Sample Climate Survey

Exercises:

- ➢ 2.1: Why Does HR Matter? (15)
- ➢ 2.2: Factors Influencing HRM (20)
- ➢ 2.3: How Will HRM Evolve Over Time? (20)
- ➢ 2.4: Structure of HRM in MFIs (20)
- ➢ 2.5: Institutional Culture (25)

1.   **Human Resource Management – What and Why?**
       Time: 30 minutes
       Slides: 8

Handouts: None

Exercise:
  ➢ 2.1 Why Does HR Matter? (15 minutes)

2. **Organization of Human Resource Management**
   Time: 75 minutes
   Slides: 14
   Handouts:
     ➢ [2.1: Responsibility for HRM Functions in Medium to Large MFIs](#)

     ➢ [2.2: Effective Human Resource Management in MFIs: The Case of CAPA](#)

   Exercises:
     ➢ 2.2: Factors Influencing HRM (20 minutes)
     ➢ 2.3: How Will HRM Evolve Over Time? (20 minutes)

3. **MFI Growth and Institutional Culture**
   Time: 75 minutes
   Exercise:
     ➢ 2.4: Structure of HRM in MFIs (20 minutes)
     ➢ 2.5: Institutional Culture (25 minutes)
   Slides: 18
   Handouts:
     ➢ [2.3: Organizational Chart for a Small MFI](#)
     ➢ [2.4: Organizational Chart for a Medium MFI](#)
     ➢ [2.5: Organizational Chart for a Large MFI](#)
     ➢ [2.6: BN 53 Human Resource Management for Growing MFIs](#)
     ➢ [2.7: Levels of Institutional Development](#)
     ➢ [2.8: Sample Staff Survey](#)
     ➢ [2.9: Sample Climate Survey](#)

Procedure

1. **Human Resource Management – What and Why?**
   Time: 30 minutes
   Slides: 8
   Handouts: None

   Exercise:
     ➢ 2.1 Why Does HR Matter? (15 minutes)

What is Human Resource Management?

Simply put, Human Resource Management (HRM) provides an institution with an effective work force in order to meet its mission. Effective human resource management uses systems and tools to bring together:

the right number of people,

  with the right attitude and skills,

    in the right place,

      at the right time.

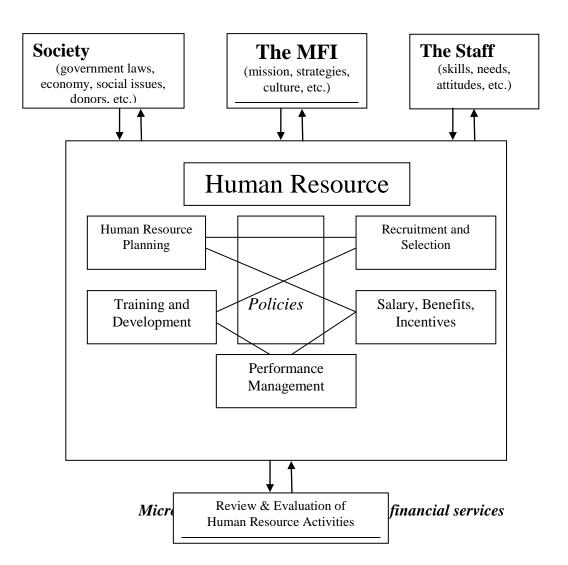*MicroSave – Market-led solutions for financial services*

The goal of human resource systems, tools and activities is to help the individual employees who make up your MFI to be successful at their jobs and to work well together. In order to accomplish this goal, Human Resource Management (HRM) must be an integral part of the strategic plans of your MFI and have the full support of your senior management and board of directors.

Based on years of work in Human Resource Management for the microfinance industry, MEDA has developed a Human Resource Management Model as shown in the figure. This model divides the primary activities of HRM in the context of microfinance into six broad categories:

1. Human Resource Planning

2. Human Resource Policies

3. Recruitment and Selection

4. Salary, Benefits and Incentives

5. Performance Management

6. Training and Development

These functional responsibilities are influenced by the external context in which your MFI operates and well as your MFI's internal strategies, goals, mission, and institutional culture. It is also important to include a process of review and evaluation to ensure that your systems and tools continue to be appropriate as your MFI evolves. Each of the six HR functions plays an important role in the effective operations of your MFI. Throughout this toolkit, you will learn about these functions and how, when applied appropriately, Human Resource Management can propel your institution toward success.

Human Resource Management Model

Why is Human Resource Management important?

Your institution requires two major resources to operate: capital and people. The microfinance industry gives significant attention to the financial issues of operations. While finance is essential, it is only a tool in the hands of your people. Money does not manage itself; people manage it. Human Resource Management tools and systems are critical in finding, training, managing, motivating, and developing a team of staff who will effectively carry out your MFI's mission. By building strong, well functioning human resource systems and tools, your institution will be poised for growth, ready to manage the challenges of an evolving environment, and responsive to the needs of your clients.

How can Human Resource Management contribute to an MFI's success?

All institutions are comprised of an interdependent network of individuals. In order for your MFI to be successful, the individuals within it must be productive, efficient, and effective. Attention to the management of these individuals can not only enhance the success of the individuals, but can encourage a team effort capable of reaching goals beyond what one person can do alone.

All employees, regardless of their position in your MFI, need the same things to be **successful**. Everyone needs to:

1. Identify with your MFI's mission

2. Understand their role, and how that contributes to the mission

3. Know specifically what is expected of them

4. Have the capacity, resources, and environment which makes success possible

5. Receive encouragement, constructive feedback, and opportunities to develop and improve

The work of Human Resource Management is to implement systems and tools that will provide these key elements to help the individuals within your MFI to be highly motivated and successful. When individuals are successful, your MFI will be successful.

What factors affect Human Resource Management?

Three main factors that affect the work and goals of Human Resource Management are noted in the top three boxes in Figure 1.1. These three main factors are society, the MFI, and the staff. In managing your MFI's human resources, it is important to consider each of these stakeholders.

Society

The external environment in which you operate can heavily influence HRM. By its very nature, part of your MFI's mandate is to respond to some of society's needs and challenges. In your region, these might include issues such as poverty, high rates of illiteracy, environmental concerns, and high crime rates. Other external factors that will affect HRM could include competition in the microfinance sector, and even your relationship with donors. In addition to dealing with these challenges, your MFI must also understand and comply with the legal requirements and labour laws in your region. This will impact your human resource management policies and procedures. Many informal rules or expectations within society may also have an influence on the issues your MFI must address in staff management. In Africa, one widespread societal issue that impacts microfinance is HIV/AIDS. Special attention is given to this issue in Figure 1.2 and throughout other sections in the toolkit.

> MFI's leadership, including the board and senior management must fully endorse HRM functions. This includes not only verbally supporting HRM initiatives, but more importantly, actively modeling the systems and tools. It is with this support that HRM will have an opportunity to impact the success and growth of the MFI.

The MFI

The major aim of Human Resource Management is to contribute to the success of your MFI. Therefore, the mission, strategy and goals of your MFI will form the basis of how you approach human resource issues. The structure and functions of HRM should be at a level that is appropriate to the size and needs of your MFI. You could be wasting precious resources if HRM systems and tools are more or less sophisticated than what your institution needs or can afford.

The Staff

Effective Human Resource Management will seek success for your MFI through supporting the contribution of each employee. As noted above, your institution's success is highly dependent on the success of each of your staff. Many Human Resource Management systems and tools are available to support each employee to be productive, thereby contributing to your MFI's success.

These three stakeholders (society, the MFI and the staff) are beacons that will help to guide your human resource strategies and day-to-day activities. Not every HRM decision or activity will affect these stakeholders every time or to the same degree. HR Managers will often need to find an appropriate balance between the competing interests of these three stakeholders and will learn when and how to compromise appropriately.

Procedure

2. **Organization of Human Resource Management**
> **Time:** 75 minutes
> **Slides:** 14
> **Handouts:**
> > ➢ 2.1: Responsibility for HRM Functions in Medium to Large MFIs
> > ➢ 2.2: Effective Human Resource Management in MFIs: The Case of CAPA
> **Exercises:**
> > ➢ 2.2: Factors Influencing HRM (20 minutes)
> > ➢ 2.3: How Will HRM Evolve Over Time? (20 minutes)

Idea:

Do not discuss HIV/AIDS in-depth at this time, you will be doing a case study involving HIV/AIDS later in this Section 2: Policies. So you might want to address it as a general societal issue.

Discussion: Factors Influencing HRM   **10 minutes**

Tape up 3 flipchart pages: one titled "Society"; one titled "MFI" and one titled "Staff". Ask participants in large group to suggest factors from each of these areas that influence HRM. Top up the list with any remaining information. Potential answers might include:

Society	MFI	Staff
Labour laws	Strategic plans	Skill /Capacity level
Economy	Institutional culture	Needs/Desires
Literacy/Education levels	Budget	Morale
HIV/AIDS	Number of staff	Motivation
Competition in MF	Organizational Structure	Monetary Needs
Natural disasters	Centralized/Decentralized	
Demographics of workforce	Mission /Vision	
Attitudes toward work	Profitability	
Ethnic /Religious diversity		
Technology		
Donor requirements		
Environment/Weather		

Who is responsible for HRM?

Ultimately, the responsibility for Human Resource Management activities rests with each MANAGER. If a manager does not accept this responsibility, then HRM activities will only get partially done. Maximizing the potential of the human resources available within your MFI is directly dependent on a manager's skills and abilities to manage staff. Leadership and good staff management skills are essential to provide employees with what they need to be successful. HRM systems and tools can provide a good structure but will not guarantee success. Effective staff management hinges on each manager's ability to provide leadership and relate to staff. This toolkit will briefly address critical staff management skills in Section 5: Staff Performance Management Process, Development and Training.

The role of HRM staff within your MFI is to support each manager with strategies, systems and tools for the effective management of their staff. Just like the Finance Department, Human Resource Management is a support service with "internal clients": staff and managers. This concept may seem contrary to what you might expect. Many staff within

Everything rises and falls on leadership.

your MFI might assume that the designated HRM staff person should complete all HRM functions. While this is true for the development, administration, review and monitoring of HRM systems, in order for those systems to be effective, your managers must understand their role and responsibility in using those systems and tools for effective staff management. *Handout 1.1: Responsibility Chart for HRM Functions in Medium to Large MFIs* is

a chart that describes the different responsibilities of staff managers and the HR Manager for each of the HR functions.

> **Idea:**
>
> Ask participants to take out Handout 2.1: Responsibility for HRM Function in Medium to Large MFIs. Briefly review the material with learners. This will be useful for Exercise 2a.

Where does HRM fit into the organizational chart?

The answer to this question will be different for each MFI and will depend on the size and structure of the institution. The mission, vision and culture of the MFI will influence the role that HRM plays. In addition, HRM functions should be kept at a level that is appropriate to the MFI's needs. As the institution grows, deciding how to manage HRM functions will evolve with the MFI. Let's take a look at how HRM fits into various stages and sizes of MFI operations.

How does HRM evolve as the MFI grows?

From the beginning, it is important to put HRM systems in place so the MFI will be ready to cope with the administrative burdens that increase as more employees are added. Institutionalizing these structures during the start-up phase will help to ensure that effective Human Resource Management practices are ingrained into your organizational culture. These HRM structures would include but not be limited to recruitment and selection procedures, personnel policies, orientation and training for new staff, and staff performance management tools. At the beginning, these systems and procedures do not need to be complicated or elaborate. They can evolve as the MFI grows. Regardless of size, putting HRM systems in place at the beginning will help Human Resource Management to evolve along with your MFI. An excellent example of this evolution is available in *Handout 2.2: Effective Human Resource Management in Microfinance Institutions: The Case of CAPA*.

Small MFIs (up to 20 staff)

For start-up MFIs with up to 20 staff, the functions of Human Resource Management are usually shared among various employees. For example, the finance department may administer salary and benefits. *Handout 2.3: Organization Chart for a Small MFI*, illustrates how HRM tasks are typically divided in a small MFI. In most start-up MFIs, the Executive Director is involved in all HRM functions, such as recruitment, termination, salary, etc. As such, HRM naturally plays a strategic role in institutional planning and design. This senior level involvement is an excellent way to formulate and establish institutional culture. An effective Executive Director will mentor and empower staff to take on these Human Resource Management functions over time.

> **Idea:**
>
> Handouts 1.3, 1.4, 1.5 are auxiliary information, however if you have enough time, you can turn to these organizational charts and review with participants.

Medium MFIs (20 to 49 staff)

As the MFI grows beyond 20 staff, the complexity and importance of Human Resource Management increases. During this stage, one staff position (usually on a part-time basis) should be designated to work on HRM administration. This part-time HR Administrator may report to the Manager of Finance and Administration, or another senior level manager as appropriate. This transition can be difficult and may evolve over time. A good

place to start is to define HRM tasks that can be done by a current employee who has complimentary duties in another role. As your MFI grows, this role will gradually expand and the transition into a full time HRM position may seem a very natural progression. During this growth phase, it is common for HRM activities to become administrative and lose some of their strategic importance, especially if the HR Administrator does not report to the Executive Director. *Handout 2.4: Organizational Chart for a Medium MFI* shows where HRM functions are typically housed.

At this stage in a MFI's life cycle, many MFIs hire an outside HR expert or consultant to help in the further development of polices and procedures. An expert can assist in the design and staffing of an appropriate HRM department and can train the HR staff. As with all experts, it is important to find a qualified practitioner who is experienced in the challenges of Human Resource Management in microfinance institutions.

Large MFIs (50+ staff)

For large MFIs with more than 50 staff, the management of human resources becomes more involved; therefore, a whole department within the organizational structure may be dedicated to work on HRM issues. A very general guideline is to have one full time HR position for every 50 to 75 employees. Depending on your size, the HRM department may have several staff, some of which are specialized in a specific Human Resource Management function. For example, you may have a Trainer or Recruiter on staff. The manager of the HR department should be a senior and experienced manager who reports to the Executive Director, and participates in the senior management meetings. It is through this representation and senior level responsibility that HRM regains credibility and strategic importance within the MFI and has the necessary support to facilitate the success of the institution. If a MFI has aggressive growth and expansion targets, it may be necessary to hire additional HR staff to support this growth. Contract HR hires can be considered. Please refer to *Handout 1.5: Organizational Chart for a Large MFI.*

Procedure

3.   **MFI Growth and Institutional Culture**
       Time: 75 minutes
       Slides: 18
       Handouts:
          ➢   2.3: Organizational Chart for a Small MFI
       Exercise:
          ➢   2.4: Structure of HRM in MFIs (20 minutes)
          ➢   2.5: Institutional Culture (25 minutes)
          ➢   2.4: Organizational Chart for a Medium MFI
          ➢   2.5: Organizational Chart for a Large MFI
          ➢   2.6: BN 53 Human Resource Management for Growing MFIs
          ➢   2.7: Levels of Institutional Development
          ➢   2.8: Sample Staff Survey
          ➢   2.9: Sample Climate Survey

How can HR help the MFI manage growth?

Building solid and lasting institutions is a difficult and challenging task. *Managing Growth: The Organizational Architecture of Microfinance Institutions* by Craig Churchill is an excellent discussion of this challenge. As outlined in this paper, the key elements in this task are human resource development, organizational structure, and institutional culture. A synopsis of the interplay between these factors during various phases of MFI growth is captured in *Handout 2.7: Levels of Institutional Development*. Figure 1.3 depicts how each of these three areas are distinct, yet overlap and influence each other. Human resource development is the area we are addressing in this toolkit and it plays a large role in influencing organizational structure and institutional culture. An MFI

must be strong in all three areas in order to be well prepared to meet the demands of growth. In the next few paragraphs we will discuss how organizational structure and institutional culture relate to Human Resource Management.

Idea:

Handout 2.7 Levels of Institutional Development is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on this handout.

The Components of Institutional Architecture

What is institutional culture?

Each institution has its own unique culture. The core values, mission, vision, and code of conduct form the basis of this culture which is also heavily influenced by the Executive Director and senior management team. However, institutional culture can be hard to pinpoint, as it is not something that is readily apparent on the organizational chart. Rather, culture is reflected in the informal procedures, staff interactions and work environment that emerge from the institution's day-to-day operations. Effective Human Resource Management is one of the most valuable tools you can use to "institutionalize" culture. The most important HRM tools and practices that shape institutional culture are:

Exercise   **Structure of HRM in MFIs**   **20 minutes**
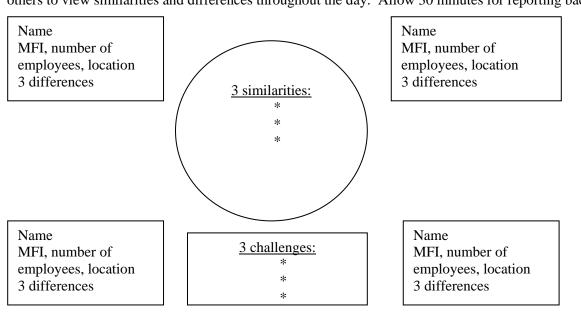

Draw a large circle in the middle of a flipchart paper. Label the circles and boxes as shown below. The goal of this exercise is to get participants sharing about how HRM takes place in their organization and to learn about others' experiences. Allow 10 minutes for instructions.

Instruct learners to get into 6 groups of 4, and draw a circle on a flipchart page with each group member's name, MFI, number of employees, and location written around the outside of the circle. Under the group member's name, write down three things that are different about how HRM is structured or functions in their MFI. Inside the circle, write down three or more similarities about the structure of function of HRM in their MFIs that is the same. (i.e. similarities might be: Executive Director does all the hiring/firing; they all have incentive systems, etc.) You can refer learners to the *Handout 1.1 Responsibility for HRM Functions in Medium to Large MFIs* for guidance on some of the tasks of HRM.

In addition to similarities and differences, ask groups to decide collectively on the 3 most pressing HRM challenges they think need attention in their MFIs.

Allow 20 minutes for sharing and discussion. Once groups have completed the flipchart, instruct them to post it on the wall. Call the large group back together. Ask each group to report back on their 3 main priorities for HRM in their MFIs. Ask groups to post their flipcharts on the wall for others to view similarities and differences throughout the day. Allow 30 minutes for reporting back.

Name MFI, number of employees, location 3 differences		Name MFI, number of employees, location 3 differences
	3 similarities: * * *	
Name MFI, number of employees, location 3 differences	3 challenges: * * *	Name MFI, number of employees, location 3 differences

> ➢ A "guiding principles/values" statement based on your MFI's mission and vision

> ➢ HR Policies which reflect your MFI's values

> ➢ General standards of performance that form a part of the performance management system

> ➢ Well designed advertisements, application forms and recruitment processes that create a first and lasting impression and describe your MFI during recruitment

> ➢ An employment contract that references your MFI's values statement

> ➢ A thorough orientation process to ensure new staff understand and support your MFI's guiding principles

Overall, it is critical to understand that throughout the development and use of HRM systems and tools, you will be formally and directly setting the tone and communicating to staff about your MFI's culture. You can also use indirect methods to transmit culture. For example, Equity Bank regularly communicates their institutional cultural norms through their Intranet and FINCA TZ issues a weekly newsletter. The figure below gives a few ideas of how to establish and promote the kind of culture you want in your MFI.

> "Making the transition from good to great doesn't require a high profile CEO, the latest technology, innovative change management, or even a fine tuned business strategy. At the heart of those truly rare and truly great companies was a CORPORATE CULTURE that rigorously found and promoted disciplined people to think and act in a disciplined manner."
>
> From the best selling book Good to Great" by Jim Collins

What kind of organizational structure is best?

Literature indicates that a flat, lean and simple organizational structure is the best model for a growing institution. A "team business unit" approach should be considered to increase efficiency, productivity, and responsiveness to the target market. This could involve organizing your staff into teams by branch, different products, regions, or types of clients. Employees prefer working in smaller business teams where they find more challenging and interesting work and where there is a better chance to see their ideas adopted. Small teams also help to foster a higher sense of accomplishment. An organizational structure that facilitates teamwork will increase your success and growth potential.

Expanding MFIs should create a dynamic, decentralized organizational structure that encourages strong branch offices. This works better than an organizational structure that grows in a hierarchical fashion. The decentralization process, while critical to managing growth, can create administrative challenges; therefore, communication must remain an important element. The discussion below highlights how HRM functions are handled in a structure with decentralized branches.

How is HRM handled in branch offices?

For larger MFIs with several branches, the challenge of managing HRM functions becomes key. It is best to retain the overall responsibility for HRM at head office. HRM polices and practices must be consistent in all branches to ensure fair and equitable treatment of all staff, regardless of location. This helps to ensure a consistent corporate culture. With the responsibility for HRM centralized, the critical issue to implementing HRM systems effectively is to ensure supervisors at the branch level have the necessary skills to address HRM issues. As noted earlier, each manager must understand their role and responsibility in staff management and their levels of decision-making and authority in relation to various HRM functions.

The HRM staff from head office can support and facilitate effective HRM practices through the off-site managers. Ultimately, the Branch Manager should have the responsibility for HRM activities in their branch, *in coordination with* the HR Manager at head office. The MFI can then support these managers in handling HRM functions using a variety of tools and methods.

A grassroots approach to transmitting HR functions to branches is demonstrated by a large MFI in Uganda. Branches of this MFI have staff welfare committees of 2-3 people, elected by their peers. These committees meet with the Branch Manager monthly to discuss staff welfare issues and concerns, which are then delivered to the Head Office through a monthly report and quarterly meetings of staff welfare committees.

One of the most important factors to support branch offices is good lateral relationships within head office between support departments (such as HRM, Finance, and Operations). Ensuring good working relationships

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Indirect Ways to Communicate Institutional Culture

The principles of transmitting organizational culture are pretty simple: senior management must communicate and lead by example. It sounds easy but is difficult in practice. How this is applied within your unique MFI needs to be determined by you. In addition to the direct tools noted above, here are some of the ways that MEDA communicates our organizational culture:

1. Before staff meetings, we have someone from the group share a personal reflection.
2. We have an internal newsletter sent to all staff that tells stories from work, interesting things in the news that relate to MEDA, and personal staff news.
3. In between newsletters, we send out staff announcements to all MEDA staff.
4. The President and other senior staff travel frequently to other MEDA offices, and often all the staff in that office have lunch together and share about what is happening in offices.
5. At team meetings, the department leader often takes time to give an update on corporate MEDA.
6. Financial statements are shared with staff on a monthly basis with comments on trends and issues.
7. Regular staff gatherings include: weekly staff meetings to review workload, specific planning sessions and special social events.
8. We have an all-staff retreat every 2-3 years for a few days to do team-building, training, and share experiences.

---

will help to coordinate efforts and streamline communications to the branches. A high level of trust and respect built through a strong corporate culture will encourage these lateral relationships and will foster employee

satisfaction and good morale. Figure 1.5 suggests other tools and techniques support effective Human Resource Management in branch offices.

Supporting HRM in Branch Offices

How can we tell if we have good morale?

Many tools exist to measure employee satisfaction and overall morale. A staff opinion survey or climate survey can be a quick and easy way to solicit feedback from employees. Examples of both of these surveys are included as *Handout 2.8:* *Sample Staff Survey*, and *Handout 2.9:* *Sample Climate Survey*. Please remember that you will have a better chance of receiving honest feedback if you can assure staff their responses are anonymous and confidential. The ideal use of a staff opinion survey is to be proactive and administer this survey on an ongoing basis. This will allow the HR Manager to watch for trends and address issues before it negatively affects morale. In addition to surveys, you may also consider suggestion boxes, staff welfare committees, or even a staff focus group to provide feedback on your MFI's work environment.

The following tools and techniques are critical to ensure HRM practices are consistently applied throughout the MFI.

Good Systems

Standardize and document HRM policies procedures, including clearly defined decision-making authority between head office and the branch offices (i.e. Personnel Policies; Recruitment Process; Performance Appraisals; Salary Administration, etc.)

Training

Ensure all staff are trained on HRM policies and procedures. Training should be included in the orientation for new employees.

Senior Management Support

It is critical that senior managers not only recognize and advocate the importance of the HRM systems, but also model and use the systems themselves.

Partnership

HRM should take the role of an expert resource working in partnership with managers, supporting them in the application of HRM policies and procedures.

Time Management

Good staff management takes time, and should be recognized in job descriptions and performance appraisals. Staff management should be a key responsibility integrated into management's responsibilities.

Communication

Regular communication between offices and team meetings with Branch Managers will help to recognize issues before they become problems, and encourage the exchange of ideas and solutions.

How do we respond to employee feedback?

Implementing feedback mechanisms such as a staff survey or suggestion box can begin to open up internal communications, but it is very important to follow up on feedback from staff. When feedback is not addressed, employees will not only feel neglected, but will be less inclined to provide valuable feedback in the future. Respond to staff comments promptly to build their confidence that someone is listening and cares about their concerns.

If an MFI receives feedback that the institution has poor internal communications and a poor response to staff concerns, these issues can often point to ineffective (or nonexistent) Human Resource Management systems and tools. As indicated in this toolkit, one of the best ways to ensure your HR systems are appropriate for your MFI is to incorporate staff input when improving or establishing these systems. By focussing attention on HRM you will also work at the issues of internal communication and responsiveness to staff concerns. The staff survey can be an important tool to improve communication, however itshould not replace one of the most important forms of feedback: one-on-one personal feedback between staff and managers.

