

HUMAN RESOURCE DEVELOPMENT PRACTICES IN THE MICROFINANCE SECTOR

Prepared by Cheryl Frankiewicz in collaboration with the e-MFP Human Resources Action Group



EUROPEAN
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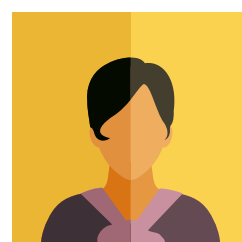
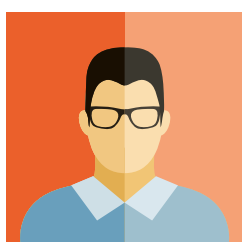
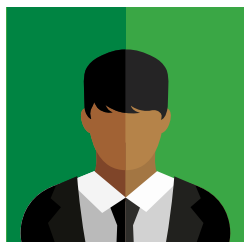
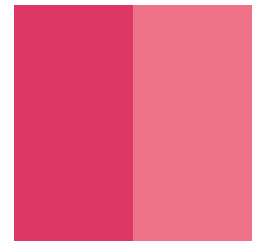
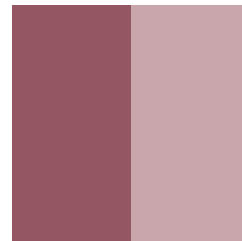
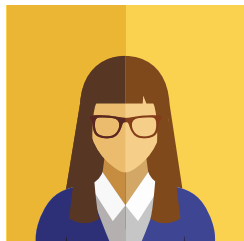
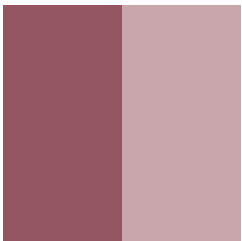
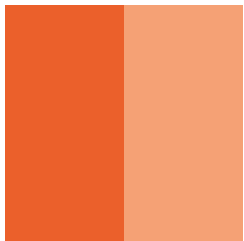
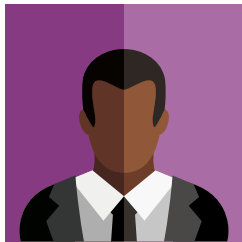
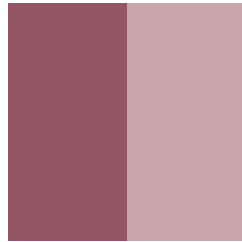
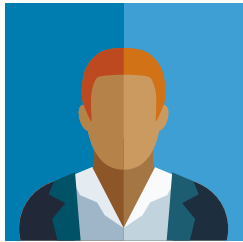
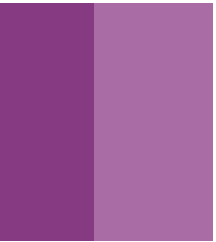
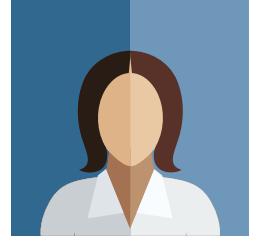
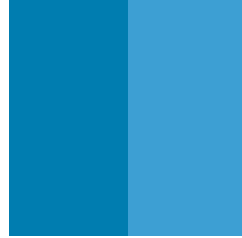
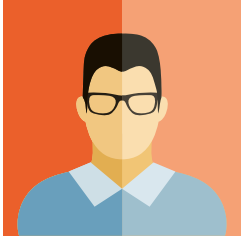
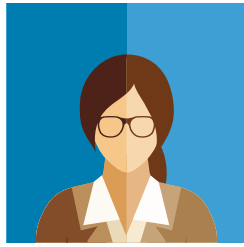
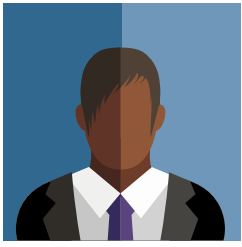
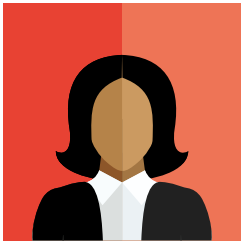


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FOREWORD

It is a great pleasure to present this report, 'Human Resource Development practices in the microfinance sector', which summarizes the results of a research journey that started in September 2018 when the European Microfinance Platform (e-MFP) Human Resources (HR) Action Group was created.

The HR Action Group aims to promote Human Resources Development (HRD) as an integral part of good business practices in microfinance institutions (MFIs), as we are convinced that this is a critical success factor for financial institutions to become - and remain - competitive in a changing and increasingly complex business environment. Although most institutions would agree that HR functions, such as recruiting, onboarding, performance management and appraisal as well as training and development are needed in an MFI, some questions remain: How can HR functions be carried