About this toolkit…

Now that you have a good understanding and appreciation of the important role that Human Resource Management can play in the success of your MFI, you are ready to learn more about systems and tools that make up effective Human Resource Management. The following sections in this toolkit will discuss HRM policies, compensation, recruitment and selection, staff performance management, and training and development. These sections will refer to the accompanying handouts that are available on the *MicroSave* website. Additional resources and further reading is available in the bibliography.

The material and examples presented in this toolkit are generally based on a large-sized MFI with the organizational structure presented in *Handout 1.5: Organizational Chart for a Large MFI*. When describing HRM functions and responsibilities, we will refer to the "HR Manager". However, these responsibilities may be housed within other positions in your MFI, depending on your size and structure. We have chosen to always refer to the HR Manager to be clear and consistent throughout the document; however, all principles presented are equally applicable to any size MFI.

Most of the examples provided in the text and handouts are centered around the credit operations of an MFI; however, please remember that these HRM principles apply to all staff. We choose to highlight credit officers because it is a function that many MFIs have in common. Please note that these tools should be adapted and used for all the positions in your institution.

Each MFI should have some form of a "Senior Management Team". This team would include most senior level managers who have responsibility for the strategic direction of the MFI. Where possible it is advisable to have HRM representation on the senior management team. Senior managers should meet together regularly to discuss current issues and future plans. We refer to this group as "senior management" in the text to indicate whatever form this takes in your MFI.

Points to Remember

> ➢ For maximum effectiveness, Human Resource Management must have support from senior management.

> ➢ HRM must have excellent working relationships with other departments and be open to input from all staff.

> ➢ Each staff manager in your MFI must understand and accept their role and responsibilities in staff management and HR functions.

> ➢ HRM systems and tools must be appropriate to your MFI.

> ➢ Institutional culture is directly transmitted through senior management attitudes and modeling of HRM systems and tools.

Session 3: Human Resource Policies

Session Overview

Objectives:

- ➢ Understand the value of having a Human Resource policy

- ➢ Identify the key components of a Human Resource policy

- ➢ Understand the impact of HIV/AIDS on HR issues

Time:	3 hours
Methods:	Presentation, exercise, and discussion
Materials:	Flipcharts and pens

Slide Show: Electronic PowerPoint presentations: Session 3: hard copy of the PowerPoint presentations and trainer's notes.

Handouts:

- ➢ 3.1 Sample Human Resource Policy Handbook for MFIs

- ➢ 3.2 Human Resource Information System

Exercises:
- ➢ 3.1: What Are HR Policies and Why Are They Important? (10)

- ➢ 3.2: Discussing HR Policies (20)

- ➢ 3.3: What Are the Relevant Laws? (15) Optional

- ➢ 3.4: HRIS (10) Optional

- ➢ 3.5 : Case Study: Part 1: Plan to Deal with HIV/AIDS (20) Optional

Overview: This session is designed to introduce participants to the importance of having a Human Resource policy. This section will not teach you how to create a policy, but learners will leave with some tools as a starting point.

1. **Human Resource Policies – What and Why?**
   Time: 15 minutes
   Slides: 14
   Exercise:
   - ➢ 3.1: What Are HR Policies and Why Are They Important? (10)

   Handouts: none

2. **What to Include in the HR Policy**
   Time: 60 minutes
   Slides: 10

Exercise:
- ➢ 3.2: Discussing HR Policies (20)

- ➢ 3.3: What Are the Relevant Laws? (15) Optional

Handouts:
- ➢ 3.1: Sample Human Resource Policy Handbook for MFIs

3.   Distributing and Maintaining the HRM Policy
Time: 15 minutes
Slides: 9
Exercise:
- ➢ 3.4: HRIS (10) Optional

Handouts:
- ➢ 3.2 Human Resource Information System

4.   Dealing with HIV/AIDS
Time: 60 minutes
Slides: 4
Exercise:

- ➢ 3.5 : Case Study: Part 1: Plan to Deal with HIV/AIDS (20) Optional

Handouts: none

Procedure

1.   Human Resource Policies – What and Why?
Time: 15 minutes
Slides: 14
Exercise:
- ➢ 3.1: What Are HR Policies and Why Are They Important? (10)

Handouts: none

What are HR policies?

Human Resource policies are the documented procedures and guidelines that provide structure to work expectations. These guidelines define the roles and responsibilities of both the MFI and the employee.   Topics such as work conditions, legal requirements (in accordance with local and national labour laws), salary administration, and many other issues are generally included in a written HR Policy Handbook. This section will define specific suggestions for writing, distributing and maintaining HR policies for your MFI.

Why should we have HR policies?

Human Resource policies provide consistency, fairness, and efficiency in dealing with staff. Having a written policy document also gives you the ability to establish and communicate the rights and responsibilities of the MFI and your staff. HR policies can be a valuable tool to:
- ➢ Ensure all employees are treated equally

- ➢ Save time required to research past precedent and make a decision on every individual case

- ➢ Communicate to staff what is expected of them, what your MFI provides, and what procedures will be followed

- ➢ Handle legal issues with employees
- ➢ Reinforce institutional culture by treating employees fairly and providing benefits that reinforce your MFI's values

What are the challenges of implementing HR policies?

Although it is very helpful to have HR policies, many MFIs still do not have policies in place. The most common roadblocks MFIs face to implementing HR policies include:

- ➢ *Up-front costs***:** Creating and administering HR Policies Handbook properly takes time. However, this initial cost will increase efficiency in dealing with employees through a standard set of rules.

- ➢ *Poorly prepared policies:* If insufficient time is spent on creating and implementing appropriate and meaningful HR policies, you may risk adding more confusion than clarity and support.

- ➢ *Ongoing administration:* Although the biggest commitment is the initial time to create and implement HR policies; to be effective, you will also need to allocate time to maintain and administer the policies.

- ➢ *Cannot cover everything:* Not every situation you or your staff may experience can be detailed; therefore, you will still need to address special circumstances.

- ➢ *Focus on rights and entitlements:* Your staff may get lost in the rules. Therefore, you will still need to remember that you are dealing with people, and their best interest should be taken to heart in the application of the policies.

> "Even if only a draft version is available… since the first moment, the institution should have at least a skeleton of a procedures manual and HR toolkit. Little by little, the team can build up these manuals based on experience and learnings from other institutions."
>
> -   CAPA, Romania
> Creditare, Asistenta, si Pregative prentru Afaceri
> (Credit, Consulting and Training for Small Business)

What should I remember when writing an HR policy?

Writing an HR policy is fairly straightforward. *Handout 2.1: Sample Human Resource Policy Handbook for MFIs* provides an example of what a HR policy might look like for a MFI. Using this as a base, try to obtain HR policies from other MFIs or related organizations to help you understand what you might want to include in your HR Policy Handbook. Review the legislative requirements that you must follow for your location. You may also consider involving staff in the development of your policies.

Why should we include staff in creating the HR policies?

There are several advantages of involving staff in the process of creating HR policies.
- ➢ Staff will more strongly support the policies if they have a chance to contribute

- ➢ Staff input opens up an opportunity to find out what is important to staff and gear policies to meet staff needs. Policies might then be used as motivator for staff

- ➢ Staff may bring in ideas from other organizations where their friends and family work

A simple confidential staff survey can be created to solicit staff input. *Handout 2.8 Sample Staff Survey* and *Handout 2.9: Sample Climate Survey* are designed to assess current staff morale, but can easily be adapted to focus more specifically on benefits and policies.

Procedure

2.   **What to Include in the HR Policy**
        Time: 60 minutes
                Slides: 10
        Exercise:
                ➢ 3.2: Discussing HR Policies (20)

                ➢ 3.3: What Are the Relevant Laws? (15) Optional

        Handouts:
                ➢ 3.1: Sample Human Resource Policy Handbook for MFIs

What should be included in a policy and why?

Once you have identified the policies you need to include in your toolkit, you are ready to prepare the document. When writing your own HR Policy Handbook, it is important to use clear, simple and positive language. Remember that this document will communicate your institutional culture. To staff, this is apparent not only in the types of policies you set, but also in the writing style and tone of the document. After you have completed the handbook, you may want to ask a lawyer to review it. Remember at a minimum your policies must adhere to labour legislation.

The HR Policy Handbook should be a simple, straightforward document. It will contain very specific material that is relevant to your MFI. However, the format and topics for HR policies may be similar throughout the microfinance industry. The figure below shows part of the table of contents from *Handout 3.1: Sample Human Resource Policy Handbook for MFIs*. The following paragraphs provide further detail and explanation on each section of the HR Policy Handbook and what your MFI should be considering when writing your own handbook.

Introduction

The introductory sections are to provide background information to the policies will help to set the tone for the overall document. This section is very important

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A. INTRODUCTION..*1*
B. GENERAL POLICIES AND
PROCEDURES *3*
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7.0 Recruitment and Selection 9
8.0 Training and Staff Development
Procedure 9

Human Resource Policy Handbook   and
Table of Contents   as it is

a valuable opportunity to communicate your MFI's institutional culture to your staff. You can demonstrate this through the inclusion of one or more of the following sections:

1. ***Corporate statement***: This can include one or more of the following: mission and vision statements, guiding principles, core values, or code of conduct. This section states "who we are, what we do, and where we are headed." This will help to remind the staff of your purpose and puts the policies in context.

2. ***Purpose of the policy:*** By implementing HR policies, your MFI is intending to create a culture of fairness, consistency, and an enhanced work environment for all staff.

3. ***Scope of policy****:* This section states who is included in the policy, and various circumstances where this policy will or will not apply. By including this section, you are able to set clear guidelines, resulting in less confusion for employees.

4. ***Effective date of policy:*** Recording the date when the HR Policy Handbook was last updated is a simple way of keeping track of the most recent copy and when it should be updated next.

5. ***Definitions****:* It is important to include a list of definitions to ensure clarity. Such definitions could include the criteria by which your MFI defines full-time employees, contract employees, managers, supervisors, etc. You will also want to define family members (immediate/extended) in terms of eligibility for insurance or other benefits.

6. ***Administration and policy updates****:* This section states the title of the person(s) responsible for administering and updating the HR Policy Handbook, as well as communicating changes to staff.

Specific Policies

After the introduction, the next sections should describe the specific HR policies of your MFI. For most MFIs, this means outlining the terms of employment, benefits, allowances, and administrative procedures.

➢ ***Contract:*** Although not always part of the HR Policy Handbook, you are advised to follow a defined template for all of your employment contracts. Make note in the contract that all policies stated in the HR Policy Handbook will apply; otherwise this should include information such as start date, salary, manager, location, and job title. The contract should also state any conditions that are special for a particular employee.

➢ ***Hours and times of work***

➢ ***Vacation / sick / other leave / public holidays***

➢ ***Salary administration / incentive program:*** A full description of the salary administration system and incentive program should be separate documents; however, the HR policy should refer to those documents. Many MFIs have policies on salary advances and loans that would be included in this section as well.

Exercise	**Discussing HR Policies**	**20 minutes**

Divide the learners into 4 groups of 6. Instruct groups to discuss the specific policies and procedures that they have in their own MFIs, or other policies they think should be included in a HR Policy Manual. Give participants 20 minutes to discuss and flipchart answers.

Call the group together and have each report back, with subsequent groups only adding to the list started by the first group. Top up the flipchart with any addition material from the following material. Allow 20 minutes for reporting back and discussion

➢ ***Benefits / allowances:*** this may include options such as medical assistance, life insurance and other benefits.

➢ ***Travel and expense:*** Having a clear policy regarding expense allowances and reimbursement will give the employee an understanding of his or her limitations and responsibilities. If this is part of your financial toolkit, you should reference that toolkit in your HR Policy Handbook.

HR Procedures

The purpose of these procedures is to inform employees of how things work within Human Resource Management and your MFI as a whole. By including these procedures in the HR Policy Handbook, you have the opportunity to shape and communicate your institutional culture with all staff. When staff have read and received orientation on your handbook, they can be accountable for their rights and responsibilities in the workplace. The following are procedures that can be included in this section:

  ➢ *Recruitment and selection***:** Describe any hiring policies that your MFI follows. This may include a policy on hiring family members or outline a pre-employment testing phase or refer to your MFI Recruitment Manual.

  ➢ *Training and development procedures:* Describe how your MFI addresses training and staff development, including orientation, eligibility for training, training expense reimbursement, and referencing any appropriate forms or manuals.

  ➢ *Performance management procedures*: Although a full description of the performance management process should be a separate document, the HR Policy Handbook should refer to this document and help to set the tone for your MFI's commitment to this process.

  ➢ *Disciplinary procedures:* Making sure each employee understands the consequences for his or her actions can make disciplining easier, while giving clear-cut rules for each person to follow.

  ➢ *Grievance procedures:* It is almost impossible to avoid employee complaints. By establishing clear procedures to formally deal with disputes, a resolution is more likely to occur.

  ➢ *Termination conditions and procedures:* If this process is handled properly, there will be less suffering for everyone including the employer, other employees, and your MFI's all-around reputation. It is extremely important to detail how your institution will handle terminations including the rights and responsibilities of the employee and MFI. This is a critical area that you should consider having a lawyer review to ensure you are following legal requirements. Although not pleasant, explaining termination procedures during orientation can save a lot of hassle and headaches if you do need to terminate.

Corporate Policies

Establishing Corporate Policies is another effective method of institutionalizing culture within your MFI. Please remember that the phrasing and words you use to describe these policies sets the tone and communicates to staff about the overall attitude and approach of your MFI. These policies are in place to make employees aware of the "rules" of your MFI. Some common policies include:

  ➢ Harassment / Discrimination / Equal Opportunity Policy

  ➢ Conflict of Interest Policy

  ➢ HIV/AIDS Policy

  ➢ Crisis and Security Policy

  ➢ Whistle-blower Protection Policy

Procedure

3.　　　**Distributing and Maintaining the HRM Policy**
　　　　Time: 15 minutes
　　　　　　Slides: 9
　　　　Exercise:
　　　　　　➢ 3.4: HRIS (10) Optional

　　　　Handouts:
　　　　　　➢ 3.2 Human Resource Information System

How do you distribute the HR policy?

Once you have put all the effort in to creating your HR Policy Handbook, it is important to make sure it doesn't collect dust on the shelf. An effective way to convey your MFI's commitment to follow the handbook is to hold a staff meeting to introduce it. At the meeting, give each employee a copy, making him or her responsible to know what it contains. Take time to talk to employees about the HR Policy Handbook, why you have it, what it means, and their rights and responsibilities. Asking staff to sign a paper stating they have read and understood the policies also demonstrates the fact that you take it seriously. It is also important to ensure that each new employee receives a copy and training on the HR Policy Handbook.

How do you maintain the HR policy?

To be effective, it is best to designate one person to regularly update your HR Policy Handbook, answer staff questions, apply the handbook in decision-making, and ensure that procedures outlined in the handbook are followed (e.g. expense reimbursement, performance management, etc.). HR Policies should be monitored on an ongoing basis to ensure compliance with current employment legislation. Every two to three years, you should update the handbook to reflect changes and growth within your MFI, staff feedback, and marketplace changes. In order to be relevant, the handbook needs to be reviewed often to keep pace with these factors. It is important to put a defined procedure in place to communicate and distribute the updated handbook to all staff.

Human Resource Information Systems (HRIS)

Much of the administration of the HR policies will require tracking information for each employee on an ongoing basis. This can be time-consuming and lead to inaccuracies, or even inconsistent application of your policies. A consideration, particularly for large MFIs, is to use technology to systematize this data tracking function. Many software programs exist to keep track of employee data; however, it is very important to understand your needs before

> MEDA considers the HR Policy Handbook a component of the contract. When the employee signs their employment contract, it also indicates their acceptance of all the HR policies.

using an off-the-shelf package that may not fit and may end up causing more work. *Handout 2.2: Human Resource Information System* provides further discussion and tips on how to use technology to streamline HRM functions in your MFI.

> **Idea:**
>
> The HRIS handout is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on the HRIS.

Procedure

4.   **Dealing with HIV/AIDS**
        Time: 60 minutes
        Slides: 4
        Exercise:

              ➢ 3.5 : Case Study: Part 1: Plan to Deal with HIV/AIDS (20) Optional

Handouts: none

Can HR policies help us deal with HIV/AIDS?

As noted in Section 1: Introduction to Human Resource Management, HIV/AIDS is the single largest cause of death for people between age 15 and 49 in Africa. Those affected may be your clients or staff. Understanding HIV/AIDS as a Human Resource Management issue within your MFI (in addition to the obvious implications at the client and operational level) will help you to support your staff in dealing with these issues. As a starting point, consider incorporating some of these ideas into your policies, procedures and planning to assist your MFI in dealing with the HIV/AIDS crisis.

Policies

> Adopt an HIV/AIDS policy that addresses your MFI's approach to the issue. The HIV/AIDS policy, shown in *Handout 2.1: Sample Human Resource Policy Handbook for MFIs*, is an excellent example of an HIV/AIDS policy that you can adapt for your MFI. Remember that putting the policy in place is only the first step. You must then ensure you are following and implementing that policy.

> Define your HR policies on sick leave, bereavement leave, and insurance benefits with HIV/AIDS in mind. When determining these benefits, consider both the time and financial cost involved. If you include staff in this decision, you will have greater support for the policy limitations you put in place. Local legislation may also dictate your obligation for providing certain benefits.

> Consider other benefits you might be able to give staff as part of your compensation, for example, the opportunity for a loan or salary advance in order to pay for funeral costs. This may not only boost morale, but could serve to attract new staff.

> Research unique insurances – perhaps the MFI association in your region can provide insurance at a better rate. Work with insurance providers to find appropriate insurance that would benefit your staff.

> Ensure that education on your MFI's HIV/AIDS policy and procedures is included as part of each new staff person's orientation. Provide information on organizations/clinics in your region who deal with HIV/AIDS issues.

> Consider establishing an Employee Assistance Program (EAP). An EAP is a benefit that provides counseling services for employees and their families. You can contract with a local counseling centre to provide confidential counseling for your staff to help them deal with the stress of working with HIV/AIDS-affected clients, or in dealing with their own issues. This can be an excellent resource to help staff deal with HIV/AIDS before these issues start to affect their performance.

Recruitment

> Always be on the lookout for new staff. The challenges of recruiting from an unskilled work force combined with the risk of HIV/AIDS affecting your staff make it doubly important to continually network and hire good employees when you find them. Don't wait for a vacancy to hire good people.

Succession Planning

> Consider "over-staffing" for a position, particularly Credit Officers, to ensure that you will have enough staff to carry the work load during staff absences.

> Pay extra attention to staff planning. Identify potential managers and work at ways to train them to be ready to take on additional responsibilities. Staff planning is discussed in detail in Section 5: Staff Performance Management Process Development and Training.

Training and Development

➢ Look for ways to cross-train your staff so they are knowledgeable and flexible to cover a variety of job duties during other staff's absences. Incorporate cross-training goals into each employee's personal development plan and review progress on a regular basis. More on personal development planning is covered in the Section 5: Staff Performance Management Process Training and Development.

➢ Prepare documents and share information with your staff. One of the greatest losses when a staff person leaves for any reason, is the knowledge they have built up about their job, your institution, their clients and the industry as a whole. Ensure regular paperwork is up to date. Be diligent in asking staff to prepare "how to" manuals for technical aspects of their job or write papers discussing lessons learned by them or the institution in a certain situation (opening a new branch, dealing with fraud, starting a new loan product, etc.). Share this information with other staff, and encourage the exchange of ideas through staff meetings, newsletters, or informal discussions.

➢ Provide specific training for your staff (including credit officers and managers) to handle and communicate with clients who are affected by or infected with HIV/AIDS. It will be extremely helpful to link with experts in your area to find organizations who can provide training and education for your staff on HIV/AIDS health issues.

Exercise   **Case Study : HIV/AIDS**   **20 minutes**

Learners will break into 4 groups of 6 for this exercise, they can be the same groups as exercise 2a, or you may choose to mix up the groups as appropriate.

Hand out Exercise 2b: Case Study Part 1: HIV/AIDS

Instruct learners that this exercise will be to reflect on the impact that HIV/AIDS can have on HR issues in MFIs and steps to address the issues. It is very common to focus on the credit issues (clients are unable to repay), so as a trainer, help to focus this discussion around HR functions.

By the end of the discussion, groups should flipchart:
- What are 3 critical HIV/AIDS issues that affect HR functioning in EBZ?
- What are the next steps and potential recommendations?

Allow 15 minutes for discussion and 30 minutes to report back. You may consider role-playing a senior management meetings. As facilitator, you could set the stage and act as the Executive Director chairing the meeting. Play devil's advocate to draw out discussion about the comments given by each group. Top up the discussion with the following material.

Impact	Recommendations
• Lost productivity / performance • Turnover • Not enough staff • Increased costs - recruiting • Increased costs – health costs/ medical assistance • Poor morale • Increased HR administration	• Create HIV/AIDS policy • Provide awareness training to staff • Link with other organizations • Increase recruiting / over-hire • Allocate additional money for training and health services and counselling • Cross training – job training

It is of utmost importance to stay current with how the MF industry and your community are dealing with the HIV/AIDS issue. This will help you to know how to direct your MFI in addressing HIV/AIDS.

The microfinance industry has been slow to respond to the HIV/AIDS crisis and many of these ideas are untested. As more MFIs understand the importance of addressing this issue and its impact on their staff, success stories and new ideas will emerge to help the industry as a whole cope with the overwhelming challenge of HIV/AIDS. More information can be found in DAI/AMAP's manual: *Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change.*

Points to Remember

- ➢ Adhere to local legislative requirements.
- ➢ Involve employees in determining policies and ensure senior management's support.
- ➢ Be clear and direct in communicating policies to staff.
- ➢ Ensure policies fit with your MFI.
- ➢ Remember that HR Policies are living documents that should evolve and change with the institution as it grows and reacts to internal and external changes.
- ➢ Never let a policy get in the way of doing the right thing. Keep your employees well-being at the forefront when applying the policies. This does not mean always letting employees have special treatment. Rather, it means being flexible and considering that certain circumstances may call for an exception to the policy.

Session 4: Salary, Benefits and Incentives

Session Overview

Objectives:

➢ Identify the key components of a compensation package

➢ Understand the value of having and using non-financial incentives

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Time: **3.5** hours

Methods: Presentation, exercise, and discussion

Materials: Flipcharts and pens

Slide Show: Electronic PowerPoint presentations: Section 3: hard copy of the PowerPoint presentations and trainer's notes.

Handouts:

➢ 4.1 Sample TOR

➢ 4.2 Sample Job Descriptions

➢ 4.3 Sample Job Evaluation System

➢ 4.4 Sample Salary Ranges for a MFI

➢ 4.5 Salary Administrative System Staff Handout

➢ 4.6 Job Evaluation Form

➢ 4.7 Guidelines for Determining Salary Increases

Exercises:

➢ 4.1: What Factors Influence Compensation? (10)

➢ 4.2: How Do We Set Up a Salary System? (20)

➢ 4.3: Finding Your Market (15)

➢ 4.4: What Benefits & Incentives are Offered at Your MFIs? (20)

➢ 4.5: Non-Financial Incentives and Rewards (15)

Overview: The purpose of this session is to introduce participants to the key components of the compensation package, with particular emphasis on a salary administration system. This session will not teach learners how to implement a salary system or financial incentive scheme, but will provide an appreciation for the value of taking a systematized approach to compensation.

1. **Salary Administration**
   Time: 60 minutes
   Slides: 22
   Exercise:
   ➢ 4.1: What Factors Influence Compensation? (10)

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> ➢ 4.2: How Do We Set Up a Salary System? (20)

> ➢ 4.3: Finding Your Market (15)

Handouts: 7

> ➢ [4.1 Sample TOR](#)

> ➢ [4.2 Sample Job Descriptions](#)

> ➢ [4.3 Sample Job Evaluation System](#)

> ➢ [4.4 Sample Salary Ranges for a MFI](#)

> ➢ [4.5 Salary Administrative System Staff Handout](#)

> ➢ [4.6 Job Evaluation Form](#)

> ➢ [4.7 Guidelines for Determining Salary Increases](#)

2.   Benefits, Incentives and Rewards
Time: 60 minutes
Slides: 16
Handouts: none
Exercise:

> ➢ 4.4: What Benefits & Incentives are Offered at Your MFIs? (20)

> ➢ 4.5: Non-Financial Incentives and Rewards (15)

Procedure

Salary Administration
Time: 60 minutes
Slides: 22
Exercise:

> ➢ 4.1: What Factors Influence Compensation? (10)

> ➢ 4.2: How Do We Set Up a Salary System? (20)

> ➢ 4.3: Finding Your Market (15)

Handouts: 7

> ➢ [4.1 Sample TOR](#)

> ➢ [4.2 Sample Job Descriptions](#)

> ➢ [4.3 Sample Job Evaluation System](#)

> ➢ [4.4 Sample Salary Ranges for a MFI](#)

> ➢ [4.5 Salary Administrative System Staff Handout](#)

> ➢ [4.6 Job Evaluation Form](#)

> ➢ [4.7 Guidelines for Determining Salary Increases](#)

What is compensation?

Compensation includes all financial and non-financial benefits an employee earns for their work. This includes a combination of salary, benefits and incentives. An employee's salary is simply the fixed amount of pay they receive for their work, which is usually referred to as an annual or monthly amount. Benefits complement salary by providing additional monetary or non-monetary compensation to the employee. Incentives (both financial and non-financial) are additional rewards designed to encourage staff to work effectively and efficiently.

> "…Employees should have a strong incentive to perform their job in a responsible and competent manner. Employees who do not feel sufficiently compensated will be much less likely to carry out their job with the necessary thoroughness and attention to detail. Likewise, they are much more vulnerable to committing fraud, especially in economies where sums that they handle daily represent months or even years of salary. A competitive salary is a strong preventive control in deterring sloppy or fraudulent employee behaviour."
>
> Boulder MFT, Internal Control and Fraud Prevention, pg. 3

Why is compensation important?

Many institutions recognize that staff are a valuable asset and know that salaries and compensation can be a large part of operating costs. It is not unusual for MFIs to spend up to 70% of their operating budget on employee compensation. The impact on your budget is obvious. However, the complete compensation package also impacts staff morale, employee job satisfaction, and overall productivity. If designed effectively, your compensation package can positively affect staff attitudes and productivity through:

➢ Demonstrating your MFI's commitment to internal and external fairness and equity – a big boost for staff morale

➢ Motivating staff to advance along the salary scale

➢ Providing consistent pay to staff of similar hierarchical level, length of service and relative performance

➢ Building strong teams through incentives based on collective branch outputs

➢ Shaping desired staff behaviours through linking incentives to specific performance outputs (such as a bonus to a credit officer for reaching a portfolio-at-risk target)

As a MFI grows, compensation systems become more complex. Adjusting the compensation system for an increase in staff is not as simple as entering additional names on the pay list. Your compensation strategy and structure must be revisited frequently. Additional staff usually mean a more sophisticated employee hierarchy with new positions and lines of accountability. Therefore, the compensation system must be adjusted to ensure it is fair, cost effective and motivating for staff.

The external environment will also affect the design of your compensation system. For example, many African MFIs find it difficult to recruit and retain qualified employees. HIV/AIDS and other diseases further reduce this recruitment pool, making staff retention and employee morale even more important. These and other related health issues further affect MFI operations through absenteeism, increased use of health benefits, and employee distraction. Although you cannot fully address these issues through your compensation program, you can support your staff through various benefits while also promoting a healthy and desirable work environment. For example, one Latin American MFI sets itself apart from the competition by providing meal services for field staff who are away from home. Successful compensation systems create loyalty and foster staff retention by providing attractive benefits that are valued by staff.

Who is responsible for determining employee compensation?

The HR Manager, who can provide expertise in compensation trends and motivating staff performance, should spearhead the process of designing the compensation package. With the direct impact compensation has on operating budgets, senior management must have input into the compensation package. Many MFIs, regardless

of size, will contract an outside consultant to assist with the initial creation of a compensation system. As with other HR systems, it is also valuable to seek staff input on the compensation package. Staff input will not only help you to create an appropriate system, but will improve the likelihood that the system will motivate staff. You can use a staff survey like the one in *Handout 1.7: Sample Staff Survey or Handout 1.8: Sample Climate Survey* for this purpose.

Once HR and senior management have designed the compensation package and appropriate structures, staff managers participate in administering the program. Through a process guided by the HR Manager, the staff manager will recommend salary increases for each of their staff according to the parameters set by the salary system. These recommendations are then reviewed by the next levels of management, with final review and approval by the HR Manager, Executive Director, and other senior managers as appropriate.

Because implementation and monitoring of the compensation system requires a high level of attention, the role should be assigned to a specific person. This will allow for consistency and help with issues of confidentiality. In a small MFI that does not have an HR department, this task may fall to an administrative role with similar functions. Often salary and compensation will be housed with the accounting department until the MFI is large enough to designate a HR Manager. In some cases, some of the financial administration of the compensation system may stay with accounting even after a HR department is established.

What factors influence how we compensate staff?

Compensation is influenced by many internal and external factors. Some of these factors include:

> **Local market:** Your salary scales will be influenced by the wages of other MFIs or similar organizations within your region. When possible, it is a good idea to benchmark your salary levels to ensure that you stay competitive.

> **A compensation system motivates staff most effectively when complemented by good staff management and a positive corporate culture.**

> **Location:** The cost of living in your region will also dictate salary levels. Generally, MFIs in urban environments need to offer more competitive compensation due to a higher cost of living than rural areas. If the difference is significant, you may consider having different salary ranges for various branch locations, which reflect the cost of living.

> **Value of the US dollar:** Although local staff is typically paid in local currency, some MFIs determine salaries based on the US dollar, and adjust salaries annually for inflation.

> **Organizational structure:** If your MFI has a complex structure, you will need a compensation system with a greater number of salary scales and varying compensation packages. In this case, it is imperative to ensure equity throughout your compensation system.

> **Profitability of the MFI:** Your MFI's profitability will determine the degree to which you can offer attractive salary levels. It is always a balancing act. Due to internal budget constraints, you may not be able to offer your desired level of employee compensation.

> **Legal issues:** The importance of recognizing employment laws, such as minimum wage, unions, and mandatory national holidays and taxes cannot be understated. Ignoring legal requirements can end up costing your MFI a tremendous amount of money and staff time.

> **Incentive systems:** If you decide to incorporate financial incentives, the additional cost must be factored into the salary scale as part of the entire compensation package. Incentive systems will be discussed later in this section.

What is a salary system?

Salary is typically the largest expense and forms the base of the compensation package. Since salary will vary from employee to employee, it is extremely important to develop a clear, transparent and fair structure to administer salaries. The system design should be openly communicated to employees to demonstrate your commitment to equity and to foster an environment of trust. To be clear: individual salaries should be confidential, only salary ranges should be available to staff.

Sometimes senior management may resist sharing salary ranges with staff. This may be due to the difference in the salaries of senior managers and lower paid staff. Disclosing salary ranges that have a large disparity could create feelings of dissatisfaction and unfairness. However, if your salary ranges have been created through a systematic process like the one described below which is based on objective evaluation and comparison with the market, you will have more staff support for your salary ranges.

What are the key elements of a salary system?

Salary systems are comprised of job descriptions, job levels, salary ranges, and a pay policy. These elements build on each other to create an effective and fair system.
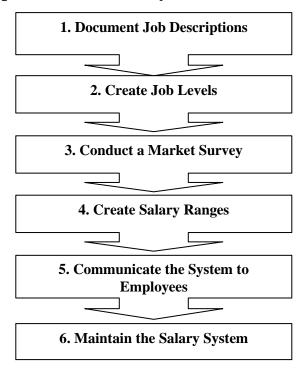
> ➤ **Job Descriptions** typically highlight the job purpose, scope of an employee's responsibilities and tasks, and the reporting manager.

> ➤ **Job Levels** are a hierarchical categorization of positions within your institution, which group similar jobs together.

> ➤ **Salary Ranges** establish a minimum and maximum salary range for each job level.

> ➤ **Pay Policy** sets your MFI's compensation strategy relative to the market. You should also develop guidelines for determining, delivering and increasing pay.

How do we create a salary administration system?

The most important component of your overall compensation program is a well-defined salary administration system. Figure 3.1 illustrates the six steps of creating a salary administration system. This system can be complex and time-consuming to create, but is an extremely valuable tool once established.
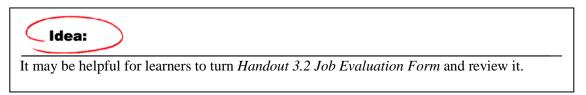
Due to the sensitive nature of salary information, it is highly advisable that you retain the services of an expert to assist you with this process. A consultant will bring industry experience in salary determination, improve the credibility of your system, mitigate issues of confidentiality, and act as an objective observer to ensure that your system is fair and reasonable. The consultant can guide the job evaluation process; conduct a market survey; and create a salary system with job levels and corresponding salary ranges. An example of what terms of reference might look like for this consultant is included as *Handout 3.1: Sample Terms of Reference for Salary Consultant.*

Steps to Create a Salary Administration System

1. Document Job Descriptions

2. Create Job Levels

3. Conduct a Market Survey

4. Create Salary Ranges

5. Communicate the System to Employees

6. Maintain the Salary System

Step 1: Document Job Descriptions

Job descriptions are key to the salary system because they provide the basis of comparing jobs and, therefore, ensure equity within the salary system. Preparing job descriptions should be the joint responsibility of the employee and their manager. The HR Manager supports this process to ensure that the job description reflects the *job* not the person doing the job. For the purposes of job comparison, it is important that each job description includes the same categories. *Handout 3.2: Job Evaluation Form* is a sample form to guide the employee and manager in describing the job in preparation for Step 2: Create Job Levels. Examples of job descriptions can be found in *Handout 3.3.*

Idea:

It may be helpful for learners to turn *Handout 3.2 Job Evaluation Form* and review it.

Step 2: Create Job Levels

Once you have a description for each job in your MFI, you are ready for the job evaluation process. Job evaluations aim to:

➢ Establish an objective and transparent system to compare and categorize jobs

➢ Create a rank order of jobs and then group similar jobs together in the same category

➢ Avoid favoritism or patronage as they take no account of individual jobholders

➢ Iron out current discrepancies and help to prevent future anomalies in the value of jobs, which can cause bad feelings, resentment and demands for parity from those who feel they are undervalued

Job evaluation is concerned with the worth of a job, especially in relation to other jobs in the organization. It is not about the individual jobholder, their competence, or their potential; nor is it primarily about pay rates,

although it may influence pay structures. The goal of this process is to create jobs levels to group similar jobs together in the same category. A sample of job levels can be found on page 4 of *Handout 3.4: Sample Job Evaluation System.*

> **Idea:**
>
> *Handout 3.4 Sample Job Evaluation System* is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on this handout.

Simple approaches towards job evaluation tend to be non-analytical. It can be as simple as using one specific job in your MFI as a benchmark, and comparing all other jobs to that benchmark on certain factors such as decision-making responsibility, staff management, and financial impact. Another method is to define a grading structure and then review jobs against the pre-defined scale. A sample of a point system approach is included as *Handout 3.4: Sample Job Evaluation System.*

Some job evaluation systems can be quite complex including factor weighting and point scoring systems that are specialized processes usually handled by HR specialists. Before starting a job evaluation process, be sure to research and decide the complexity of the system you need – remember it should be appropriate for your MFI. If you are planning to use a detailed and analytical approach, research it thoroughly; talk to consultants and read about it – this is not a route to be followed lightly.

Regardless of the system you use to compare and categorize jobs in your MFI, your main priority is to guard against unfairness and discrimination. Even the most analytical system needs judgment and a human touch to refine scientific results and make them workable. However, the end result should be job categories that group together similar positions in your MFI.

Step 3: Conduct a Market Survey

With job levels established, you are ready to consider one of the biggest factors that influences your salary system: the marketplace. Market surveys aim to compare employee compensation for similar positions amongst similar organizations. This will allow you to benchmark salaries in your MFI and recognize what salary levels are required for attracting and retaining qualified staff. In order to ensure that the salary system remains current and competitive, it is beneficial to periodically administer or participate in a compensation survey.
If you have the luxury of conducting your own salary survey, you will need to first determine which MFIs or other institutions make up your market. When deciding to whom you will compare yourselves, consider your competition and where your previous staff work when they leave your MFI. Do not forget to ensure management, the board, and staff are included in this process of determining your "market".

Various methods for conducting your own market salary survey are available. As with other survey topics, data can be collected through telephone, in-person interviews, email, Internet, or written questionnaires. Please note, however, that salary information is highly sensitive and confidential and many institutions may not be willing to share this information with you. It is important to state the purpose of your survey to participants, ensure confidentiality, maintain professionalism, and share your survey results at the end.

You will likely get a better response and more reliable results if you use a third party to conduct the survey on your behalf. In some cases, other MFIs may be willing to share in the cost if they also receive the full report for their own use. Another option may be to find and participate in a salary survey conducted by a MFI association or other business group in your region. You will also have a good indication of current salary levels through the information you collect on applicants in the recruitment process. Salary surveys and information for the general

population in your area will also help you to benchmark easily compared positions such as clerical, accounting and management positions.

Step 4: Create Salary Ranges

Discussion: Finding your Market   10 minutes

One of these factors that affects salaries is the market. Take 5 to 10 minutes in the large group to brainstorm about different ways they can find salary information in their market. Flipchart answers. Possible responses include:
> Market survey
> Application forms
> Interviews
> Networking with colleagues in other MFIs
> Networking with colleagues in other businesses in the area
> Local/regional salary surveys
> MFI association may do a survey
> Ask third party to conduct a survey (maybe share costs with other MFIs

Now that you have an idea what the market in your area is paying for similar jobs, you are ready to create your own internal salary ranges. Begin by determining a pay policy, a statement that defines how you will position your salary levels relative to the market (i.e. average, above average, etc). At this stage it is critical to include senior management and the board. Your pay policy (i.e. pay at the top level or average, etc.) should not only reflect your budgetary limitations, but also the other components of your compensation package such as financial incentives and benefits, and your MFI's strategy, guiding principles, and organizational culture. For example, if your MFI is aiming to commercialize, you may consider paying above average for your industry. If you decide to pay below the market average you may risk of losing staff. The pay policy you choose will communicate to staff your institutional culture and performance expectations.

Once you have determined your pay policy, you can create a salary range for each job level. Using the results of your market survey as a base, take into consideration other external and internal factors noted earlier, such as your operational strategies, local market, location, etc. The range of salary opportunities for each job level should include:

Sample Salary Ranges for a MFI

Job Level	Minimum	¼	Midpoint	¾	Max
	Entry-Level Hiring Range		Fully Qualified Fully Proficient	Long-term Superior Performance	
1	23,000	24,000	25,000	26,000	27,000
2	26,000	32,000	38,000	43,000	50,000
3	40,000	50,000	60,000	70,000	80,000
4	65,000	78,750	92,500	106,250	120,000
5	100,000	125,100	150,000	175,000	200,000
6	175,000	202,500	230,000	257,500	285,000
7	250,000	281,250	312,500	343,750	375,000

> Minimum – entry level
> Midpoint – fully proficient (most often achieved in a period of 2 to 4 years)
Maximum – exceptional performance

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The figure shows an example of salary ranges for a MFI, with a full version included as *Handout 4.4: Sample Salary Ranges for a MFI.*

The salary ranges will demonstrate to your staff the opportunity for progression. Top performers can move to the higher end of their salary range and should advance gradually to the top of the salary range. Keep the ranges motivating by creating salary increase guidelines for you and your managers on how to progress staff through the ranges. *Handout 3.6: Guidelines for Determining Salary Increases* will help to ensure you are consistent across your organization in applying salary increases.

Step 5: Communicate the System to Employees

In order to promote equity, maintain employee morale, increase understanding and enhance the effectiveness of your salary system, you must properly communicate this system to your staff. As noted earlier, you will gain the most benefit from your salary system if it is clear and transparent. Consider these tips when communicating with staff:

> ➢ Organize a staff meeting to clearly explain the process to your staff. Allow staff to ask questions, and provide handouts for staff to keep as a reference. An example of what to provide employees is included in *Handout 3.7: Salary Administration: Staff Handout.*

> ➢ Ensure that all new staff are introduced to the salary system as part of the orientation process and are given the appropriate handouts.

> ➢ Remember to emphasize fairness and performance standards.

Step 6: Maintain the Salary System

Although it takes a lot of work to create the salary system, once you have it established, it will become routine to administer. The three key tasks for maintaining your salary system include:

1. Guiding managers to ensure salaries are within the salary range and properly reflect the employee's qualifications (refer to *Handout 3.6: Guidelines for Determining Salary Increases*).

2. Reviewing job descriptions annually for significant changes. Large changes in job responsibilities may require reclassification of the job within the Job Level and corresponding salary scale.

3. Periodically survey market peers every 2-3 years to ensure that your compensation package remains competitive. Use surveys and other information to adjust your system as required.

Salary is one component of the whole compensation package. Be sure when creating salary ranges that you take into account the earning potential for employees who receive other financial rewards through incentives or benefits. The rest of this section will discuss other elements of the compensation package that you might add to salary to motivate staff and communicate your institutional culture.

Procedure

2. **Benefits, Incentives and Rewards**
    Time: 60 minutes
    Slides: 16
    Handouts: none
    Exercise:
    > ➢ 4.4: What Benefits & Incentives are Offered at Your MFIs? (20)

    > ➢ 4.5: Non-Financial Incentives and Rewards (15)

What are benefits?

Benefits can help to create a rewarding, inspiring and comfortable work environment. As a complement to salaries, benefits are non-monetary compensation that is of value to the employee. Benefits can become a strong incentive for employees to stay with your MFI, and are an excellent way for you to establish and communicate the institutional culture of your MFI. For example, if your MFI highly values healthy, active employees, you may offer health coverage education or subsidized healthy staff lunches.

> **Some African MFIs have found success in allowing employees to claim up to 15% of their salary for health care or to reimburse health care expenses up to a certain level such as US$500.**
>
> *- Organizational Development Study of Ten Microfinance Institutions in Mozambique,* MEDA 2003, pg 38

The amount and type of employee benefits will vary from institution to institution. The following benefits could be considered:

- ➢ Health insurance or direct medical assistance
- ➢ Life insurance
- ➢ Long-term disability insurance
- ➢ Dental insurance
- ➢ Paid vacation time
- ➢ Pension plans and other deferred income plans
- ➢ Transportation allowance
- ➢ Motorcycle loans
- ➢ Discounted housing / housing allowance
- ➢ Tuition for continuing education
- ➢ Employee loans and advances
- ➢ Parental/Maternity leave
- ➢ Child care assistance
- ➢ Sick leave
- ➢ Funeral leave or allowances

 Discussion: What Benefits do you have?   **5 minutes**

Ask participants to answer the question:

What types of benefits are offered at your MFI?

Flipchart the answers.

What are the advantages of benefits?

- ➢ **Attract Candidates:** In order to attract skilled employees, your MFI should offer benefits that are comparative to or slightly more desirable than those of your competitors.

➢ **Provide a higher after-tax income**: As benefits are not usually taxed in the same way as salary, you can compensate your staff without increasing the amount of income tax they need to pay.

➢ **Quantity discounts:** Some benefits, such as health or life insurance, can be more cost efficient when purchased in bulk, thereby providing a greater benefit to the employee without the equivalent cost to the MFI.

➢ **Employee performance and security:** As with salary and financial incentives, benefits can encourage good performance and increase employee feelings of loyalty and security with your MFI.

➢ **Satisfy an MFIs sense of responsibility for staff:** Your genuine concern for the well-being of your staff can be demonstrated to staff through the benefits you provide.

➢ *Reinforcement of a specific managerial strategy:* ***Your MFI's objectives for low turnover, continuous training and minimal sick days can be enhanced by benefits you choose to provide.***

How do we determine which benefits are best suited for our MFI?

As with salaries, benefits depend on several factors. Industry standards, employee preferences, institutional culture, and costs of the various benefit options are the major considerations. It is important to know your employees well and have a good understanding of where they obtain their greatest satisfaction. You will also need to consider your budget and salary levels. Although benefits are not a direct payout to employees, you should weight value to the employee with the cost to the MFI to help you determine which benefits will be the best addition to your compensation package.

In many developing countries, benefits can have a higher cost due to the prevalence of HIV/AIDS and other diseases and/or poor access to medical treatment. Benefits that address these types of issues can include funeral cost coverage, direct health coverage with an established maximum, and extended sick leave. Be cautious when selecting benefits, as they will become a fixed cost. Once a benefit is introduced and your staff become dependent on it, you will face a lot of difficulty in removing this benefit.

As with salaries, it is important to communicate clearly to staff regarding your benefits. You may choose to describe what benefits are offered, and the administration, approval, and limitations in your HR Policy Handbook. This provides you with an opportunity to communicate your institutional culture and values, while also ensuring your staff understand and are using the benefits you provide to their full advantage.

What are incentives and rewards?

This section will summarize key points and considerations regarding incentive systems in order to provide a general understanding. For extensive information on incentive schemes, please refer to the *MicroSave* toolkit prepared by Martin Holtmann, titled *A Toolkit for Designing Staff Incentive Schemes*. In addition to a detailed step-by-step procedure (see Figure 3.3), this toolkit offers samples, exercises, cases and a discussion on a variety of key issues regarding incentives.

Incentive systems permit employees to benefit when the institution benefits. This can be a strong motivator for

> **Idea:**
>
> This training does not instruct on financial incentives. For detailed information on financial incentives, please refer to Martin Holtmann's Toolkit for Designing Staff Incentive Schemes.

employees to work hard and value the success of the entire institution. By highlighting desired employee behaviours through incentives, rewards and recognition, you can effectively motivate and encourage staff. The incentives you choose will reflect your MFI's values. If financial incentives do not address institutional culture, costs and strategy, you could be encouraging employee behaviour that works against your MFI's mission and goals.

Which behaviours do we want to recognize through financial incentives?

Generally, MFIs design financial incentive systems to encourage three key behaviours:

Ten Steps to Developing an Incentive System

1. Quality

Many MFIs consider this factor the most important determinant of performance. Portfolio-at-risk is an excellent way to measure the quality of loans dispersed. At-risk clients often refer to clients who are over one day late for individual loans and over one week late for group loans. Additional behaviours that can be rewarded for quality include: exceptional customer service; minimal operational errors; properly complying with institutional operational guidelines; and score on an audit report.

2. Growth

Indicators for measuring growth include credit disbursements, number of active clients, number of loans, number of loans to first-time clients, amount of loans dispersed during the month, score on an audit report, and portfolio size.

3. Efficiency

Reward behaviours that exhibit speedy and cost effective work styles. For a loan officer, efficiency is most often measured through the cost per dollar lent. Another efficiency indicator is the time required in processing loans.

INCENTIVE SYSTEMS	
STEP 1	Define and clarify the organizational strategic goals.
STEP 2	Analyse the culture, clientele, products and processes.
STEP 3	Define the incentive scheme objectives.
STEP 4	Decide how much the MFI is willing to spend.
STEP 5	Determine which staff members and occupational levels to target.
STEP 6	Select the incentive mechanism.
STEP 7	Conduct the technical design work.
STEP 8	Run a pilot test.
STEP 9	Sell the scheme to the staff.
STEP 10	Monitor the scheme's performance and adjust it as necessary.

* Please note that these steps are intended to create a general understanding. The complete process is detailed in A Toolkit for Designing Staff Incentive Schemes, *MicroSave*.

Are incentive indicators and employee job objectives the same?

The incentive system should be separate from a performance management system. Although both systems set specific performance objectives for each fiscal year, the achievement of the specific objectives found in the incentive program is only one component of an effective appraisal system. A loan officer could meet the objectives and earn good incentives; yet not have a solid year-end performance appraisal if he or she achieved the targets through unacceptable behaviour. Therefore, it is critical to understand and communicate to staff the difference between meeting incentive targets

and performing the job within the performance standards. For a more thorough discussion of a performance management system, refer to Section 5: Staff Performance Management Process Development and Training.

What are the risks of implementing an ineffective financial incentive system?

If your financial incentive scheme is not properly designed, you could experience minimal or even major adverse affects. Through poorly designed incentives, you may unwittingly be encouraging the opposite behaviour of what you want, or developing a culture where employees are purely motivated by money and are not supportive of a team environment. These are a few of the most common risks and challenges MFIs face when implementing financial incentives.

> Creating a pool of risk-taking employees or introducing competition between staff which reduces a stable team environment

> Encouraging counter-productive behaviours such as awarding loans to unqualified clients in order to achieve growth targets

> Allowing room for individuals to slack off when incentives are provided on a group/team basis

> Discouraging staff to apply for promotions in order to maintain the high earning potential in their current position. Many MFIs have Credit Officers who do not want a promotion to Branch Manager because of high incentives they earn as a Credit Officer.

> Counteracting the efforts of other HMR systems and tools that aim to cultivate a corporate culture that is mission and values driven

> Creating inequalities among staff if not all positions are included in the incentive program

How can we ensure incentives are motivating?

As indicated earlier, MicroSave's toolkit on financial incentives covers this topic in detail. However, it is worth stressing the characteristics of a successful financial incentive system:

> Promotes challenging yet attainable objectives with measurable indicators

> Correlates credit officer incentives with operational goals and coordinates management incentives with strategic goals; and ensures that management's indicators reflect their employees indicators

> Reflects institutional culture, clientele, products, services, and objectives

> Includes all staff and balances individual incentives with team incentives

> Reflects social norms and employee preferences

> Uses incentives that are based on the average employee, large enough to influence employee behaviour, and scheduled to address slack months (e.g. if operating in a rural, highly agriculture-dependant environment, loans may only be required during certain cycles, creating a *down time* in business).

> Incorporate rewards for largest improvement over time, not just meeting high targets. This will ensure that poor performers are motivated to improve, even though they may not reach targets.

What are non-financial options for rewarding staff?

Incentives can come at a high cost to the institution, but many low cost or free alternatives can also provide motivation and reward staff. Remember, the best way to motivate staff is to ensure they have those "5 key elements for success", which are outlined in Section 1 on page 3. Non-financial incentives and rewards must be

tailored to fit with your institutional culture and goals. Depending on the behaviours you want to reward and encourage, you may choose to create rewards for individuals, teams, the overall MFI or a combination of all three. The following ideas are a starting point.

- Letter of congratulations
- Promotional opportunities
- Whole or part funding for training/staff development
- Verbal recognition at staff meeting
- Thank you card at successful year-end
- Small gift (mug, t-shirt, cap) with logo
- Workplace improvements (nice lunch room, decorations, air conditioning, etc.)
- Provide treats at a staff meeting

- Job enrichment: rotating jobs or new and interesting special projects
- Award for years of service
- Rotate a "recognition item" between staff or offices (trophy, flag, plaque, etc.)
- Time off in addition to vacation
- Staff lunch
- Dinner at special occasions (Christmas, fiscal year end)
- Team building events (soccer match)

Additional methods of increasing motivation and performance include:

➢ Assist employees in setting professional objectives and mapping out how to achieve them

➢ Ensure managers provide individual attention and support to employees

➢ Demonstrate leadership and confidence in your employees through the award of additional responsibility, welcoming innovative ideas from employees, and verbal encouragement

The value of positive reinforcement should not be discounted. Recognition, support, and personal development are important factors in a healthy work environment. Regardless of whether you are rewarding your staff with financial incentives or other forms of recognition, if you have designed your program well, you will gain productivity, better employee retention, and increased competitiveness of your MFI.

We have discussed the importance of compensation's three key areas: salary, benefits, and incentives/reward/recognition. Each compensation item is influenced by numerous internal and external factors. Accordingly, compensation has the power to substantially improve both employee morale and the performance of your organization. Therefore, it is extremely important to carefully analyse a proper mix of salary, benefits, and incentives/rewards/recognition for your specific MFI.

Points to Remember

➢ Your complete compensation package should reflect your MFI's mission and culture.

Exercise   **Non-Financial Rewards**   **30 minutes**

For this exercise, participants will divide into 2 groups to brainstorm ideas for various non-financial incentives and rewards. This will be a competition to see which group can list the most number of non-financial incentives. Give the groups 15minutes to brainstorm and flipchart their list. Encourage participants that there will be a "non-financial incentive" for the winner who comes ups with the most non-financial incentives.

Bring groups back and review lists, counting up to see which group had the most incentives listed. Give lots of verbal recognition (to demonstrate the value of positive feedback as a reward) and also have a prize (like candy) for the winners. Plan for 15 minutes. Refer to the following material for possible responses.

➢ Ensure your compensation package is motivating for staff by asking for input and including their feedback in the composition and design of the package.

➢ Financial compensation only constitutes a portion of the reward employees receive from the work experience. Do not underestimate the value of verbal recognition and appreciation for staff contributions to your MFI's success

Session 5: Recruitment, Selection, and Orientation

Session Overview

Objectives:

➢ Identify the key steps in an effective recruitment and selection process.

➢ Understand the value of following a defined recruitment and selection process.

➢ Discuss the importance of implementing an orientation program for all new employees.

Time: 4 hours

Methods: Lecture, exercises, and discussion

Materials: Flipcharts and pens,

Slide Show: Electronic PowerPoint presentations: Session 5: hard copy of the PowerPoint presentations and facilitator's notes.

Handouts:

➢ 5.1 Profile of an Effective Credit Officer

➢ 5.2 Sample Application Form

➢ 5.3 Sample Interview Questions

➢ 5.4 Sample Interview Assessment Form

➢ 5.5 Sample Reference Check Questions

Exercises:

➢ 5.1: What are the Costs of Making a Wrong Hire? (10)

➢ 5.2: Recruitment and Selection Process (20)

➢ 5.3: Identifying Source to Recruit Candidates (5)

➢ 5.4: Self Test Interview Questions (10)

➢ 5.5: Recruiting for Institutional Fit (10)

➢ 5.6: Case Study Making the Wrong Hire (20)

1. **Recruitment and Selection – What and Why?**
    Time: 20 minutes
    Exercises:

    ➢ 5.1: What are the Costs of Making a Wrong Hire? (10)

    Slides: 10
    Handouts: none

2. **Recruitment and Selection Process**
    Time: 100 minutes

Slides: 28
Exercise:
> ➢ 5.2: Recruitment and Selection Process (20)

> ➢ 5.3: Identifying Source to Recruit Candidates

Handouts:
> ➢ 5.1 Profile of an Effective Credit Officer

> ➢ 5.2 Sample Application Form

> ➢ 5.3 Sample Interview Questions

> ➢ 5.4 Sample Interview Assessment Form

> ➢ 5.5 Sample Reference Check Questions

3. **Make a Decision and Institutional Fit**
Time: 30 minutes
Exercise:
> ➢ 5.5: Recruiting for Institutional Fit (10)

Slides: 2
Handouts: none

4. **Orientation**
Slides: 11
Time: 60 minutes
> ➢ **Exercises:** 5.6: Case Study Making the Wrong Hire (20)

Handouts: none

PROCEDURE

1. **Recruitment and Selection – What and Why?**
Time: 20 minutes
> ➢ Exercises: 5.1: What are the Costs of Making a Wrong Hire? (10)

Slides: 10
Handouts: none

What is recruitment and selection?

Recruitment is the search for qualified applicants and selection is the evaluation and decision of which candidate is the best match for the job and the institution. The whole process begins with identifying your needs and ends with negotiating the final offer with the candidate and making the hire.

Why is recruitment and selection important?

Institutions are successful because of their *people* – both past and present. Critical to your future success is the quality of the people your MFI can attract/recruit. Hiring the right person has tremendous benefits. The right person is someone who is well matched to the job tasks and your institution's values and goals. If a person is a "good fit", they will demonstrate high levels of initiative and creativity; they will be productive and likely stay with your MFI.

What are the costs of hiring the wrong person?

Direct Costs

Anyone experiencing "a wrong hire" will tell you the costs of this mistake. First, direct dollar costs can be significant. These direct costs include salary for the non-performing staff, the severance package you may pay to the departing employee and the expenses such as advertising incurred to attract the new employee. Other direct costs may include legal fees, changing the locks or other security information, orientation and training materials for the new employee, and other details specific to your MFI.

Indirect Costs

Indirect costs may have an even greater impact than direct costs. A mismatched employee usually affects overall morale and reduces general productivity of all staff. Many hours of management time can be spent dealing with these and other aspects of the situation. This is time that managers could have spent productively. A wrong hire at the *management* level has even more serious consequences and indirect costs.

How can you tell if you've hired the wrong person?

Some "wrong hires" are obvious from the beginning. However, it is not always clear when employees are not well matched to the job tasks. These "borderline employees" are the biggest drain on an institution's resources. It will be obvious that these employees are not doing their share of the work, and consistently receive marginal performance reviews. The manager may believe that this person just needs a little more time to learn and improve; however, the employee never moves beyond marginal performance. Some experts believe that one exceptional employee can accomplish as much if not more work than three marginal employees.

Why do we make poor hiring decisions?

➢ *Not enough information:* Many decisions within the recruitment and selection process need to be made without knowing all the details about each applicant.

➢ *Not objective*: Decisions we make about other people can be very subjective - they can be based on our own likes/dislikes instead of the applicant's skills.

➢ *Not enough money*: Organizations are not willing to pay the direct and indirect costs necessary to support a proper recruitment process.

➢ *Not enough time*: Managers are often overworked, and do not have the time to recruit properly, and therefore make quick decisions.

> ➢ *Not enough tools*: Good hiring decisions require skill, knowledge, and a proper recruitment and selection process.

How can we make good hiring decisions?

Following a basic framework and methodology for the selection process will help to guide hiring decisions. However, making a good hiring decision involves more than following a process. Good decisions require knowledge of human nature –that is, an understanding of human behaviour. Often managers use a "gut feeling" in the hiring process, and make a subjective decision based on liking or disliking the candidate. Although this intuition can be part of the hiring decision, it should not be the only reason to hire or not hire a candidate. The key to successful recruitment is to integrate intuition and logical analysis. If the candidate's skills and experience say "yes", but something else about the person is telling you "no", then further reflection on the details and organizational fit is required.

Making the right hiring decision can never be guaranteed, however, spending time and resources in a proper recruitment process will help to minimize those "mismatched employees." The following process will help give you the tools and information you require in recruiting. This content is specifically designed for MFIs; however, the basic principles are transferable to most recruiting situations, with modifications.

Are there legal and cultural issues we need to consider?

The legal issues of recruiting have become increasingly more important and complex over the past few years. Many "people" decisions are governed by regulation. It is extremely important that you know and follow the legal requirements for your region. This may include human rights legislation that prohibits discrimination and requires equal opportunity for all applicants. Equal opportunity refers to the principle that employment decisions should be based on criteria relating to the applicant's ability to do the job, not on factors that are unrelated to job performance, such as skin colour, nationality, or gender. Many other rules and regulations may govern how you can recruit and select new employees. As an employer it is important for you to know what laws apply to you, and to follow those rules.

Cultural Issues in Recruitment/Selection

This is how one MFI dealt with the cultural issues with regard to hire women credit officers in Afghanistan.

1) We arrange for the women to work in pairs: a Senior Credit Officer and a second Credit Officer, both of whom travel to the field every day. The program provides transport to the field with a car and driver. Everyone has a cell phone so they can contact each other.

2) In each of the six field areas where we work, we rented a few rooms in a house to hold meetings (training, collection, and disbursements) and hired an "area guide". This is a local woman who doesn't have to be literate - she just has to know everyone in the village, and be well-respected in the area. As the client load gets larger, we also hire "Credit Officer Assistants" from the area. These women are literate and can help with collections and paperwork. They also live in the local area.

The staff still need to go to client homes to take loan applications and do monitoring, but when they can go with someone from the area, its not so much like going into a "strange house." Four women work in each area with the Senior Credit Officer responsible for coordinating the activities of each day/week/etc. For efficiency indicators, only the two Credit Officers are counted in the ratios of clients to Credit Officers. The payments to the assistants and the guides are considered direct program costs, much like the rent for the area house.

Discussion: Costs of Making a Wrong Hire   10 minutes

Ask the group: "Has anyone here had to terminate an employee?" Ask for show of hands to illustrate that this is something we have all experienced.
Pose the question: "What are the costs involved in making a wrong hire?" Flipchart direct costs and indirect costs, and top up the list with the following material.

In addition to following the legal requirements, you may also face challenges in cultural norms in the region where you operate. In countries where it is most appropriate to hire women credit officers because clients are women, the prevailing social context can complicate the situation. In a Muslim culture, women may not feel comfortable going out to the field and visiting strange houses. Figure 4.1 is an example of how one MFI handled this challenge.

What about hiring friends and family?

It is extremely risky to hire close friends and relatives of current employees, particularly if you do not ensure that the individual meets the job requirements through a screening process. Managers may feel obligated to hire an employee's friend or family member to avoid offending the employee. Managers may also feel pressure to hire their own close friends or relatives. All of these situations can introduce complicated staff management issues and the potential for corruption and fraud.

To address these pressures, you may consider adopting an organizational policy against hiring family members. This policy can be useful in explaining to those friends and family members why they cannot be hired. Another less rigid strategy is to have a policy that permits the hiring of relatives but restricts family members from working in the same department or reporting to each other or the same supervisor. Regardless, it is critical to enforce the recruitment process (application forms, tests, interviews, etc.) for all applicants, including friends and relatives. This approach will allow you the opportunity to consider friends and family for a job, but decline those who do not meet the requirements.

PROCEDURE

2. **Recruitment and Selection Process**
   Time: 100 minutes
   Slides: 28
   Exercise:
   - ➢ 5.2: Recruitment and Selection Process (20)
   - ➢ 5.3: Identifying Source to Recruit Candidates

   Handouts:
   - ➢ 5.1 Profile of an Effective Credit Officer
   - ➢ 5.2 Sample Application Form
   - ➢ 5.3 Sample Interview Questions
   - ➢ 5.4 Sample Interview Assessment Form
   - ➢ 5.5 Sample Reference Check Questions
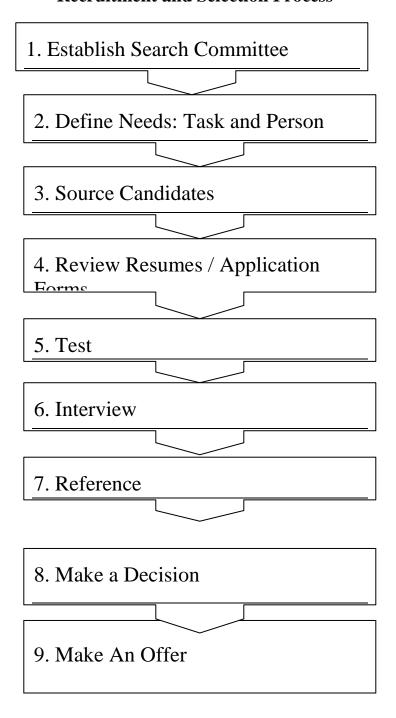
What is the recruitment and selection process?

Each of the following steps outlined in the recruitment and selection process are important to follow every time you make a hire. The steps may be modified, or completed in a slightly different order to suit the situation, but it is important to consider each step in this process when hiring new staff.

> **Idea:**
>
> The number of steps may seem overwhelming, but they can be quick and easy -- or may even be removed if not appropriate. A proper recruitment and selection process does not need to be onerous to be effective.

Recruitment and Selection Process

1. Establish Search Committee

2. Define Needs: Task and Person

3. Source Candidates

4. Review Resumes / Application Forms

5. Test

6. Interview

7. Reference

8. Make a Decision

9. Make An Offer

Step 1: Establish a Search Committee

A Search Committee may be as small as two people or it may involve more staff or even board members. Including more than one person in the recruitment process is important for several reasons.

➢ Involving the opinions of more people can help to reduce subjective hiring decisions that are based solely on the candidate's personality instead of skills and institutional fit.

➢ It can be useful to have several people involved in the recruitment process in order to discuss the relative strengths and weaknesses of candidates.

➢ It can help to share responsibility for the hiring decision, and alleviate pressure if friends or family members have applied for the position.

➢ The new employee will work with many different people within your MFI. If some of those people are involved in the hiring decision, they will take greater responsibility in helping the new employee to adjust and become successful.

The type of position you are filling will determine who and how many people should be on the Search Committee. At a minimum, the Search Committee should consist of the hiring manager of the position and the HR Manager. Where appropriate, other members might include board members for senior level positions, key co-workers of the position, or employees with the specific technical expertise also required for the position.

Once the Search Committee is determined, committee members will review and modify the remaining steps of the recruitment process to suit the current hire. Where possible, it is ideal if the Search Committee is involved in all steps of the recruitment.

What role should head office play in the recruitment process?

As the MFI grows and expands into branch offices, issues of centralization for various functions will start to arise. Overall, it is important that HRM functions and responsibility should be monitored, if not completely retained at head office. A clear policy and minimum expectations for recruitment and hiring decisions are critical in this respect. To facilitate this, the recruitment process should be standardized and documented, and then Branch Managers should be trained on the documented procedures. The recruitment process could include required steps such as: reference checks; approval from a senior manager or HR Manager *before* extending an offer.

With firm recruitment policies, the HR Manager can then support and advise the Branch Manager in following the recruitment procedure from head office. This support could be highly involved, such as traveling to the branch location to participate in the process, or simply through phone calls and email communications. Where possible, the HR Manager should be involved in at least one stage of interviews – either in person or by phone. For all senior positions, final candidates should travel to the head office for final interviews. This is an excellent opportunity for senior management to meet the candidate, to demonstrate the institutional culture to the candidate and ensure that this person would be an organizational fit.

Step 2: Define Needs: Task and Person

Effective people decisions begin with the position, not the person. It is critical to review the skills, knowledge and other characteristics required to perform the job before starting to look at candidates. Filling a vacancy is an excellent opportunity to review the job details and ensure that the job tasks have not changed and the job description is accurate. If you don't know the skills and type of person you are looking for, then it is difficult to know when you have found the right person. A job description and job analysis can be used to help define what skills and qualifications are required for the job.

What is a job description?

A job description is a short outline of the major role and tasks of a particular position. Although it is useful in the recruitment process, the job description is only a start. The job description documents the functions of the job. For proper recruitment, we also need to understand what skills and qualities are important to perform those functions successfully. For examples of job descriptions, please refer to Handout 3.3: Sample Job Descriptions.

What are job requirements?

> **Idea:**
>
> Job Descriptions were already reviewed in Section 4. If necessary, you can refer to Handout 4.2 which contains examples of Job Descriptions.

To understand what is required to "do" a specific job, you should conduct a job analysis. This exercise is best completed with the Search Committee, although input from other sources may be valuable in getting an accurate understanding of the job requirements. Managers, co-workers, and employees performing the same job can provide useful insight into the position's role, tasks and requirements. In all cases, try to obtain realistic and observable information about the job. The goal of the job analysis is to create a guideline that will help you hire the best-matched person.

> "The majority of hiring mistakes made each day could have been prevented if the people responsible for hiring simply did a more effective job of determining exactly what they were looking for before they started to look."
>
> On Hiring,

JOB ANALYSIS

STEP 1	List the *major goals* or results to be achieved by this position/person. Why does this job exist? How does it fit within the organizational structure?
STEP 2	List the major *functional responsibilities* of the position. What activities are necessary to achieve the major goals outlined in STEP 1? What tasks will take up the majority of the employee's time? List these functions in order of importance.
STEP 3	List the essential/necessary *skills* or *special knowledge* critical to each function outlined in STEP 2. What education is required to perform the tasks? (reading, writing, math) How many years of work experience is required to perform the job? What other special knowledge or skills are required?
STEP 4	List the *personal qualities* that will be important in performing the job. What personality type will work best with the position's manager? What personality type will fit best with the work environment? (is the office environment social, solitary, fast paced, or constantly changing, etc) What personal qualities will best match the job duties? (Figure 4.4: Positive Personal Qualities)
STEP 5	Compile the list of skills, knowledge and personal qualities created in STEPS 3 and 4. What are items on this list that you *MUST-HAVE?* These are the *absolute minimum requirements* that a candidate MUST-HAVE in order to do the job. What are the items on this list that would be *NICE-TO-HAVE?* These are qualities that are not necessary to do the job, but would enhance performance.

Another useful exercise to determine job requirements is to review the type of person that has been successful in this position. Listing the qualities of past employees who have done the job is very useful in determining what

to look for in future employees. Your contacts from other MFIs with similar jobs can also provide valuable insight on important skills and qualifications. *Handout 5.1: A Profile of an Effective Credit Officer* is an example of what qualities are important for credit officers.

What are your institutional requirements?

A personality fit between the candidate and your institution is crucial. Similar to STEP 4 of the Job Analysis, this match between the person and the MFI focuses on personal qualities. It is important to identify the values and culture within your MFI, and to seek candidates who will support those principles. The way you conduct your recruitment process will demonstrate your institutional culture and values to the candidate. Use opportunities such as the application form and interviews to communicate with the candidate about your institutional values. Ask applicants to describe their own working style, preferred working environment, or even ask

them to comment on your mission statement. The more often you meet or interact with the candidate the better understanding you will have about their fit with your MFI and their general personal qualities.

Regardless of the specific job, experts have identified some positive personality traits (Figure 4.4) that can make the difference between a candidate who CAN do the job and a candidate who WILL do the job. When defining your list of needs (both MUST-HAVE and NICE-TO-HAVE), personal qualities are important traits to consider, particularly when recruiting in regions with an unskilled workforce.

By the end of Step 2 of the recruitment process, you should have created a profile of the ideal candidate for the position. Within that profile, qualifications should be separated between the skills and qualities a candidate MUST-HAVE to fulfil the duties, and the skills and qualities that would be NICE-TO-HAVE but are not necessary to perform the job.

Positive Personal Qualities

> ➢ Willingness to learn
>
> ➢ Communication/Listening Skills
>
> ➢ Enthusiasm/Motivation
>
> ➢ Positive Outlook
>
> ➢ Reliable/Responsible
>
> ➢ Analytical Skills
>
> ➢ Loyalty/Dedication/Integrity
>
> ➢ Flexible
>
> ➢ Confident

This profile can then be used to search for a suitable candidate. All applicants can be compared to the profile to see which person will be the best match. If a suitable candidate is not identified after a thorough search, the profile should be reviewed. Ensure that the skills and qualities listed in the profile are realistic. If possible, it may be necessary to lower the requirements for the position, or reconsider other factors that might attract qualified candidates, such as an increased salary or different job title.

Idea:

Handout 5.1:A Profile of an Effective Credit Officer is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on this handout.

In some cases, candidates may not be available with the skills required for the position, and you may need to consider alternatives to hiring a fully qualified candidate. A common strategy in this circumstance is to provide training to the most closely suited candidate. Depending on the resources available, an external training course could provide the necessary skills, or simply providing the new employee with extra on-the-job training may meet your requirements. For more on this, refer to the discussion on pre-employment testing later in this section.

How do we document our needs in a job posting?

After you have completed the process outlined above, you can create a short advertisement or posting to briefly describe the job and requirements. This tool will help you to communicate to potential applicants the type of person you would like to hire. The posting should be brief and explain clearly what qualifications are required (your MUST-HAVES) and what qualifications would be ideal (your NICE-TO-HAVES).

Taking the time to write an effective job posting will not only help you to attract the right candidates, but it may also save you time in the recruitment process. By clearly stating the minimum qualifications (your MUST-HAVES), the major job functions, and any important working conditions (extensive travel, part-time hours, office location, etc), candidates will know if they should apply. This can save you the time of reading through countless resumes from unqualified applicants.

Your job posting is also the first impression your new staff person will have of your MFI. This is your chance to communicate your institutional culture and start off on the right foot. Pay attention to the priority you give various qualifications in your posting. Notice what words you use to describe your MFI and the job functions. You may also consider including your mission statement and link to your web site to allow applicants to learn more about your MFI. This will go a long way to helping you find a good fit.

 Discussion: Identifying Sources to Recruit Candidates   10 minutes

Ask participants to turn to the person beside them and discuss places and strategies they have used to find candidates. Where do they find a lot of candidates? Give 5 minutes to discuss. Call the group back together and ask learners to name out places they have used to successfully recruit candidates in the past. Write the answers on a flipchart. Top up the list. Here are some potential responses:

Professional associates / contacts	Member associations (newsletters / websites)
Conventions / workshops / courses	Past employers
Similar organizations	Current and past employees

Finding an adequate pool of qualified candidates from which to choose can be one of the most difficult parts of the whole process. The time to start looking for candidates is **not** after someone quits, nor when a new position is created. *Always look for good/potential candidates*. This requires vigilance, constant recruiting and networking. Needs should be anticipated in advance, so that you are poised and ready when a vacancy occurs. As discussed in Section 5, the time you spend in succession planning will contribute to your anticipation and responsiveness to filling vacancies and will help to alleviate the urgency of an unexpected gap in staffing.

Where do we look for candidates?
Current Employees
> One of the first places to look for candidates is within your own staff. Do not assume anything about current staff. Ask questions. Circulate the job posting to your current staff. Talk to staff. Be creative and open-minded. If a current staff member *perceives* that he/she is qualified for a position, and you do not consider them for the position, this can greatly affect morale. You don't want to end up filling two vacancies. The time you spend in succession planning will pay off when searching for candidates internally.

Resumes on File
> Reviewing the current resumes you have on file is the next step.

Networking

Networking, word-of-mouth and referrals are the best sources to find candidates. *Everyone you know and whose judgement you value should be occasionally and repeatedly asked if they know of suitable candidates for your institution.* The following is list of places/people to start building your network:

Personal Contacts	Conventions/Workshops/Courses	Church
Family/Friends	Similar Organizations	Schools
Professional Associates	Past Employers	Clubs/Associations
Member Associations	Current and past employees	

Many MFIs in Africa have recruited highly qualified staff by visiting microfinance courses offered in the area and speaking to course graduates. This gives managers the confidence that their new employee has the specific knowledge and person interest to excel.

Advertising

Advertising is another avenue for sourcing candidates, but costs are a consideration. In some cases, advertising can be expensive and ineffective. It is free to post your "Job Opportunity" at your own bulletin boards and web sites, as well as those of other institutions. This method will also help to build up your contacts for networking. Other potential places to advertise include local newspapers, association newsletters, and magazines. Remember, where you choose to place your advertisement will determine not only the type of candidates who might apply, but also the message you send about your MFI's institutional culture.

Reviewing a lot of resumes can become tedious, but take the time to approach this task seriously. Each resume will be different and it can be difficult to identify good candidates. To help with this task, you may decide to read over the resumes in batches. If you choose to delegate this job, make sure to periodically review the "reject" pile to verify that good candidates have not been overlooked. Every resume should be compared to the profile of the ideal candidate you defined at the beginning of the recruitment process, and resumes should be sorted into three piles: yes, no and maybe.

YES	NO	MAYBE
Candidate **has** all the MUST-HAVE requirements.	Candidate **does not have** the MUST-HAVE requirements.	Unclear if the candidate's qualifications meet the MUST-HAVE criteria.

Tips for sorting resumes

➢ Search the resume for your MUST-HAVE qualifications. Some candidates may present very strong qualifications, background and skills that are not on your list. Even if the candidate is well qualified, if they do not have what you are looking for, they will not be a good match for the position.

➢ Don't be impressed by fancy paper, etc. Look at the content of the resume.

➢ Look for missing or unusual information. What are the starting and ending dates for jobs and schooling? Do you see gaps in the applicants work history? Often what is *not* said can be as revealing as what *is* said.

➢ Look for achievement, growth and progress.

➢ When sorting resumes, remember you are only deciding if you should *interview* the applicant, not if you should *hire* the applicant.

Should we use an application form?

The application form is an excellent tool that allows you to get the same information from each candidate. Usually, most of the information you need is provided on the resume, however not every applicant will include the same kinds of details. The application form allows you to compare candidates based on the same information. Using an application form also gives you the opportunity to assess whether or not the candidate can follow directions and is willing to do what is asked of them. An example of what to include on an application form is found in *Handout 4.2: Sample Application Form.*

Idea:

Ask participants to take out Handout 4.2: Sample Application Form and review the form with them, highlighting the Code of Conduct.

Step 5: Test

Testing applicants is an excellent method of determining actual skill level. Candidates can exaggerate experience on their resume and sound knowledgeable in an interview, but it is difficult for candidates to overstate skills on a test. The testing process will allow you to carefully evaluate how closely the candidate matches your MUST-HAVE requirements. This is particularly true if you can design the test to resemble work-related situations.

Testing is also a valuable tool when none of the applicants posses your MUST-HAVE skills. Review the list of MUST-HAVE skills created in STEP 3 of the Job Analysis you completed at the beginning of the recruitment process. Often, these are skills that can be learned. If the skills are math-related, you might consider asking candidates to take a math test ranging from simple to more complex questions. Reading comprehension, writing, accounting, or other basic skills are also easily tested. Use the applicants' answers to gauge which candidates might be able to quickly learn the skills you require.

In selecting or creating an employment test, it is very important to ensure that you can directly relate the score on that test to actual job requirements. Making this link will not only improve the usefulness of the test, but will also mitigate any potential legal issues from candidates you choose not to hire based on test results. For this reason, we strongly caution the use of psychological or personality tests. If you choose to pursue this type of testing for candidates, it is best to use an outside expert to administer the test, or minimally, ensure that the test you use has been verified through research to be valid and reliable.

> One MFI that highly values interpersonal skills started to use a personality test to aid the selection process. Although it could have been beneficial, the MFI did not have the time or resources to effectively deliver the tests. Additionally, the MFI felt the test was too overwhelming and uncomfortable in the local culture, and decided to stop using the personality test.

How should we administer the test?

When administering the test, have the candidate complete the test at your office. This will ensure that it is actually the candidate who is answering the questions. You will also be able to observe valuable information about the candidate from the testing experience. Are candidates willing to take the test? Are they able to concentrate on the questions? How long did it take for them to complete the test? Could they follow the instructions? Did they ask for clarification when they did not understand a question? These and other observations will be indicators of how that candidate will perform in a work setting.
What is pre-employment training?

In cases where the applicant pool is very limited and candidates lack the required skills, you may need to consider which candidates could be capable of learning the job. One way to test an applicant's aptitude and attitude to succeed is to implement a pre-employment training program. This is simply an extended period of testing and/or "on-the-job training" that allows you more time to observe how candidates will learn and work. Many organizations use pre-employment training programs when applicants do not possess the required MUST-HAVE skills.

Pre-employment training is structured as an intensive testing and training time for the top number of candidates you have identified through the first steps of the recruitment process. This process is often used during a "start-up" period or major expansion when hiring more than one employee to fill the same position. For example, if you need to hire four Credit Officers, you may ask the best six or eight candidates to participate in a pre-employment training session. At the end of the session, you can decide which of the four candidates you will hire.

In the pre-employment training session, candidates participate in "on-the-job" orientation and training to learn about the various tasks and duties required for the job. This involves a number of activities, including group information sessions for all the candidates, following a current employee in a similar position, and completing a few tasks independently.

Technical skills and attitude are both very important for one MFI in Latin America. Technical skills are assessed through a selection test that is conducted at the beginning. During a two-week training, they get the opportunity to know the candidates better and form an opinion about their skills. This two-week training includes a day in the field to observe their behaviours and attitude through the branch's personnel. Sometimes the candidates cancel their application because they do not like the work. At the end of the training period candidates take a technical test with respect to the methodology and policies they learned during the training. Finally, during their first few months of work, another evaluation is conducted and the supervisor gives feedback

During this time it is important to observe each candidate. How quickly do they learn the various aspects of the job? How well do they interact with current employees? How do they treat clients? How do they deal with frustrations? At the end of the pre-employment training, you will be able to determine which candidate will be the best match for the job.

A common structure for the pre-employment training is to pay for the candidates' direct expenses and perhaps a small stipend, but not a salary. Examples of direct expenses that you might pay are transportation to work or materials required for work such as notepads. Although pre-employment training can be expensive, it is an extremely effective tool in selecting quality employees with the right institutional fit.

Idea:

Highlight that testing should be directly related to the job and accurately measures actual job requirements.

The interview, if conducted appropriately, is your best tool for evaluating a candidate. The interview allows both the employer and the candidate the opportunity to determine if the job is a "match". Having a discussion with the candidate about skills, abilities, and values will help you make an effective decision regarding their suitability.

The more often you are able to meet the candidate, the better decision you will make about their "match" for the job. If time and costs permit, ask the applicant to come for more than one interview. It is also valuable to have at least two different people in the organization meet the candidate. At a minimum, the hiring manager and the HR Manager should meet every candidate once. Where possible, aim to have all members of the Search Committee participate in the interview process.

How do you conduct a successful interview?

1. **Be prepared:**

   ➢ Set up a clean, confidential, and quiet area in which to conduct the interview with no interruptions - turn cell phones off.

   ➢ Review and bring with you a copy of the candidate's resume/application form.

   ➢ Develop a list of questions to ask. (see point #4)

   Bring paper and a pen to take notes. It is appropriate and necessary to take notes during the interview. Notes are critical for later review and comparison.

2. *Listen 80% of the time; Talk 20% of the time!*

3. **Establish and maintain rapport with candidate**

   Explain to the candidate the purpose and the process of the interview. Begin the interview with subjects that are familiar to the applicant, such as hobbies, their work experiences, etc. This gets the candidate talking and helps the person relax, setting the pace for the "tough" questions which are asked later. It is important to create a non-threatening climate by keeping the environment relaxed and friendly. The candidate will be more willing to answer questions. This encourages open discussion.

4. **Develop effective questions:**

   Your questions should be based on the profile you developed earlier in the recruitment process. It is advisable to develop a standard list of questions to ask all candidates. You may modify each interview by using appropriate follow-up questions depending on candidates' responses. Basing each interview on standard questions will help you to get the same information from each applicant, and will ease your comparison of candidates after the interview process is complete.

Idea:

Highlight the material on designing effective questions as an important component of good interviews. Exercise 4a will demonstrate the importance of good questions. Handout 4.3: Sample Interview Questions is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on this handout .

Be sure to ask questions about the MUST-HAVE requirements and allow an opportunity to explore some of the NICE-TO-HAVE qualifications as well. These questions are simply a starting point and will need to be expanded, revised and tailored to suit each different vacancy and candidate, and your institutional culture. For a list of sample questions to ask during an interview, please refer to *Handout 4.3: Sample Interview Questions*.

> An MFI in Eastern Europe found an interview is the best way to find out how the candidate will do on the job. The MFI has standard questions that are asked, but they allow creativity for those running the interviews with two principles: all candidates must be asked the same questions that form the basis of the hiring decision; and no personal questions (age, marital status, children, etc.) are allowed.

A few additional points to remember:

> ➢ Avoid questions that can be answered with a simple "yes" or no".
>
> ➢ Ask for the candidate to prove their skills and qualifications with examples.
>
> ➢ Avoid questions that tell the candidate how you want them to answer. This is common with inexperienced interviewers, especially those who talk a lot.
>
> ➢ Don't assume anything. If information is not clear, answers are vague, or inconsistent, then *ASK MORE QUESTIONS!*

5. **Allow the candidate to ask questions**

   You must also allow the candidate an opportunity to ask questions about the job and the organization. This is the candidate's opportunity to find out if the position will be a match for them. Pay close attention to what the applicant asks, as these questions will highlight the issues that are important to that person, and could flag a potential challenge. For example, questions about flexibility in work hours may point to punctuality or absenteeism problems in the future. Be sure you understand and probe the candidate's motivation in asking their questions.

6. **Adhere to legal requirements:**

   Know and understand the legal requirements you must follow in your country for employment related issues. You may be restricted in the type of information you are allowed to ask applicants (e.g. "How old are you?" or "Do you plan to have children?")

| **Exercise** | | **Self Test: Interview Questions** | **10 minutes** |

Distribute Exercise 4a to learners. Ask them to take a few minutes to read over the list of interview questions and determine if they are open-ended or close ended, leading, or otherwise problematic. Give participants 5 minutes to read and analyze questions.

In the large group review correct answers and facilitate any discussion.

How do you evaluate the candidate after the interview?

An Interview Assessment Form will help you to evaluate the candidate compared to your ideal profile. You should customize the form to reflect the MUST-HAVE and NICE-TO-HAVE qualifications you have identified (see *Handout 4.4: Sample Interview Assessment Form*). Each person involved in the interview should complete their own copy of the Interview Assessment Form immediately after the interview while thoughts and impressions are still fresh. This will help to objectively evaluate the candidate and to compare candidates at a

later discussion. Record your observations and conclusions quickly, accurately and carefully. It is very important to ensure you have clear documentation of how the candidate matches (or doesn't match) with the job.

Idea:
_____
Ask participants to turn to Handout 4.4 and briefly review it. Highlight the factors on the left of the assessment page as being MUST-HAVES or NICE-TO-HAVES.

Step 7: Reference

Referencing is an important tool in the selection process. One of the best predictors of *future behaviour is past behaviour!* Talking to other people who know the candidate allows you to hear about the candidate's past behaviour. Referencing can give you a chance to confirm your impressions and instincts about a candidate. Although it can be very helpful to talk to a person who knows the candidate well, it is important to remember the relationship of these two people, and consider motivations the reference may have for saying good or bad things about the candidate.

Completing reference checks can be very challenging in many circumstances. Often it is difficult to find a credible person who will give you feedback on your candidate. This may be due to factors such as the candidate's lack of formal work experiences or the willingness of a former supervisor to talk about the candidate.   Because referees will not want to jeopardize the applicant's chances of getting the job, referees have a tendency to only say good things about the candidate. Despite these challenges, it is worthwhile to pursue reference checks.

How do you conduct a reference check?

There are three methods for obtaining a reference: through mail or e-mail; through a personal interview; or through a telephone conversation. A written reference through mail or email is the poorest method of obtaining a meaningful reference. It takes more time and it is not possible to establish a "rapport" with the referee. You are unable to probe, ask follow up questions, or to hear hesitations. Direct contact with the referee is best, either through a personal interview or a phone conversation. For ease and speed, telephone references are the most frequently used option.

What questions should we ask?

As with the interview for the candidate, it is important to develop a set of questions to ask the referee. These questions should also be based on the MUST-HAVES and NICE-TO-HAVES developed early in the recruitment process. It will be important to verify the information provided by the candidate. If the candidate tells you in the interview that they always meet deadlines, and it is important for the position, ask the reference if this is true. As with the candidate interview, start off with easy to answer questions and work up to the more difficult and sensitive questions.

As stated earlier, referees are likely to only say positive things about the individual. Part of the value in referencing is to determine where a particular candidate might be weaker or just not the right fit. In order to encourage referees to share this type of information with you, questions can be phrased to allow the referee an opportunity to address the candidate's weaknesses. Even when discussing positive characteristics of the applicant, make sure to listen for **hesitations** and for what is **not** said. Please refer to *Handout 5.5: Sample Reference Check Questions* for a starting point to designing your own interview questions. These questions are a starting point only. Take notes while the person is talking, and fill in any additional information after the conversation.

Who should we contact for a reference?

It is best to ask the candidate to supply you with a list of references, and to inform the candidate when you intend to speak with their references. You can also ask the candidate to give you permission to contact specific people. If a candidate is unwilling to have you contact a previous employer, you should probe the candidate about the reason. Poor relationships or performance may be uncovered through who the applicant chooses to provide (or not provide) as a reference.

Former supervisors, especially the most recent supervisors, are the best source of information on the applicant. Supervisors usually evaluate the applicant's performance on a day-to-day basis. Other references may include the candidate's current or past co-workers or subordinates. The key with referencing is to find out how the candidate performed and behaved in past work experiences. Personal references are less valuable as they are usually friends with the candidate and will offer very positive feedback, and they will not have observed the candidate in a work setting.

You may also call educational institutions to verify academic degrees, certificates, or training the candidate claims to have completed.

> **Idea:**
>
> Handout 5.5 Sample Reference Check Questions is auxiliary information. Participants can review this handout in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on this handout.

How many references should we contact?

Generally, it is best to contact as many references as possible. At least two references are recommended. Do not always disqualify a candidate on the basis of one weak reference. Remember that the reference may have a personality conflict with the candidate, or may be a poor manager. This is why it is important to conduct several references and determine if the bad reference was a unique situation or if other references confirm the candidate's weaknesses.

When should we contact references?

A candidate must be referenced *BEFORE* an offer of employment is extended. The normal process is to conduct reference checks after the first interview if you would like to pursue the candidate. Avoid spending time and money on contacting references for candidates who are unsuitable.

Conducting references after interviewing the candidate allows you to ask references about issues, concerns, or strengths you noticed during the interview. Any concerns you uncover during the reference checks can be addressed with the candidate during a second interview.

If a candidate is currently working and does not want you to contact their employer, you may state to the candidate that an offer, if forthcoming, would be contingent upon a positive reference from the employer.

PROCEDURE

3.   **Make a Decision and Institutional Fit**
         Time: 30 minutes
         Exercise:
                 ➢ 5.5: Recruiting for Institutional Fit (10)

         Slides: 2
         Handouts: none

Step 8: Make a Decision

Ultimately, the final decision on which candidate to hire should be made by the hiring manager with the approval of his/her manager, and in consultation with the HR Manager. It is the hiring manager who will take on the day-to-day management of the candidate, and this manager needs to take responsibility for selecting a candidate who will fit well with their style. The role of the rest of the Search Committee is to help the hiring manager make the best decision, and to offer input and observations about the candidates.

One final candidate

If at the end of the process, you have one final candidate suitable for the position, then the decision is easy, provided the person has been interviewed, referenced, meets the MUST-HAVE criteria, and hopefully most of NICE-TO-HAVE criteria.

What if there are several final candidates?

The hard hiring decision is choosing between several equally qualified candidates (*if only we had more problems like that!*). To decide between candidates, the first step is to numerically rate (on a scale of 1 - 10) each candidate based on the ideal profile you created at the beginning of the recruitment process. Create a chart listing your MUST-HAVE requirements and your NICE-TO-HAVE qualities in order of importance. You can also include additional factors such as potential for promotion, long-term goals, salary considerations, etc. Give each candidate a numerical rating on each factor, and add up the scores. Choose the candidate with the highest score. If a decision is still difficult, perhaps completing additional references or interviewing the candidates again may help you reach a decision. Do not rush this process; sleep on your decision, clear your mind, and revisit it with a fresh outlook. This may help to confirm your instinct about the right candidate.

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Who Decides?

One system is the "two up rule". In all circumstances the next two levels of management must be consulted. The hiring manager's direct supervisor must *approve* the final selection prior to any offer of employment. For example, a Credit Officer is being hired and the reporting structure is as follows: Credit Officer to Branch Manager to Operations Manager to Executive Director. The Branch Manager and HR Manager are directly involved in the recruiting process.   The Operations Manager must **approve** the final hire, and may or may not be involved in the interviewing process but he/she *at a minimum* must review the final candidate. The Executive Director is simply informed of the hire.

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What if there are no qualified candidates?

Unfortunately, quite often it is difficult to find any applicants who meet your MUST-HAVE requirements. In this case, you should first review your MUST-HAVES. If these requirements are the absolute minimum, then you may need to re-advertise the position and seek additional sources of potential candidates. If after reviewing your MUST-HAVES, you can refine the requirements, perhaps you will be able to identify suitable candidates among your applicants. If not, then you should re-advertise with your new set of MUST-HAVES.
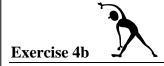
In most cases, you will need to choose from a pool of partly qualified applicants. The challenge will be to determine which candidates have the most potential to learn and perform in the job. Instead of measuring each candidate's current qualifications, you need to concentrate on each candidate's ability to learn. Another important characteristic will be the person's attitude toward work. The hiring decision will then be based more on the character and potential of the person rather than their current skills. Please refer to the testing section for a framework to measure candidates' aptitude and attitude to succeed.

Step 9: Make an Offer

The process is not complete until you have negotiated the terms of the employment agreement, and the candidate accepts the offer. Once you have made your final decision, you must still ensure that the candidate agrees that the job and organization is a match for their goals. Issues such as salary, benefits, start date, work conditions, work hours, and other details should be discussed with the candidate in a second interview. This will allow the candidate to consider these factors while you are finishing the decision process.

It is important to remember that although you may consider that applicants are in a situation where they don't have many employment options and the choice to hire is purely yours as the organization, it is always important to respect that each candidate does have the choice to accept the job or not. Even though it may seem odd, part of your job through the recruitment process is to respect that every candidate must also participate in the hiring decision. In this way, you should ensure that you are accurately informing the applicant about the full job details, your institutional culture, training opportunities, working conditions, and performance expectations, so that they can determine if your job is the best match for them. This is the one of the first steps toward better retention.

To make an offer, you should speak to the candidate personally, and outline all of the details of the offer. If possible, do not ask the candidate to give you an answer immediately, but present a date and time when the offer will expire. Encourage the candidate to reflect on the offer and discuss it with family and friends as appropriate. Ideally, you should follow up your phone conversation with a formal written offer or employment contract outlining all of the terms of employment. The best person to communicate with the candidate throughout the process is the HR Manager from your MFI. This removes the hiring manager from getting personally involved if the candidate wants to challenge the MFI's policies or negotiate for better terms in the contract. In this way, HRM can establish their role in applying policies and can allow for the manager and new employee to start their working relationship on the right foot.

Exercise 4b **Recruiting for Institutional Fit** **20 minutes**

A question that is often asked is "How do we find candidates who fit into our institutional culture?" This exercise is to help us get at that issue. Divide into the 4 groups of 6.

Instruct: "Based on the recruitment process we have just reviewed, what are ways you can assess candidates on institutional fit? To help you out, refer to the mission statement and Code of Conduct found in both the *Handout 2.1 Sample HR Policy Handbook* and *Handout 4.2 Application Form*. It is this institutional culture you are trying to assess in applicants."

Allow 10 minutes for discussion. Ask each group to report back – only adding new ideas to the information presented by the first group. Plan on 10 minutes for this discussion. Top up with these potential responses:

- By asking behaviour-based questions in the interview
- Application form
- Observing how the candidate presents themselves (words they use, dress)
- Reviewing resume for clubs/associations where they are members
- Observing how the candidate treats the receptionist/other staff
- Pay attention to the kind of language and words they use
- Ask references about their behaviour / attitude at work (contact pastor if appropriate)
- Pre-employment testing
- Job-shadowing
- Going out for dinner – see them in a more casual setting

Procedure

4. **Orientation**
   Slides: 11
   Time: 60 minutes
   ➢ **Exercises:** 5.6: Case Study Making the Wrong Hire (20)

   Handouts: none

Why conduct an orientation?

You have spent considerable time and money to recruit and hire your new employee. Although you may feel very confident that this person is the perfect match for the job and your MFI, if they are not given a proper introduction to your institution and work expectations, they may not perform effectively. All employees must be introduced to your MFI's values and culture. They must be told and shown what behaviours are acceptable, and learn what it takes to survive. A well-designed orientation can help to ensure your good match turns into a productive and happy employee.

An orientation can also reduce the stress and anxiety for the new employee by clearly outlining their job expectation and your MFI's policies and regulations. It also helps to establish good working relationships, which increase productivity and a stronger commitment to the institution. By drawing in other employees to help with the orientation, you will also get buy-in and support from others to help the new employee become successful.

What should we include in the orientation?

The orientation should cover all aspects of the job and organizational life, and it should reflect your MFI's culture. The first few days and weeks of work are excellent opportunities to establish the norms and values you want to emphasize in your institution. The following is a list of topics that could be included in a thorough orientation:

> ➢ Institutional issues: history, philosophy, organizational structure, strategy, work plan, policies, regulations, corporate brand, and commitment to customer service

> ➢ Benefits: salary system, vacation, hours of work, insurance coverage

> ➢ Staff: supervisors, co-workers, HR, Finance, Executive Director

> ➢ Outside contacts: clients, board members, donors, consultants, others

When should the orientation occur?

This is a trick question, because by the time your new employee starts, they have already formed an opinion about your MFI through your recruitment and selection process, and any advertising or public presence you have in the community. It is important to remember that the way you conduct the selection process communicates a lot about how your MFI treats and values employees. This could include how you treat applicants when they call, the setting for your interviews (ie, is the room piled high with files?), who is included in the interview, and how you follow up with candidates. Your treatment of all applicants (both those you interview and those you don't) will be remembered and affect your MFI's public image.

Orientation is an ongoing process that will not be completed in one session, or even at the end of a full week of scheduled meetings. It could take several weeks, months, or even longer (depending on the job) for the new employee to become fully oriented to the job and your institution. It is best to approach orientation as an ongoing process that will continue long after the initial training sessions have introduced your MFI's history and philosophy.

Orientation: A Typical Approach

As many MFIs experience, a natural tension often develops between field offices and head office. Strong and productive relationships are likely to be developed if staff in branch offices have a good understanding of your MFI's operations and the staff at head office. For example, when the Branch Manager actually sees the responsibilities of the accounting staff in head office, he/ she may be much more sensitive to the need for accurate and timely information produced at the branch level. Likewise, it is effective for head office staff to visit branch offices a few times a year. If the head office Accountant to spends the day with a Credit Officer, it may serve to increase the Accountant's understanding of issues at the branch level and increase support and motivation for the MFI's mission.

Who should conduct the orientation?

Responsibility for orientation should be shared between HRM and the immediate manager. A common practice is for the HR Manager to create a schedule and facilitate various aspects of the training and orientation. However, it may be the immediate manager who is conducting the specific job training and reviewing other details. Where possible, it is effective to have many staff involved in the orientation process. The following list outlines how others can be utilized to help orient the new employee.

> ➢ HRM should introduce the broader organizational topics such as policies, philosophy and structure.

> ➢ Direct manager can introduce other staff and give on-the-job training for specific job duties.

> ➢ Trainers or content experts such as department managers can be asked to provide the new employee with an introduction to their area of the organization (ie, Accountant can train on financial procedures, Office Manager can train on office systems, and other department heads could introduce their area of work)

> ➢ Other colleagues can be used in the orientation through an excellent technique called the "buddy system." This matches up the new employee with a specific colleague who is asked to help the employee feel comfortable and answer questions in a more casual role. The seasoned employee may be asked to

provide ongoing support over the course of several months, and periodically check in with the new employee to facilitate a smooth transition.

Where should the orientation occur?

When possible, it is a great idea to have all new employees go to head office for orientation. It sends a strong message that it is worthwhile for them to spend time learning about the MFI. This allows the HR Manager to provide a consistent message about your institution and you can ensure that all the topics are covered. Something that is very helpful to alleviate the inevitable information overload is to provide the new staff with written materials to reference. A binder containing policy handbooks, corporate statements, procedures, job descriptions, org charts, and staff lists will give the new employee a reference tool. Once the new employee has left head office and starts at their job in the branch office, give them a call after one or two weeks to follow up and see if they have any questions.

How can we ensure that the orientation we have planned will be effective?

The orientation you plan needs to reflect your specific institutional culture. The priority you place on this process, your attention to detail and the participation of others will all speak volumes to your new employee. The message will be loud and clear: "You are important, and we want you to succeed." You will be repaid with a loyal and committed worker who feels supported and eager to contribute to your MFI. Here are a few tips to help you plan a valuable orientation.

Be prepared

Create a good first impression. Before the new employee's first day, ensure that their work space is ready – complete with the necessary tools they will need for the job. Let other staff know the new person is starting by making an announcement ahead of time introducing the new employee on the first day. Greet the employee at the door on their first day of work.

Prioritize the order of information

In determining the order for the orientation material, put the most important information at the beginning. For example, the new employee should be given a tour of the office in the morning of the first day, starting with their office/desk, a spot to put their belongings, and the locations of restrooms and the kitchen.

Create a schedule

Give the employee a schedule of dates and times for the various topics that will be covered in their orientation. Include a list of the respective staff persons who will be responsible for introducing each topic. Please remember that an orientation takes time, and allow for the gradual introduction of each area.
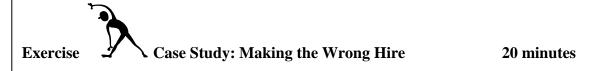
Pace the information

Too much or too little information can cause stress for the new employee. If the employee is inundated with forms, manuals, policies, charts, and background reading material all at the beginning, they may feel overwhelmed and may not absorb much of the information. On the other hand, if only broad brushstrokes are provided, the employee may be left to try and fill in the gaps and may become misinformed.

It is natural for new staff to feel overwhelmed, and it is good to let them know that this feeling is normal. But often, no matter what we do, it will take time for all the pieces to come together. Regular follow up, clear job expectations for the first few weeks, and a buddy system can go a long way in helping new staff feel comfortable during the learning curve.

Plan the workload

After a detailed orientation to the specific job tasks, find an appropriate project that will allow the new employee to ease into the job. No matter how talented, do not initiate your new employee with "trial by fire". Do not throw them into the job with limited task details expecting them to find their own way. But also be careful not to lose their interest with small, mundane tasks.

Exercise   **Case Study: Making the Wrong Hire**   **20 minutes**

Divide participants into 4 groups of 6. Distribute Exercise 4c: Case Study Part 2: Making the Wrong Hire. Ask learners to take a few minutes to read it. Answer any questions they have about the case. Allow participants 20 minutes to discuss the case and the question proposed.

After 20 minutes, each group should designate one person who will report back to the rest of the group. This person will present the discussion to the rest of the group. Allow 20 minutes to report back.

Facilitate discussion and answer any questions about recruitment, selection, or orientation.

Answer to the case:
Did you make the wrong hire? No, you are not able to assess that type of decision yet. The major problem in this case was the lack of a proper orientation, clear guidelines, and objectives set at the beginning of the job. The Executive Director gave the wrong message and should not have been away at the time the new Finance Manager started. To solve this issue, the HR Manager could have delayed the start date until the Executive Director returned.

Emphasize the human side

Including various staff as part of the orientation will allow the new employee to feel a connection with the organization. It will also facilitate opportunities for them to develop a support network within the MFI to help them become a successful and effective employee.

Does the orientation need to be customized for each new employee?

Yes and no. The orientation should be specific to the position that will be filled by the new employee. You will need to take into consideration all the information that new employee will need to know to perform their job. This will influence what information you cover, the priority it should take in the schedule, and who should be involved in the orientation process. However, as your MFI grows, it becomes even more important to ensure that a consistent message about the institution's culture, mission, and philosophy is provided to all new (and existing) employees. Standardized sessions during the orientation are one of the best ways to create and maintain an effective institutional culture. Depending on the size of your MFI, you may develop a video to use for orientation, or train staff in each region to present the standardized information for orientation.

Orientation is key to helping your staff adjust, learn the job and expectations, and feel good (and comfortable) at work. All of these factors are not only crucial to good performance, but also to job satisfaction - which are closely related for most people. Finally, orientation is another important step to imparting your "corporate culture".

Points to Remember

➢ Investing the time to set and follow a recruitment process will pay off with better decisions.

> Recruitment is an ongoing process. Do not wait for a vacancy. Identify internal candidates through succession planning and be on constant surveillance for new potential.

> Even an excellent new employee needs a well-planned orientation to become an effective member of the team.

Session 6: Staff Performance Management Development and Training

Session Overview

Objectives:

➢ Appreciate the importance of a Staff Performance Management Process

➢ Understand the critical steps of a Staff PMP

➢ Know how to set performance objectives

➢ Understand training and staff development plans; including HR's role

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Time: 6.5 hours

Methods: Lecture, exercises, and discussion

Materials: Flipcharts and pens,

Slide Show: Electronic PowerPoint presentations: Session 6: hard copy of the PowerPoint presentations and trainer's notes.

Handouts:

➢ 6.1 Sample Performance Objectives

➢ 6.2 Preparing Performance Management Meetings

➢ 6.3 Performance Appraisal Form

➢ 6.4 Guide to Creating a Personal Development Plan

➢ 6.5 Analyzing Performance Problems

➢ 6.6 Checklist for Planning and Conducting Terminations

➢ 6.7 Step by Step Guide for Conducting Terminations

➢ 6.8 Sample Training Policy for a MFI

➢ 6.9 Checklist for Planning Next Steps

Exercises:

➢ 6.1: What Are the Benefits of a PMP? (10)

➢ 6.2: Writing Performance Objectives (20)

➢ 6.3: Reviewing Performance Objectives and Giving Feedback (20) Optional

➢ 6.4: What Makes a Good Staff Manager? (5)

➢ 6.5: Airplanes (20) Optional

➢ 6.6: Steps in Performance Appraisal (10)

➢ 6.7: Training and Development Programs (20) Optional

➢ 6.8: Case Study: Analysing a Performance Gap (20)

➢ 6.9: Case Study: A Termination (10) Optional

➢ 6.10: Training Policy (15)

MicroSave – Market-led solutions for financial services

Overview:

1.   **Staff Performance Management: What and Why?**

   Time: 30 minutes

   Slides: 17

   Exercises: 6.1: What Are the Benefits of a PMP? (10)

   Handouts: none

2.   **PMP: Setting Performance Objectives**

   Time: 30 minutes

   Slides: 13

   Exercises:

   ➢ 6.2: Writing Performance Objectives (20)

   ➢ 6.3: Reviewing Performance Objectives and Giving Feedback (20) Optional

   Handouts:

   ➢ 6.2 Preparing Performance Management Meetings

3.   **PMP: Objectives and Interim Reviews**

   Time: 120 minutes

   Exercises:

   ➢ 6.4: What Makes a Good Staff Manager? (5)

   ➢ 6.5: Airplanes (20) Optional

   Handouts:

   ➢ 6.2: Preparing for Performance Management Meetings

4.   **PMP: Year End Appraisal**

   Time: 45 minutes

   Slides: 6

   Exercise: 6.6: Steps in Performance Appraisal (10)

   Handouts: None

5.   **Training and Development**

   Time: 15

   Slides: 9

   Handouts:

   ➢ 6.4 Guide to Creating a Personal Development Plan

   Exercise: 6.7: Training and Development Programs (20) Optional

6.   Closing Performance Gaps

Time: 75 minutes

Slides: 4

Handouts: <u>6.5 Analyzing Performance Problems</u>

Exercise:

➢ <u>6.8: Case Study: Analysing a Performance Gap</u> (20)

7.   Terminations

Time: 60 minutes

Slides: 4

Handouts:

➢ <u>6.6 Checklist for Planning and Conducting Terminations</u>

➢ <u>6.7 Step by Step Guide for Conducting Terminations</u> **Exercise:**

➢ <u>6.9: Case Study: A Termination</u> (10) Optional

8.   360 Degree Feedback

Time: 15 minutes

Slides: 3

Exercise: none

Handouts: none

9.   Succession Planning

Time: 20 minutes

Slides: 3

Exercise: none

Handouts: none

10.   HR Role in Training and Development

Time: 20 minutes

Slides: 2

Handouts:

➢ <u>6.8 Sample Training Policy for a MFI</u>

Exercise:

➢ 6.10: Training Policy (15)

11.   **Wrap up and Closing**

> **Time:** 20 minutes
>
> **Slides:** 4
>
> **Handouts:** 1
>
> > ➤ 6.9 Checklist for Planning Next Steps
>
> **Exercise:** none

Procedure

Staff Performance Management: What and Why?

> **Staff Performance Management: What and Why?**
>
> **Time:** 30 minutes
>
> **Slides:** 17
>
> **Exercises:** 6.1: What Are the Benefits of a PMP? (10)
>
> **Handouts:** none

What is staff performance management?

Performance management is the method by which managers delegate responsibility to staff in order to achieve specific results, and the effort managers make to ensure the success of their staff.

Why is staff performance management important?

Performance management is a process that helps employees reach higher levels of performance through objective setting, action plans, personal development, and ongoing discussions about institutional goals. Effective staff management will propel both your employees performance and the performance of your MFI and is essential to the success of the individual and the institution. As noted earlier in this Toolkit, the major share of an MFI's operating budget is often spent on staff, so it only makes sense that you actively ensure that managers throughout your MFI are managing their staff successfully.

What is the purpose and goal of a system for staff performance management?

The purpose of having a structured, institutional system for staff performance management is to ensure that EVERY employee receives direction and communication about their performance. As noted in Section 1: Introduction to Human Resource Management, all staff regardless of their position in your MFI need the same five things to be successful. Everyone needs to:

1. Identify with your MFI's mission;

2. Understand their role and how that contributes to the mission;

3. Know specifically what is expected of them;

4. Have the capacity, resources, and environment that makes success possible; and

5. Receive encouragement, constructive feedback, and opportunities to develop and improve.

An effective Performance Management Process (PMP) helps to ensure staff will have these key elements. A PMP assists both the employee and your MFI to achieve clearly defined goals. With a clear understanding of the job requirements and mutually acceptable performance objectives, work expectations and targets can be set. Then, by frequent and timely coaching, staff can each reach their goals. The PMP is one of the most important tools available to help managers ensure each staff member is successful.   A well-designed performance management process will:

> ➢ Provide consistent and systematic supervision to all staff in the organization

> ➢ Ensure that the mission, goals, objectives, and action plans of the organization are actually accomplished through individuals

> ➢ Focus supervision on promoting and supporting successful performance, not just reprimanding and correcting poor performance

> ➢ Take time to build trust and practice good one-on-one communication: listening, clarifying, and giving and receiving feedback

> ➢ Provide the opportunity for staff to participate in planning and monitoring their own work

---

Discussion: Flipchart Benefits of a PMP   **10 minutes**

Ask participants to reflect on how a structured process for staff performance management could be beneficial to their MFI. Flip chart answers. Top up the list with any remaining information. Potential answers might include:

Benefits of PMP
Clear understanding of expectations
Link to MFI goals
Regular feedback on performance
Chance to improve performance before it becomes big issue
Stop bad work habits from forming
Legal requirements – basis for promotion; termination
Increase morale
Better staff decisions for MFI – where to spend training $
Employees can reach higher levels of performance
Institutional diagnosis
Communication standards of performance – Institutional culture

---

What are the benefits of a structured Performance Management Process?

Both the MFI and the individual employee will realize the many benefits of an effective Performance Management Process. When used properly, the PMP:

> ➢ Provides an understanding for each employee of how their work and team efforts contribute to the department and organizational goals

> ➢ Creates year-round opportunities for regular coaching and feedback on job performance between employees and management, as well as a chance to adjust objectives as appropriate

➢ Increases job satisfaction and growth opportunities for staff

➢ Communicates general standards of performance and the knowledge, qualities, and skills valued by your MFI

➢ Provides a tool to address performance problems

➢ Facilitates staff development and training plans at both the individual and institutional level

➢ Increases the quality of your MFI's decisions (i.e. staffing decisions, salary increases, promotional opportunities, etc.)

➢ Increases the quality of individuals' decisions (i.e. how time and effort should be directed on the job and to career goals.)

➢ Enhances the attachment between the employees and the organization. When done well, the PMP demonstrates commitment (i.e. time spent with employees) and increases employee satisfaction, motivation, etc.

➢ Provides a foundation for institutional diagnosis and change

➢ Helps employees reach higher level of performance

What are some challenges of a Performance Management Process?

As with many systems that deal with people, you must understand that each person may have a different response to the process. Human behaviour is not always predictable and it may take time to adjust your PMP to find the delicate balance between institutional and individual needs. These are a few challenges you might experience as you work with a PMP:

➢ Senior management doesn't support and follow the PMP

➢ Over-emphasis of individual performance and under-emphasis of the team

➢ If the PMP process is not designed well or not delivered effectively, it can cause more harm than good by demoralizing staff or not addressing the right issues

➢ It takes time and money

➢ A performance appraisal system can send mixed messages, such as which are the most or least important tasks or the extent to which an organization values good performance

"Feedback provides insight about the skills and behaviors desired in the organization to accomplish the mission, vision, and goals and live the values. The feedback is firmly planted in behaviors needed to exceed customer expectations."

Susan M. Heathfield

360-Degree Feedback: The Good, the Bad, and the

> **If you do not have buy-in from key senior management that performance management is important, implementation of the PMP will not be successful.**

What does a Performance Management Process look like?
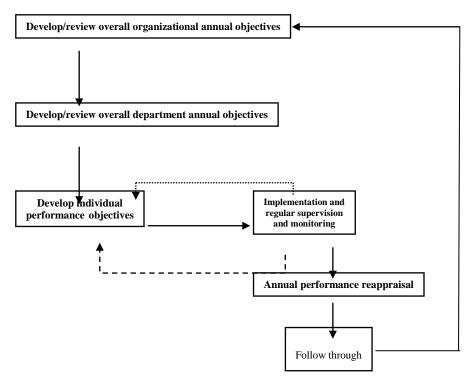
The PMP, depicted in Figure 5.1, has been utilized by a number of organizations and MFIs. MEDA developed this model based on extensive research and much trial and error. In this process, staff performance is based on a combination of objective evaluation through specific work objectives. It also contains a subjective component, which touches on *how* the job was accomplished. Whatever model you chose, it is recommended that, as a minimum standard, your performance management process should:

> ➢ Include all staff

> ➢ Be implemented at the beginning of the fiscal year

> ➢ Encourage ongoing feedback throughout the year

> ➢ Include a performance assessment of both work targets and work style/attitudes

The bottom-line is to ensure managers and employees are communicating about performance.

For an MFI in Mozambique, the performance management system is well developed. Every year, employees create an Individual Operational Plan (IOP) based on their branch's operational plan, which is in turn based on the institution's yearly targets towards fulfilling a 3-4 year business plan. The IOP outlines the employee's strategy to meet certain individual goals that will contribute to the organization's ability to meet its targets. The employee designs his/her own IOP and then confers with tier supervisor, who makes changes as needed to ensure the plan is acceptable and in line with the individual's capacity. The IOP must include performance targets (ie create at least 50 new groups) and personal career goals (ie attend accounting course). The IOP is a year plan which is jointly reviewed by the supervisor and employee every six months, and entails regular follow up throughout the year.

Staff Performance Management Process

```
┌──────────────────────────────────────────────────┐
│ Develop/review overall organizational annual      │◄─────┐
│ objectives                                        │      │
└──────────────────────────────────────────────────┘      │
                     │                                     │
                     ▼                                     │
┌──────────────────────────────────────────────────┐      │
│ Develop/review overall department annual          │      │
│ objectives                                        │      │
└──────────────────────────────────────────────────┘      │
        │                                                  │
        │         ............................             │
        ▼         :                          ▼             │
┌─────────────────────┐          ┌─────────────────────┐   │
│ Develop individual  │─────────►│ Implementation and  │   │
│ performance         │          │ regular supervision │   │
│ objectives          │          │ and monitoring      │   │
└─────────────────────┘          └─────────────────────┘   │
        ▲                                   │               │
        └ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┐          ▼               │
                                 ┌─────────────────────┐    │
                                 │ Annual performance  │    │
                                 │ reappraisal         │    │
                                 └─────────────────────┘    │
                                            │               │
                                            ▼               │
                                 ┌─────────────────────┐    │
                                 │ Follow through      │────┘
                                 └─────────────────────┘
```
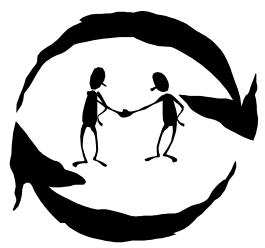
At first, the Performance Management Process may appear onerous; however, most of the work involves setting up and implementing the system the first time. Once the PMP process is up and running, administering and maintaining it will be easy and will become routine.

Almost everyone is familiar with the annual year-end appraisal. However, this is only one component of a complete PMP. As shown in Figure 5.2, the PMP cycle involves setting individual objectives at the start of the year, ongoing coaching and feedback throughout the year, a mid-term review, and the final annual appraisal at year-end. It is a cyclical process where the first step is just as important as third step. We cannot do the year-end appraisal if we do not set performance objectives at the beginning of the year. Employees need to know and understand, at the beginning of the evaluation cycle, how they will be evaluated. We will discuss each of these steps in more detail later in this section.

Performance Management Cycle

Step 3: Annual Appraisal
At year-end

Step 1: Set Individual Performance Objectives
At the beginning
of the year

Step 2: Ongoing Coaching and Feedback; Interim Reviews
Throughout the year

What are the employee's responsibilities?

Performance management is a partnership. To get the most value from this process, employees need to:

➢ Focus on organizational results and their contribution

➢ Participate in setting their annual performance objectives

➢ Actively participate, ask questions, and follow through on individual commitments

➢ Ask for, and listen openly to feedback from manager and others

➢ Initiate discussion about their own professional development

➢ Stay focused on their individual goals

What are the manager's responsibilities?

Managers are responsible for creating and sustaining an environment that supports their staff to reach performance goals by:

➢ Setting clear, measurable, and attainable objectives with input from employees

➢ Providing honest and timely feedback to employees, recognizing achievements, and tracking progress towards goals

➢ Recommending and supporting training and development

➢ Initiating and conducting semi-annual and annual performance reviews

What are HRM's responsibilities?

Human Resource Management will be the driving force behind designing and implementing the Performance Management Process. The system outlined in this toolkit is only one process; many different performance

management systems exist. It is important to select and modify a process to fit your MFI's needs and culture. In addition to the establishment of the overall process, HRM will also be involved in the ongoing support and maintenance of the process through:

> Helping managers to set clear, measurable, and attainable objectives with input from employees

> Providing training to staff on how to use the process effectively

> Ensuring all new staff receive an orientation on the process

> Monitoring the use of the process and reminding managers to set meetings and provide ongoing feedback at appropriate intervals

> Reviewing completed year-end performance appraisals for all staff to ensure the process is working and to monitor performance gap trends within the MFI

> Monitoring and adapting the PMP as required

"The Performance Management Process that was implemented two years ago had mixed reviews. With the assistance of a consultant, we modified the process to fit our needs."

- CAPA

The senior management at this MFI was committed to ensuring an effective PMP process. They persevered in implementing the process and eventually fine-tuned the process to fit their needs. The MFI's staff believe in effective staff feedback and appraisals and this was one of the keys to their success.

Procedure

2.   **PMP: Setting Performance Objectives**

Time: 30 minutes

Slides: 13

Exercises:

> 6.2: Writing Performance Objectives (20)

> 6.3: Reviewing Performance Objectives and Giving Feedback (20) Optional

Handouts:

> 6.2 Preparing Performance Management Meetings

What are the critical steps to an effective PMP?

Step 1: Setting Performance Objectives

The first step in this process is to clearly define performance objectives for each job task. As with every step in the process, this is a joint effort between the manager and employee.
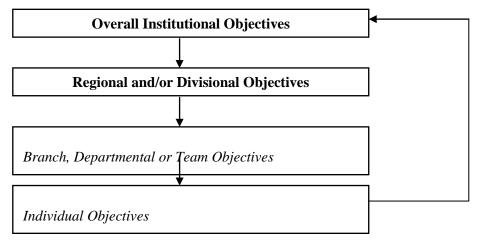
Performance objectives describe what the employee will be held accountable for, and defines important outcomes or results that contribute to the success of their branch and the MFI. Performance objectives are primarily derived from job descriptions and the annual goals set by the MFI. Normally a set of five to eight objectives is sufficient to describe the most critical outcomes of a position.

Before we discuss objectives further, let's examine how and why the annual goals of the MFI should impact individual objectives.

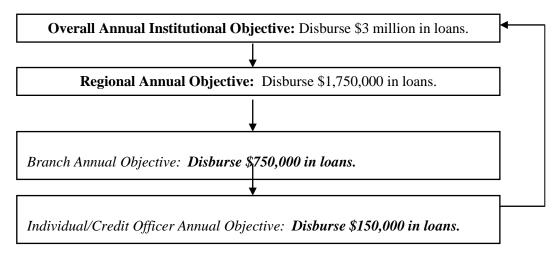# Why should individual performance objectives be aligned to the overall MFI's goals?

There is only one way to ensure that the mission and goals of the organization are more than words on paper; and that is to systematically follow the planning process from the overall strategic level to the individual staff level. The annual objectives of the MFI should impact the regional objectives and, likewise, the branch objectives will fall out of the regional objectives. Subsequently, the branch objectives will shape individual objectives. Figure 5.3 highlights the linkages between institutional objectives and individual performance.

Figure 5.3: Linking Institutional Objectives to Individual Performance

```
┌─────────────────────────────────────────────┐
│      Overall Institutional Objectives       │◄──────┐
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│      Regional and/or Divisional Objectives   │       │
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│                                              │       │
│  Branch, Departmental or Team Objectives     │       │
│                                              │       │
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│                                              │       │
│  Individual Objectives                       │───────┘
│                                              │
└─────────────────────────────────────────────┘
```

One obvious and easy example of this type of linkage for MFIs is setting revenue targets. Figure 5.4 provides an example of setting a revenue target within a MFI.
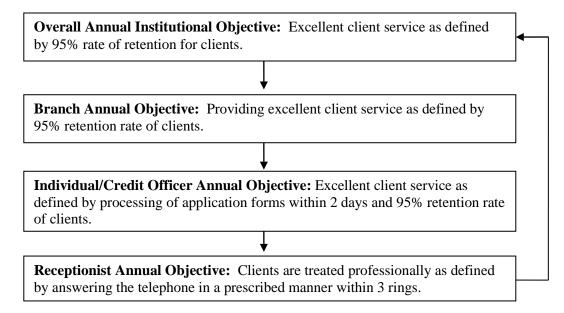
Figure 5.4: Revenue Target within a MFI

```
┌─────────────────────────────────────────────┐
│ Overall Annual Institutional Objective:      │◄──────┐
│ Disburse $3 million in loans.                │       │
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│ Regional Annual Objective: Disburse          │       │
│ $1,750,000 in loans.                         │       │
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│                                              │       │
│ Branch Annual Objective: Disburse            │       │
│ $750,000 in loans.                           │       │
└─────────────────────────────────────────────┘       │
                      │                                │
                      ▼                                │
┌─────────────────────────────────────────────┐       │
│                                              │       │
│ Individual/Credit Officer Annual Objective:  │───────┘
│ Disburse $150,000 in loans.                  │
└─────────────────────────────────────────────┘
```

Other institutional goals may have less obvious links to individual performance. For example, increased competition in the market may create a concern about losing existing clients. One strategy to address this

concern may be to increase customer service. Linking this institutional goal of increased customer service to the individual performance objectives of a Credit Officer or Receptionist is illustrated in Figure 5.5.

Customer Service Target within a MFI

Overall Annual Institutional Objective: Excellent client service as defined by 95% rate of retention for clients.

↓

Branch Annual Objective: Providing excellent client service as defined by 95% retention rate of clients.

↓

Individual/Credit Officer Annual Objective: Excellent client service as defined by processing of application forms within 2 days and 95% retention rate of clients.

↓

Receptionist Annual Objective: Clients are treated professionally as defined by answering the telephone in a prescribed manner within 3 rings.

What can happen if objectives are not set?

Managers will have no basis for:

➢ Specifically communicating performance expectations to staff

➢ Providing feedback that compares performance with an objective standard

➢ Identifying performance that should be rewarded

➢ Effectively making and supporting decisions regarding resources, plans, policies, schedules, and organizational structures

➢ Identifying performance gaps that need attention

Staff at all levels have no basis for:

➢ Knowing specifically what is expected of them

➢ Making informed decisions and taking creative initiative

➢ Monitoring their own performance and generating their own feedback

➢ Identifying performance improvement areas

In summary, by not setting performance objectives:

➢ Performance isn't being managed

➢ One cannot specifically identify, describe, and set priorities on problems

➢ Employees cannot fully understand what is expected of them

➢ Employees cannot be sure whether their performance is on or off track

➢ There cannot be an objective, equitable basis for review (positive or negative)

➢ There are no triggers for performance improvement actions

➢ Management becomes a set of uneducated guesses

How do we go about setting individual objectives?

As noted above, individual objectives are influenced by the MFI's priorities and objectives for the year. Objectives are also derived from the job description and should include significant ongoing tasks. It is recommended to limit the number of objectives to between five and eight for one year. Objectives should be clear, realistic, specific, measurable and time-fixed.

Individual objectives are usually created at the start of a new fiscal year. This helps to ensure the individual objectives are aligned with the MFIs annual targets for that fiscal year. Setting individual and team annual objectives is easier if they are drawn from the MFIs annual targets. However they can also be created when a new employee starts, a new project is implemented, or a performance problem is identified. Objectives can also be revised throughout the year if external and environmental factors have changed. Once again, both the manager and the employee set and revise objectives together.

Objectives should be "**SMART**":
S pecific
M easurable
A chievable
R ealistic
T ime-bound

Why are performance plans jointly set by the manager and employee?

Managers and staff commonly have different ideas about task expectations and the priority of each duty or task. Discussing and documenting expectations ensures mutual understanding. Studies show that performance improves when staff help to develop their own plans. Quantifying results and scheduling tasks help to organize the work and brings a greater degree of reality to what can be expected. Setting objectives together provides staff and managers with a one-on-one opportunity for:

➢ Mutual goal setting

➢ Sharing of ideas

➢ Discussion of problems and concerns

➢ Planning for growth and development

How do you measure individual performance?

Individual performance is defined with a standard or a measure in one of four different ways. Figure 5.6 exhibits these performance standards and gives examples of each. Sample performance objectives for a Credit Officer appear in Figure 5.7. These objectives outline the major priorities that this employee will be accountable for at the year-end appraisal. Under each objective are descriptions of how the employee will work at accomplishing these objectives. This detail is also key in helping the employee and manager to determine if the objective was met. The question to ask yourself in helping to define standards is: "How does this job look when it is done well?" Examples of

Quick Reference for Individual Performance Objectives
➢ Develop objectives at the beginning of each fiscal year.
➢ Focus on specific targets to be achieved for the fiscal year and important ongoing job tasks.
➢ Link objectives to the MFI's and division's objectives for the fiscal year.
➢ Limit to 5-8 objectives in total.
➢ Ensure objectives are significant to the job and the MFI's objectives.

performance objectives for a Human Resource Manager and Executive Director can be found in *Handout 5.1: Sample Performance Objectives*.

Idea:

Ask participants to turn to Handout 5.1 Performance Objectives to take a quick look at performance objective examples. You do not need to spend a lot of time on this, as exercise 5a will asking learners to write their own objectives.

Exercise 5a   Writing Performance Objectives: 20 minutes

Ask each person to write two complete performance objectives, including performance standards, related to their current position. If the participant would prefer not to use their current job, they could also prepare job objectives for the HR Manager job description in Handout 3.1 Sample Job Descriptions.

If the participant chooses to use the HR Manager job description, they should consider that the key organizational goals for that MFI institution this year are:
➢ 25% growth next year
➢ Reducing arrears to less than 1% late over 30 days
➢ Training for middle managers

Individual Performance Standards

Procedure

3.   **Sample Performance Objectives for a Credit Officer**

Time: 120 minutes

Exercises:

> ➢ .4: What Makes a Good Staff Manager? (5)
> ➢ 6.5: Airplanes (20) Optional

Handouts:

> ➢ 6.2: Preparing for Performance Management Meetings

What are General Standards of Performance?

During the process of setting objectives, the supervisor and employee should also review general standards of performance (Figure 5.10, section 2), which apply to all employees, regardless of position. General standards of performance describe qualities, interpersonal skills, and performance expectations that should be common to all the MFI's employees. These standards focus on the "how" of performance, whereas performance objectives focus on the "what". It is important that the employee understands at the beginning of the year that these are standards upon which they will be assessed.

One Mozambican MFI has found success in motivating and monitoring employee performance by measuring not only objective items – such as portfolio management – but, also behaviours and attitudes such as professionalism, attendance, dedication, teamwork and learning capacity. Ideal behaviours should reflect the organization's values.

The following are examples of General Standards of Performance:

> ➢ **Commitment to the MFI's Mission:** The employee demonstrates understanding of the mission and commitment to clients.
>
> ➢ **Interpersonal Skills and Teamwork:** The employee is able to interact effectively with all levels of staff and is open and straightforward in dealing with others. The employee demonstrates a positive attitude and works well as a team member.
>
> ➢ **Initiative and Problem Solving Ability:** The employee uses good judgement and makes sound decisions. He/she assumes responsibility without being asked and is able to identify ways to constructively and creatively deal with problems.
>
> ➢ **Professionalism:** The employee is a professional representative of the institution and conducts him/herself with the highest level of integrity. The employee is able to deal with confidential matters

Section 1: Performance Objectives
1. Effectively manage the client level portfolio lending process. • Maintain a portfolio of no less than $X. • Adhere to procedures as defined in policies.
2. Maintain client level portfolio quality and control. • PARS of less than X%. • Follow-up loans in arrears within 2 days notice and regularly thereafter until payments are made, or loan committee takes action.
3. Participate as an active member of the overall branch team. • Prepare for and actively take part in all weekly team meetings. • Prepare for and actively take part in all monthly and annual planning meetings.
4. Assist in the delivery of business-basic training courses to new clients. • Ensure all clients participate in required courses. • Have all materials available for each course. • Carry out training objectives of the course with an effectiveness rating of 4+.
5. Carry out special projects and activities as opportunity and need arises. • Actively take part in the credit policy revision work group and carry out all delegated tasks fully and on time.
6. Seek out and participate in professional capacity development activities. • Attend the financial indicator training and complete assignments with a quality rating of 4+. • Complete the self-study computer spreadsheet program.

and goes the extra distance to complete a project/task. He/she also demonstrates punctuality and low absenteeism.

Step 2: Interim Performance Reviews: "On-Going Feedback"

Why is on-going feedback important?

Although an employee will receive a formal, written annual review, it is critical that regular informal sessions be conducted throughout the year. Depending upon the position, this may be weekly, monthly or quarterly. By the time the formal year-end performance appraisal is conducted there should be no "surprises." If employees are not meeting objectives during the year, the performance gap should be assessed and discussed in a timely manner. The manager and employee should put a plan of action in place to address the performance deficit. Throughout the year, objectives can be reviewed and revised if changing conditions necessitate a modification.

On-going feedback is one of the most critical steps in the PMP. The frequency of the interim reviews can vary from position to position. At an absolute minimum, the supervisor and the employee should meet mid-way

> **Critical Elements of General Standards of Performance:**
> ➢ Apply to all employees
> ➢ Focus on **"how"** the job is performed
> ➢ Are more subjective than objective
> ➢ Describe valued knowledge, qualities and skills

through the year (6 months); however, quarterly meetings are ideal. Meetings may be required on a more regular basis, especially if the employee is new, a project/product has been recently implemented, or if a performance problem has been identified. It is this process of ongoing feedback that relies on the effective staff management skills of your managers and will determine the success of your PMP.

Why are staff management skills so important to an effective Performance Management Process?

To ensure the PMP is effective, it is essential that we discuss some overall characteristics and essential qualities for effective staff management. This is not a leadership/management training toolkit that addresses qualities such as visionary capacity, strategic thought, or specific staff management skills. However, in order to properly implement an effective PMP, our supervisors require good staff management skills.

The performance management process provides a tool, which will only be a "paper process" if our managers are not skilled in staff management. The whole area of effective management skills, specifically middle management, is a weakness in many MFIs. It is important that MFIs address this issue and provide training to their staff managers on effective management skills. This toolkit will only highlight those skills that we have found to be critical for effective staff management. Please note that we are making a distinction between *staff managers* and *managers*. One can hold a senior management position without supervising staff.
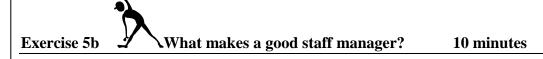
Senior management most often creates the general standards of performance based on the MFI's guiding principles. This section of the PMP is an excellent tool to help institutionalize culture for an MFI. By setting the general standards of performance and consistently following up with staff through the PMP, these

Throughout many years of experience, we have found, time

and time again, that even though many companies, organizations and MFIs may have similar resources and the right product mix, some are more successful then others. Why? A significant contributing factor is the <u>staff managers</u> and <u>how they</u> manage and <u>motivate staff</u>!!

What are the essential qualities for effective staff management?
Primary Knowledge and Skills

A good staff manager will know their employee's job and the specific results that are needed for the success of that particular job. A good staff manager will:

➢ Make *decisions* and *delegate*

➢ *Collaborate* with others

➢ *Motivate*

➢ *Listen* carefully and *communicate* clearly

➢ Encourage and support employees by *coaching* and giving *feedback*

➢ Monitor and assess performance and *develop capacity*

Exercise 5b   What makes a good staff manager?   10 minutes

Divide the class in half. Ask each person on one side of the room to take out a piece of paper. .
Instruct the learners on one half of the room to take 5 minutes to reflect on a good manager (or coach) they experienced. List on paper some of the qualities and characteristics of this manager and how they managed (particularly their management style). Instruct the other side of the room to list the qualities and characteristics of a poor manager (or coach) Take 5 minutes.

In a large group ask participants for feedback on the characteristics of a good manager and poor manager.

Flipchart responses.

Primary attitudes demonstrated by effective staff managers:

➢ "I *delegate* responsibilities and tasks, but I retain accountability."

➢ "I will be *successful* if my staff are *successful*."

➢ "My staff are adults who want to succeed."

➢ "I am an *enabler*, not a dictator."

➢ "I practice trust and use *agreements*."

These are qualities and attitudes that form the foundation to effective staff management. As noted earlier, many materials, tools, research, and training programs are available to guide you in developing staff management skills within your MFI. In addition to training, it is imperative for staff managers to be measured on their staff management skills through the PMP. A performance objective for all staff managers might be: "Effective Staff Management". Figure 5.8 provides an example of an annual objective that might be used for a Branch Manager:

Exercise 5c   **Reviewing Performance Objectives and Giving Feedback – 60 min.**

Begin this exercise by handing out Exercise 5c: Effective Feedback. The instructor should take 5 minutes to review the fundamentals of giving feedback with the participants.

The participants will be reviewing the Performance Objectives they wrote yesterday. Explain to them that there will be two goals in this exercise:
1. To learn more about writing Performance Objectives
2. To practice delivering effective feedback

Ask the learners to get back into groups of three.

➢ The first member will present one of their Performance Objectives to the second member of the group.

➢ The second member of the group will provide feedback to the first person on their Performance Objective (how well it's written and developed).

➢ The third member of the group will then provide feedback to the second member on how well they delivered the feedback to the first individual. They should refer to the handout on Effective Feedback for a reference

➢ Group members will change roles until everyone has had a chance to present both of their Performance Objectives, give feedback on objectives, and comment on giving feedback.

Before starting, review the critical components of an effective Performance Objective which should include both the task and the standards. Flipchart these components:

➢ Specific objectives to be achieved for the fiscal year

➢ Significant ongoing tasks usually derived from the job description

➢ Align and link staff activities to the organization's/division's objectives for the fiscal year

➢ Limited in number (5 – 8 objectives)

➢ Realistic, specific, measurable and time-fixed

➢ Clearly worded

Ask if there are any questions. If appropriate if might be useful to role-play the feedback process – i.e. if there are two facilitators or use an example yourself. Walk around the room to observe. This should take about 45 minutes. When the group reconvenes ask: How was the exercise? What did you learn?

With on-going feedback, why do we need a formal mid-term review?

The mid-term review provides an opportunity to focus exclusively on each individual staff member's performance and related issues. It creates a higher sense of belonging and increases morale for the employee. It clearly demonstrates to the employee that the manager cares about their performance and is willing to spend the time to do so! The mid-term review is an excellent opportunity to re-focus on the employee's objectives for the year, apart from the ongoing feedback on daily, specific tasks.

Similar to the year-end appraisal, a mid-term review is an extremely important component which involves planning, monitoring, and personal support in the form of coaching. You should treat this mid-term review with importance. Use the tips in *Handout 5.2: Preparing for Performance Management Meetings* to help you prepare for your ongoing reviews. If a performance gap or problem is identified during these meetings, the manager and employee must create a plan to address this gap. Further discussion on this topic is found later in this section on page 21.

Procedure

4.   PMP: Year End Appraisal

Time: 45 minutes

Slides: 6

Exercise: <u>6.6: Steps in Performance Appraisal</u> (10)

Handouts: None

Exercise 5e   **Airplanes**   **15 minutes**

T   of this exercise is to give significant into how to prioritize performance
c   **Figure 5.8: Annual Performance Objectives**

Give each participant a piece of plain white paper. Ask the learners to write a number between 1 and 5 that indicates how they feel about writing Performance Objectives per the scale below:

  ➢ 1 indicates that you fully understand how to write a Performance Objective

  ➢ 3 indicates that you need a little more help in writing Performance Objectives

  ➢ 5 indicates that you do not understand at all how to write Performance Objectives

Inform the participants their response is confidential.

Ask the group for a person who is an aviation engineer, has an engineering degree, or can fly a plane. Ask this person to come up to the front, bring their white piece of paper and instruct everyone on how to make a paper airplane. Each person should follow his or her instruction and write their number on the plane. Ask everyone to throw their planes. You could choose to make a game and see who can throw their plane the farthest. Have a "non-financial incentive" for the winner. Ask everyone to randomly collect the planes and read out the number. Record numbers on a flipchart.

If the majority of responses are 3 or greater, it would be important to spend additional time training on performance objectives.

> **Idea:**
> Performance management meetings will be discussed further in the Year End appraisal section.

Step 3: Year-End Performance Appraisal

What is the year-end performance appraisal all about?

The third and final step in the Performance Management Process is the year-end appraisal. The overall purpose of the year-end performance appraisal is to agree on a development plan for the employee. It is a forward-looking process that is action oriented. The past is only used in terms of what the manager and employee can learn from it. For the year-end appraisal to be effective, steps one and two of the PMP **MUST BE FOLLOWED** prior to this step!

It is important to remember that performance feedback is a crucial element for individuals in the work setting. Likewise, the absence of feedback creates anxiety. The year-end appraisal should be a tool to motivate, direct, and develop subordinates. Our experience indicates that resistance in performance appraisals tends to come from the manager. Most often employees want to know how they are doing; it is the manager who resists doing a review. Why is this? Perhaps the manager is not comfortable in giving constructive feedback, is too busy, or does not like the paperwork involved. Regardless of the reason, the HR Manager must be sensitive to this resistance and provide support and tools to help managers gain confidence in conducting appraisals.

The year-end appraisal can be sectioned into two phases, which are demonstrated below.

Phases of Year-End Appraisal

Phase 1: Evaluation of Employee's Progress	The appraisal is based on the employee's: • Performance relative to their objectives; • Conduct relative to the institution's general standards of performance areas; and • Additional achievements.
Phase 2: Development Plan for Employee	The goal of the development plan may be to improve a specific area of performance and/or to prepare the employees for advancement or job enrichment. It may also be at this phase where the employee and manager, once again, prepare and agree on the performance objectives for the next year (most often another meeting is scheduled).

It is best to coordinate the year-end appraisal with your fiscal year end. In some cases, the manager may preview their employee's appraisal with their direct manager for comments and ratings prior to meeting with the employee. This ensures agreement within senior management prior to communication with the employee. Furthermore, the employee may perceive the appraisal as more objective, knowing that it has been reviewed by another level of management. This is especially important if there are performance problem areas. Figure 5.10 illustrates a Performance Appraisal Form. A complete version of this form can be found in *Handout 5.3: Performance Appraisal Form*.

Figure Performance Appraisal Form

Section 1: Performance objectives should be completed at the beginning of the year and should be unique to the individual employee. Results and rating will be completed at year-end.

Reaffirm with the employee, *prior to the meeting*, that the job tasks and the corresponding standards are still accurately defined and that any changes throughout the year have been noted.

Section 2 is general. It applies to all employees, regardless of position, and assesses qualities, interpersonal skills, and general standards of performance. Although measurable objectives are more difficult to formulate, if appropriate, use the same rating scale (1 to 5). However, most often numerical ratings are not used in this section.

Section 4: The manager should update the form after the discussion. Once the appraisal is complete reflects the agreed upon outco the manager will forward a co the employee for signature. A the employee a few days to re and comment.

A signed copy of this form sh sent to the HR Manager for th employee's file.

Section 3: With the employee, formulate action plans to address areas of weakness identified in the evaluation process. This could include training programs, one-on-one coaching, participation in workshops, courses, etc. Also use this opportunity to identify further development, discuss career interests, and develop action plans toward career goals. The action plan should be motivating, practical and realistic. Discuss what the employee would like to accomplish over the next year and his/her long term career aspirations. Set goals according to employee's needs and interest, and the MFI's expectations. Be realistic. Further discussion on development plans is found in *Handout 5.4:Personal Development Plan.*

The manager completes the results section and then rates the employee performance with respect to each job task/objective on a scale of 1 to 5. Support your comments with **SPECIFIC EXAMPLES**. All accomplishments should also be included.

ANNUAL PERFORMANCE APPRAISAL
For Fiscal Year:

Name: **Manager:**
Position: **Date:**

Performance Objectives
5 = Exceptional performance,
4 = Good performance

Section 2: General Standards of
(If it is helpful, use the numerical rating, 1
 = Unacceptable performance

2.1 Values
- Attuned with corporate values

Section 1: Performance Objectives

Performance Objectives (Job Task & Standards)	Results & Comments	Rating (1 to 5)
1.	1.	
2.	2.	
3.	3.	

2.2 Interpersonal and Problem Solving Ability
- Interacts effectively with all levels of staff, open and straightforward in dealing with others, demonstrated a positive attitude, team player

2.3 Initiative and Problem Solving Ability
- Assumes responsibility without being asked, resourceful
- Identifies ways to constructively deal with problems, creative

2.4 Professionalism
- Absenteeism, punctuality, goes the extra mile to complete a project/task
- Confidential, discreet, professional representative of MFI

Section 4: Employee Comments (optional)

_____   Date: _____

_____   Date: _____

Development Plan
ess performance areas where rating is below standard or to define a plan for career growth)

ing actions / objectives have been agreed to:

How do you conduct performance appraisal discussions?

Many managers can be nervous about conducting these meetings with staff; therefore, it is important to provide managers with training and tools that will help them feel prepared and put them at ease. When the manager is confident in how the meeting should be conducted, the discussion and performance feedback will be more valuable. Here are some tips to ensure that performance discussions with an employee will be successful. Although the year-end performance appraisal meeting is more formal, many of the principles apply equally to mid-year review discussions. A checklist to help you prepare for performance discussions is also included as *Handout 5.4: Guide to Creating a Personal Development Plan.*

> **Idea:**
>
> Handout 5.2 Preparing for Performance Meetings is auxiliary and compliments the detailed information in the Toolkit

1. **Come prepared!**
   - Re
   view the employee's file
   - Make notes
   - Gather relevant data

   Before the appraisal meeting, the manager and the employee need to reaffirm the objectives. The manager should give a copy of the uncompleted appraisal form to the employee in order to prepare a self-evaluation in preparation for the meeting.

2. **Arrange a mutually convenient time in a private area where you will not be interrupted –turn off cell phones!**

3. **Put the staff member at ease**

   Help the employee feel comfortable. Review the purpose and the format of the meeting and discussion. Set the tone. Start with a general discussion and take the time to make a human-to-human connection. Offer refreshments; smile!

4. **Explain the purpose and procedure for the discussion**

5. **Ask your staff member to self appraise. Listen carefully.**

6. **Give your appraisal**

   Support your written statements with further examples and explanations. Seek input from the employee throughout the discussion. Ask open-ended questions. Deal specifically with predetermined job tasks and objectives. Do not make vague personal statements, i.e.: "I am not happy with your performance". Support your statements with specific data and examples. Identify points of agreement between the two evaluations. Present a rating for the objectives.

7. **Discuss and reach agreement:**
   - Ask for reactions to your appraisal
   - Focus on areas of agreement
   - Pinpoint specific disagreements
   - Ask for their data
   - Re-enforce your data and support your assessment;
   - Ask for agreement

8. **Note unresolved disputes and next steps:**

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If the employee strongly disagrees with or challenges a rating, consider arranging another meeting for further discussions to focus on specific performance areas. This will allow time for emotions to diffuse and for each party to gather further data to validate their assessment.

> ➢ Take unresolved disputes to next level of management for appeal
> ➢ Do not ask your staff member to agree against their will
> ➢ Document disagreements in the employee's file

9. **Staff Development Plan**

Agree on a staff development plan. A staff development plan addresses performance weaknesses and plans for professional development and career opportunities. This step can also be conducted at a separate meeting.

10. **Set a date to develop the next year's annual performance objectives (soon after) and discuss preparation**

Think about any new performance objectives for the next fiscal year and make revisions to job descriptions in preparation for this meeting. Review and analyze performance gaps and weaknesses, and develop ideas for actions to improve specific skills.

11. **Close the meeting**

> ➢ Express appreciation for their participation and confidence in the employee
> ➢ Ask for any last questions
> ➢ Give the employee a copy of the final evaluation (or if there are changes/updates to make, inform the employee that you will forward him/her a final copy in the next couple of days)
> ➢ Remind the employee that they can add any personal comments on the form before they sign it
> ➢ Thank them

Once you and the employee have signed off on the performance appraisal, a copy should be forwarded to the Human Resource Manager for the employee's file. The HR Manager should review the content of all employee's appraisals in order to keep a pulse on trends, training needs, and overall staff management within the MFI.

What are the eight most common appraisal errors?

Managers will develop experience with performance appraisal meetings over time and, as with many skills, it is best to learn by doing. Reviewing the preceding section with managers will help to avoid some of these common errors that can undermine the performance management process.

1. Inadequately defined objectives or standards of performance
2. Over-emphasis on recent performance
3. Reliance on gut feelings rather than using facts or specific examples
4. Misunderstanding of performance standards by employee
5. Insufficient or unclear performance documentation
6. Inadequate time allotment for the discussion
7. Too much talking by the manager
8. Lack of a follow-up plan

In summary, there should be no major surprises in the annual review discussion, and there won't be if:

> ➢ Performance expectations have been clear, and 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, or a conclusion to a year-long process of review. For this reason, it is important to understand that staff management takes place on a day-to-day basis. If the PMP is to be effective, you must ensure that your staff managers develop and use good staff management skills regularly.

Procedure

5.   **Training and Development**

>   **Time:** 15
>
>   **Slides:** 9
>
>   **Handouts:**
>
> > ➢ 6.4 Guide to Creating a Personal Development Plan
> >
> > ➢ **Exercise:** 6.7: Training and Development Programs (20) Optional

Training and Staff Development

Training and staff development or "increasing staff capacity," can be a serious challenge for many MFIs. This is especially true in countries with low levels of education and limited work experience specifically in the financial field.

A successful MFI must commit to creating a continuous learning culture within their institution.   Institutions depend on a highly trained, adaptable and effective work force to meet challenges and reach their goals. For this reason, training and development initiatives are driven from strategic and are designed to work toward the overall goals and mandate of the MFI. plans meeting

Staff development can take on many forms, for example:

> ➢ Training for a specific skill
>
> ➢ Development of leadership abilities
>
> ➢ Coaching or mentoring
>
> ➢ Reviewing resources and materials
>
> ➢ On site field visits
>
> ➢ Performance management

Training is the acquisition of knowledge, skills and attitudes that

> A recent final report on the capacity building project contained the following lessons CAPA, a MFI in Romania, learned about staff training and development:
> - ✓ Study tours are absolutely important and necessary for management staff. Afterwards staff are encouraged to compose an analysis of the policies and practices that would most benefit the institution. Simply imposing rules from other programs is completely unproductive.
> - ✓ The needs of the staff need to be monitored and served will so that staff can develop along with the institution. Each staff member needs to be monitored from this point of view.
> - ✓ Create from the first moment the feeling that training is a benefit and not something that everybody deserves. Within this perspective, it will be easier to negotiate contracts and benefits later on.
> - ✓ One the key staff for the institution have been identified, formal training plans can be offered. Training plans need to be offered together with employment contracts to keep people from leaving too soon.
> - ✓ The Performance appraisal needs to be presented in a clear format that allows management to follow up on issues that might appear.

improve performance in the current job. *Development* focuses on knowledge and attitudes that may be required in the long-term achievement of an individual's career goals as well as your MFI's objectives. Staff development is important and works toward improving institutional effectiveness through the improvement of human resources.

What are the benefits of training?

Training can be an excellent way to prepare and develop staff to do their current jobs well. For a MFI, training can:

> ➢ Improve the effectiveness of staff

> ➢ Increase adaptability

> ➢ Ease the introduction of new technologies or methodologies

> ➢ Standardize work processes to increase efficiency

> ➢ Reduce costs by decreasing turn-over and increasing efficiency

> ➢ Help to retain employees who understand the MFI's mission and culture, thereby building organizational memory and loyalty

Along with the overall advantages to the MFI, individual staff can:

> ➢ Increase job satisfaction through a more thorough understanding of the task to be performed

> ➢ Improve self confidence

> ➢ Enjoy increased morale, which contributes to a desirable work environment

Overall, training can create many benefits for an institution and its staff. Training not only improves the knowledge and skills of staff, but also increases their enthusiasm for the job and commitment to the institution. If used correctly, training can be an effective and essential tool to nourish the MFI's greatest asset: human resources.

Training Opportunities

> ➢ Special work projects

> ➢ On-site field visits

> ➢ Joining professional associations

> ➢ Writing articles for journals/newspapers

> ➢ One on one coaching

> ➢ Exchanges with other branches/offices

> ➢ Outside reading

> ➢ Distance learning

What are the benefits of staff

> "I am convinced that nothing we do is more important than hiring and developing people. At the end of the day you bet on people, not on strategies".
>
> *- Larry Bossidy*, CEO Allied Signal

development?

Staff Development focuses on knowledge and attitudes that may be required in the long-term achievement of an individual's career goals as well as the MFI's objectives. By developing staff from within, the MFI retains employees who understand its mission and culture and can build up institutional memory. This not only helps to increase the MFI's body of expertise, but also creates commitment and loyalty for the success of the institution.

Development of staff does not require special programs and training materials. In fact, it has been stated that 55% of development occurs through on-the-job experience and 15% through job relationships and feedback. Equipping our staff and managers to recognize and take advantage of on the job learning opportunities is an important piece of staff development. Another critical component is enhancing skills in feedback, specifically through formal performance appraisal channels. Although most staff development can occur within the context of the day-to-day work situation, outside resources can also play a key role. Staff and managers should learn to recognize opportunities for learning outside of formal training. For examples, see Figure 5.11.

Who is responsible for creating a training and staff development plan?

Each individual staff member is responsible for creating and implementing their own professional development plan. The MFI can commit to fostering an environment that encourages staff to take charge of their development and to give them the tools to do this. Managers, with the support of the HR Manager, should give guidance, support, and ongoing coaching and feedback through the performance management process.

How do you prepare a personal development plan?

The first step for an individual employee in creating their own development plan is to identify their development areas. To do this an employee needs to review:

> Their job desc

> **Discussion: Training and Development Programs   5 minutes**

Ask participants to answer the following question:

1. What types of training/development programs have you had experience with?

2. What were the pros and cons of those programs?

Flipchart answers.

---

  ription

> Their position requirements (the skills and knowledge they need to be successful in their role)
> Their personal competencies (where applicable)
> Their most recent performance review
> Their longer-term career objectives and goals (what are the skills and attitudes needed for future advancement?)

Individuals need to think about the areas that have the highest impact on their ability to achieve performance objectives and make notes on development areas that could do to improve performance. Once this is completed, they will be able to determine how the resources available through the MFI that can help address development needs and objectives. Employees should consider the learning activities and courses they have already completed and identify other programs that address their development needs.

Once an individual has identified their own development objectives and created an action plan to reach their goals, they should review the plan with their manager. A manager may verify the action plans, suggest alternative action plans, and help set target dates for completion. In addition, feedback from a 360 review can provide useful developmental information. Further discussion on a 360 review is found later in this section.

A development plan can be used throughout the year to chart progress. Learning activities and progress relative to development objectives should be reviewed, particularly at mid-year and year-end performance meetings. A copy of a personal development form is found in Figure 5.12 and is also included in section 3 of *Handout 5.4 Guide to Creating a Personal Development Plan*.

Personal Development Plan Form

This chart is to address performance areas where rating is below standard (e.g.: number 4 or 5) or to define a plan for career growth, etc.

Development Objectives (Up to 3 objectives are recommended)	Action Items (ie: training required, workshops, on the job assignments, coaching, resources materials)	Target date for completion	Comments/notes
1. 2. 3.			

Procedure

6.   **Closing Performance Gaps**

   Time: 75 minutes

   Slides: 4

   Handouts: 6.5 Analyzing Performance Problems

   Exercise:

   ➢   6.8: Case Study: Analysing a Performance Gap (20)

   ➢

How do we close performance gaps?

Training and staff development are closely linked to the Performance Management Process. Often, the personal development plan will be proactive to add new skills. However, this tool can also be used when a performance gap is identified during the PMP. The staff manager should ensure that the HR Manager is involved in addressing performance deficiencies. This is one reason it is critical that HRM receives a copy of each employee's final appraisal. The

HR Manager can then support the manager to close the performance gap.

Closing performance gaps involves three steps:

1. **Identifying the gap through:**

   ➢ Monthly one-on-one meetings compare targets with actual performance.

   ➢ Annual performance appraisal to compare targets and actual performance.

2. **Analyzing why the gap exists through:**

   ➢ Ongoing coaching and monitoring by the manager and staff holding similar positions.

   ➢ Investigating other general organizational issues, if appropriate (i.e. staff in similar positions with the same challenges, constraints in other departments, lack of resources, team morale, etc).

   ➢ Analysis of employees strengths/weaknesses/constraints.

3. **Planning how to fill the gap through:**

   ➢ Monthly planning.

   ➢ Meetings with other appropriate staff members to remove barriers, secure resources, etc.

   ➢ Annual review and application of learning to next year's plan.

How should Human Resource Management be involved in closing gaps?

If additional skills and/or knowledge are required for the employee, the HR Manager should discuss various options with the Manager. Together, they can develop a training plan, which could involve additional courses, workshops, or an outside trainer. The Human Resource Manager can also help managers determine the cost-effectiveness of a training solution for a performance problem. It is important to consider the costs of not only attending the course, but also the time away from work. By involving the HR Manager in these decisions, similar training requirements identified for more than one employee can be addressed through a more comprehensive or organization-wide training plan.

It is important to note that often the response to a performance problem is to provide training. However, we need to ensure that the problem *can* be solved through training. For example, the issue could be lack of time: the person is simply too busy to complete his/her tasks. Perhaps training on time management skills could help or improved performance simply may require reallocation of specific tasks or improved technology. A performance gap could also be an issue of attitude and will. *Handout 5.5: Analyzing Performance Problems* is a series of questions to help you determine the root cause of performance problems so you can address them appropriately.

What if performance gaps are not closed?

If, after guiding your manager through the process of identifying and closing gaps in performance, the appropriate written warnings and probationary periods have been given to the employee, and the employee is still not able to perform the job (considering there is not another appropriate position for the employee in your MFI), you may be faced with the tough decision of termination. Although this is never an easy decision, and it can be difficult for the manager to agree to termination, it is often the best solution for both the MFI and the employee. It can be very frustrating for an employee to be in a position that is beyond their capabilities and, of course, keeping that employee on staff can negatively affect productivity and staff morale with other employees. Terminations must be handled very carefully and HRM should be involved to help support the manager and the employee in the termination decision and process.

Procedure

7. **Terminations**

   Time: 60 minutes

   Slides: 4

   Handouts:

   ➢ [6.6 Checklist for Planning and Conducting Terminations](#)

   ➢ [6.7 Step by Step Guide for Conducting Terminations](#) **Exercise:**

   ➢ [6.9: Case Study: A Termination](#) (10) Optional

   ➢

How do we handle terminations?

Terminating is a very difficult process; therefore, it is best to prepare a plan and deal with the issues in a step-by-step manner. This will ensure that the HR Manager is covering all the details and will help to prepare the manager for the process. *Handout 5.6: Checklist for Planning and Conducting Terminations*, is to help ensure that you have considered all aspects of the process. Not all terminations will be the result of poor performance. Mergers, closing a branch, technological changes, or other factors within your MFI may force you to terminate/lay off employees. The process noted below is helpful for these types of terminations as well.

Regardless of your reason for termination, you want to plan a process that will:

➢ Be sure the situation is clearly communicated to the employee in a compassionate manner

➢ Be direct while maintaining the person's dignity

| **Exercise 5e** | **Case Study: Analyzing Performance Gaps** | **50 minutes** |

Divide learners into groups of four. Present each group with the Exercise 5e: Analyzing a Performance Gap. Ask each group to discuss the scenario and Answer the following questions:

1. **What are 3 possible reasons for Chiko's poor performance in the last 3 months?**

2. **What suggestion would you give Moses to address each of these 3 possibilities?**

Allow for 20 minutes of discussion then ask each group to report back. Plan on 30 minutes for report back and discussion.

Answer:

Possible causes of poor performance:	*How to address:*
Lack of knowledge in rural lending	Training Coaching with other credit officers PMP process
Inexperience in rural lending	Needs more time PMP process
Personality conflicts with staff in new satellite office	Meeting to discuss this with staff Team building training
Commute – too far	Relocate back to urban branch Move to rural setting (if possible)

> ➢ Give guidance

> ➢ Be a listening ear to the person without loosing focus of the purpose

> ➢ Be sure appropriate supports are in place to relieve the transition

Who should be involved in the termination?

The HR Manager should be present and work alongside the Manager throughout the entire termination. From the beginning, the manager should be communicating to HR Manager that the employee is not performing. The HR Manager should then help the manager through the decision to terminate, and then take the lead in planning the termination. Although it is the manager who should communicate the decision to the employee, the

> **Idea:**
>
> Handouts 5.6 Checklist for Planning and Conducting Terminations and 5.7 Step-by-Step Guide for Conducting Terminations are auxiliary information. Participants can review these handouts in the evening or back at the office. You may make yourself available after the course to answer any questions by phone or email. You will not be reviewing or instructing on these handouts.

HR Manager should be present at the termination meeting. HRM takes responsibility for the well-being of the employee and becomes the point of contact for all future communication with the employee concerning details of the termination package, cleaning out their office space and any further issues.

How do we plan the termination?

As you and your manager discuss termination, these are the following factors you will need to consider as you develop your plan:

> ➢ **Legal counsel**: If you have not provided the appropriate written warnings to the employee or are concerned about your reasons for termination, seek legal counsel for advice on severance payments and other potential legal issues.

> ➢ **Termination package**: The termination package usually consists of a letter outlining: the amount and terms of the termination pay, continuing benefits and how long they will continue, and information regarding any career services you may be providing; and any other additional benefits or terms of the termination. This should be prepared before the termination meeting.

> ➢ **Planning 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. 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. Please refer to *Handout 5.7: Step-by-Step Guide to Conducting Terminations* for additional assistance. As a brief overview, the following components should be considered when planning a meeting:

> > • Time to Prepare: HR Manager, together with the manager should set aside time to prepare how the meeting will run. Take into consideration what to say, how to say it, emotions that might be expressed, and how to deal with those emotions. Be clear that your decision is final. This encourages your employee to retain their dignity, save face and does not allow an opportunity for the employee to question, argue or beg for another chance.

> > • Time and Place: Select a private location away from the person's workspace to prevent possible embarrassment. A meeting at the end of the workday is ideal. The employee should also be given time to empty his or her desk and say good-bye to co-workers.

- Rehearsal: By rehearsing what will be said and done during the meeting, the HR Manager can assist the manager with the tone or style that will best suit the situation. Feedback can also be given to increase effectiveness.

➢ **Communicating to staff**: As part of the preparation for the entire termination process, you must also decide how and when you will inform your staff that this employee has been terminated. How you handle this entire process will speak volumes to the remaining staff on how your MFI treats employees and it will impact morale and the office environment. Plan your message and delivery it carefully. Clear communication can be the difference between a successful and an unsuccessful termination.

➢ **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.

What are the benefits of paying attention to how we terminate?

Your MFI's approach to terminations, particularly those related to performance will affect morale and the general work environment. If you handle the situation appropriately, you can use this opportunity to further establish your institutional culture. The overall morale may actually improve if the employee's lack of performance was a frustration for more productive employees. By carefully planning the termination you can work to ensure that:

➢ The overall shock or distress will be reduced significantly for the terminated individual

➢ Your MFI will potentially face fewer difficulties with the former employee afterward

➢ The office morale can be maintained

➢ The dignity of the individual can be maintained

A final word on terminations

It is the job of the HR Manager to help managers

Exercise 5f	Case Study Part 3: A Termination	45 minutes

Divide learners into groups 4 of 6. Present each group with Exercise 5.6: Case Study Part 3: A Termination.   Ask each group to discuss the scenario and Answer the following questions:

1. How could this situation have been avoided?

2. What will you do now?

Allow for 10 minutes for group discussion. Call everyone back and ask each group to report back. Plan on 30 minutes for discussion.
Potential answers:
What do you do?
- Direct Olive into another room, regroup and develop a new plan of action to meet in in a few minutes. Discuss with Gertrude that it is important for her as the manager to be present in the meeting.
- Keep Gertrude in the room and you as the HR Manager do all the talking with Olive
- Be honest and up front with Olive. Tell her that Gertrude is here but due to your friendship, does not feel comfortable at this time to talk.
How to avoid this situation?
- Rehearse! Rehearse! Rehearse!

make tough decisions. Sometimes the most appropriate decision is to terminate a staff person. This is difficult: It is tough love. We need to ensure that the staff member has been given adequate support and due process; and that legal requirements are followed. However, we have an obligation, especially to our existing staff, not to permit poor performers to be part of the team over an extended period of time. This impacts morale and eventually productivity. HR can help staff and managers to avoid the costly process of termination through many of the tools provided in this section: staff performance management process, personal development plan, 360 degree feedback, and succession planning.

Procedure

8.   **360 Degree Feedback**

>   **Time:** 15 minutes
>
>   **Slides:** 3
>
>   **Exercise:** none
>
>   **Handouts**: none

What is 360 Degree Feedback?

360 Degree Feedback is most useful as a staff development tool. It is not recommended as part of an appraisal system, since the results are confidential and only shared with the employee. For MFIs committed to hiring from within and retaining the best, the development of employees is critical. The 360 Feedback Tool can play an important role as an appropriate method to support staff development, especially for managers. For the institution, it is a process to identify areas for both organizational and individual improvement. For the individual, it answers the question "Where can I improve?" A good system should also help the employee to answer the question "How can I improve?" The 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.

Although the 360 Degree Feedback process can also be considered a performance evaluation tool, much of the research indicates that this approach has not been widely successful. When used to assess an employee's performance, the supervisor would also have access to the results. The information can then be used to assess performance and determine a development plan. The bibliography at the end of this toolkit contains several links to websites that provide more information and examples of 360 Degree Feedback.

How does the process work?

Individuals are asked to rate the employee's performance on a number of statements representing the competencies related to the employee's position. 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. This is a confidential feedback tool and the employee will receive the information contained on the report.

1. *Develop Survey*: The survey should be based on institutional and job related competencies. This is most often done in conjunction with an outside consultant.

2. *Define Raters:* These could include internal contacts (boss, subordinates, co-workers) and possibly external contacts (clients, suppliers, members). A group of four to seven raters is ideal and the employee participates in determining the raters.

3. *Distribute Survey*: The raters complete the confidential survey. More commonly, the survey is administered electronically for ease of completion and summarizing results.

4. ***Summarize Results***: The results are summarized by the HR Manager (or outside consultant) and provided to the employee. As an outcome of the session, the employee can establish a development plan.

5. ***Provide Feedback:*** The development plan is then discussed with the employee's manager.

By reviewing all of the results together, HRM or the consultant can identify overall trends and development needs for the MFI and establish an organizational development plan. The 360 Degree Feedback process can be regulated by the institution, or staff can voluntarily choose to participate. Although you can repeat the process as often as necessary, it is usually recommended every 2-3 years.

What makes a 360 Degree Feedback program successful?

➤ The purpose and process have been clearly communicated and understood

➤ The MFI needs and values the competencies that are measured through the process

➤ It is used as an on-going staff development tool, not a year-end performance appraisal

➤ Open communication and trust exists within the MFI. It is difficult to implement this process in an institution that is facing significant change and transition

➤ Raters and those providing feedback have been trained for their roles. An outside consultant or HR Manager most often delivers feedback

➤ The survey is used to measure if the set of competencies is reliable and valid.

➤ Conditions exist within the MFI that support staff in learning new skills that are identified

➤ Senior management supports staff development

➤ Assessments are confidential and responses cannot be traced back to an individual rater

Procedure

9.   **Succession Planning**

Time: 20 minutes

Slides: 3

Exercise: none

Handouts: none

> "Promotion, key appointments and succession planning are the most crucial elements in the organization's future. These activities are a true leader's domain".
>   *Max Depree* - Chairman, Herman Miller

What is succession planning?

If there is anything new in the Human Resource field, it is the importance that successful organizations are placing on succession planning. Many North American Chief Executive Officers now cite succession planning as one of their top five priorities. A combination of strategic staffing, replacement planning, talent development, and performance management forms an integrated, holistic process referred to as succession planning, or more recently, "management resourcing."

Succession planning is also a critical priority for MFIs. Although MFI leaders appreciate the importance of planning for succession, they never seem to have the time required; instead, short-term priorities often take precedence. In an ideal world, succession planning would be quick and simple; however, for your MFI to achieve growth plans, you must be prepared to take the time to plan properly. One of the most important roles of any leader or manager is to identify a successor and to develop a succession plan within your institution, region, or branch. If succession planning is not effective, internal candidates will not be qualified to step into a vacancy, and your MFI will need to rely heavily on the recruiting process.

In many ways, succession planning is much more difficult for a small MFI than a large MFI because of the limited positions, opportunities and development resources available. However, the impact of losing a senior manager from a small organization can be much greater than in a larger organization, relatively speaking. Where possible, succession planning should be incorporated into your planning process, regardless of the size of your institution.

What are the objectives of succession planning?

Essentially, succession planning is ensuring that you have the right people in the right place at the right time. Over the long term, succession planning should meet two main priorities:

1. Development of qualified successors for management and staff positions that can implement your institution's business plans.

2. Retention of the potential successors within the MFI so that they are available when needed.

Succession Planning is done through:

➢ Identifying and developing a pool of leadership potential early in the succession process

➢ Defining development plans for individuals with high potential

➢ Identifying openings or critical positions for which you need a succession plan

➢ Promoting diversity throughout the organization

➢ Attracting the best people from inside and outside the MFI

What are the best practices for succession planning?

No single model for succession planning can be transferable to all settings. Research in this area has identified notable features common to the best practices of companies that have been successful at succession and executive resource planning. A discussion of these practices follow.

1. "Buy-in" and ownership from the Executive Director, Board of Directors, and Senior Managers

Research suggests that the commitment of the Executive Director to a succession planning process is the most important factor in successful implementation. It should not be viewed just as an HRM process, but must be seen as a tool to drive short and long-term organizational results. Succession planning helps to link the people issues to the business objectives. Resource planning is a business process.

An excellent way to encourage succession planning is to tie it to the Performance Management Process. In this context, individual managers are evaluated on more than just meeting business targets. The effectiveness of a manager is also evaluated in regards to *how* the target was achieved (great coach or burned out staff), how people were developed to improve their effectiveness, and whether potential successors for the key positions within this manager's department have been identified. Specific performance objectives for a Branch Manager in the Performance Management Process might include:

➢ Identification of an internal candidate who could become a Branch Manager

➢ Staff development plan to start training this candidate

The Board of Directors should also have significant involvement in the succession planning process. This is particularly true for the selection of the Executive Director. The Board of Directors should also be involved, at least annually, on decisions regarding the top senior staff in the MFI. They should understand the Executive Director's succession and development plans for the MFI's senior managers.

2. Identification of the key positions within the organization and the core competencies required for these positions.

Replacement planning for every role in an institution is time consuming and adds little value. However, succession planning is important for the key positions within an organization. The Executive Director and senior managers should identify those who have a significant leadership role in the organization, control significant resources, and have a disproportionate impact on the profit plan.

It is important to identify and profile these jobs, and identify the related competencies. Successful leadership profiles and behaviours and can be developed and used to measure individuals who may be potential successors. Keep in mind that the core leadership competencies are different at the Executive Director level versus a branch manager. As a manager moves to a higher management level, greater leadership complexity is necessary. The required skills change from an operations domain, focused on meeting the needs of the client, to the innovative and strategic domain. It is critical that senior staff take the time to identify the key roles within the MFI and map out the critical core competencies required in these roles.

<table>
<tr><td></td><td></td><td></td></tr>
<tr><td colspan="2">**Discussion Question: Key Positions**</td><td>**10 minutes**</td></tr>
<tr><td colspan="3">Ask participants to answer the question:

Which are the key positions within your MFI?

Flipchart the answers. Common positions will be: Executive Director, Finance Manager, Credit/Operations Manager, MIS Coordinator, Branch Manager, etc.</td></tr>
</table>

3.   Talent Assessments and Development Planning

Assessment of the talent pool within your MFI and making decisions for strategic staffing are key. Assessing talent is often the most difficult part of succession planning. It is important not to confuse the assessment of performance with the assessment of potential.

How do we measure assessment of potential? One of the first questions to ask is, "Potential for what?" This is where the competencies and skills defined earlier are helpful. The most common assessment tools/techniques to identify potential are performance appraisals, behavioural event interviews, and external consultants. In general, employees are most often assessed on: performance, potential, development requirements, and readiness.

Another element in assessing the potential of a candidate is the link between the employee, their manager and the next level manager. The employee's direct manager should be the decision maker for assessing an employee's personal effectiveness and related performance. However, the second level of management above the employee should be intimately involved in assessing the *potential* of the employee. A manager should discuss their employee's potential with their own manager at the next level up. Further discussions of staff potential should also be discussed at the senior management level and with HRM.

Staff readiness is an important factor in the assessment stage. Readiness is usually a function of job challenge, the time required for an individual to move up the competence curve for a specific role, and achievement of major accomplishments in the role. When individuals start to flatten out on their learning curve or are at full performance, they are optimally ready for a move. Moving someone too quickly to a position where they are overwhelmed will likely lead to derailment, as is often the case for the individual identified as "high potential".

Once a candidate is identified with high potential, they are often seen as a corporate resource to be managed and utilized to achieve full potential. Training and development are often tailored to the individual and can include leadership development seminars, university programs, off-site development opportunities, and more

challenging on-the-job assignments. Commitment to staff development must be complemented by an appropriate budget.

In summary, to assess staff for succession planning purposes, you should:

➢ Link the performance management process to the succession planning assessment

➢ Differentiate between the potential for another role at the same work level versus the potential to move to the next work level of higher leadership complexity

➢ Differentiate between the role of the manager and the manager who is at the next level up

➢ Assess readiness by identifying the match between the challenge of a role and the competence of the individual

Procedure:

10.   **HR Role in Training and Development**

Time: 20 minutes

Slides: 2

Handouts:

➢ 6.8 Sample Training Policy for a MFI

Exercise:

➢ 6.10: Training Policy (15)

What happens when a successor is not identified?

After going through the succession planning process and concluding that a suitable internal candidate for a key position does not exist internally, you must look elsewhere. The urgency to fill this position is dependent on many issues, such as the future plans of the incumbent, growth strategies, available pool of talent, etc. It may only be necessary to keep an eye open for candidates for future requirements.

Recruiting for a candidate when the need is immediate can be difficult, and can compromise your hiring decisions due to time constraints and pressure created by a vacancy. Just to emphasize, *the search for top-notch candidates is an ongoing process and not simply a response to a vacancy.*   Everyone you know should be assessed on his or her potential suitability for the MFI. Ongoing networking for candidates is a critical part of any manager's job.

Consideration should also be given to over-hiring for a position. For example, it may be appropriate to have an interim period with an Associate Branch Manager along the side of the Branch Manager. Although this has obvious budget implications, you will benefit by having a trained Branch Manager ready to step into a vacancy left by promotion, departure, sudden illness, or other unknown circumstance.

Succession planning is an important part of the MFI's overall planning process. A MFI's annual and strategic planning process presents an opportune time to initiate succession planning.

What is the role of human resources in training and staff development?

As a MFI continues to grow, it becomes important that a designated individual or entire department is assigned responsibility for training and development. In most MFIs, this person is part of the HRM Department. HRM can assume the following roles:

➢ Develop and administer training policies (*Handout 5.8: Sample Training Policy for MFIs*)

➢ Implement and support a Performance Management ProcessImplement and support a succession planning processImplement a 360 degree review systemMonitor personal development plans for all staff

➢ Identify needs for organization-wide training

➢ Provide counsel to staff/management on training and staff development options

➢ Monitor future HR trends

➢ Research and secure effective training programs

➢ Administer a system to track and approve staff trainingDeliver training programs, contract trainers, or find appropriate training courses as required

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Discussion Questions: Training Policy   **10 minutes**

Ask participants to answer the question:

1. What could be added to the training policy to make it more specific to your MFI?

2. Are there any comments or suggestions regarding the training policy?

Flipchart the answers.

HRM involvement in training will vary for each MFI. Orientation and job training are most often provided in-house as they are offered on a regular basis, the expertise is available internally and it is more cost effective. For many of the same reasons, large institutions may create a high performing training department to deliver most of the skills training and professional development required by their staff. However, an internal training department is not always a viable solution for many MFIs, nor is it always desirable. Your MFI should take advantage of external training opportunities when:

➢ You do not have internal expertise to provide the required training

➢ It is more cost effective to send employees to a course

➢ The course is offered by a credible institution on regular basis

➢ The training/development is specific to very few staff (i.e. HR certificate, Accounting designation etc.)

➢ Your MFI will benefit from the staff person interacting with other industry players for learning and networking

➢ You do not have the time to administer training in-house

➢ You desire the credibility an outside expert or institution can provide on the topic Remember that approximately 70% of learning and staff development happens on the job through experience, feedback, coaching, and relationships with staff. Although outside training programs can be helpful at the right time and place, do not over-estimate their value. You will realize greater impact by focusing your managers on the importance of spending time on managing their staff, providing timely feedback, and looking for opportunities to involve their staff in new and challenging tasks. The goal of Human Resource Management is to find the tools appropriate for your institution and that will enable your staff to achieve your MFI's mission and goals.

Procedure

11.   11.   **Wrap up and Closing**

Time: 20 minutes

Slides: 4

Handouts: 1

➢ 6.9 Checklist for Planning Next Steps

Exercise: none

Where do we go from here?

This Toolkit is designed to demonstrate the strategic importance

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> **Idea:**
>
> Ask participants to turn to Handout 5.9 Checklist for Planning Your Next Steps. Suggest that participants take some time (allow 10 minutes) to work through this checklist and reflect on the last three days. What ideas can they start to incorporate into their MFI? What are the priority areas to improve? By setting some dates and identifying key people in the process, they will be more likely to follow through.

Human Resource Management has in achieving your institutional goals. HRM is not just the "soft stuff" in microfinance. Many systems and tools have been described that can serve as a template or a starting point for incorporating HRM practices within your MFI. Each element of Human Resource Management is important in its own right, and the order in which you begin to start incorporating some of these practices into your operations should depend on what is most critical and appropriate for your MFI at this point in time.

Handout 5.9: Checklist for Planning Your Next Steps is a tool you can use to help you plan how you can revise or establish HRM systems and tools into your MFI. By taking into consideration your size, stage of growth, needs and institutional strategy, you will be able to identify the most appropriate steps to incorporate effective Human Resource Management principles.

Regardless of how you may start to apply some of the tools and concepts in this Toolkit, remember the following priorities:

➢ Support for HRM from senior management and the board is critical.

➢ Institutional culture is key. Every MFI has an institutional culture – take control of shaping that culture in a way that reflects your mission.

➢ All systems and tools must be appropriate for your MFI's size, mission, and needs. Do not copy resources without a critical look at adapting them to your MFI.

➢ Start small. Do not feel daunted by all the information presented in this Toolkit. Try a few tools at a time and add on over time.

➢ Understand that the systems and tools you implement will always need to be modified, and will evolve as your MFI grows.

The most important point to remember from this Toolkit is whole reason behind effective Human Resource Management: your MFI's success. In all of these activities, your primary objective is to help your staff be successful. If you keep this goal at the forefront of your mind when applying these tools, you will be well on your way to bringing together all the elements your staff and your MFI needs to be successful.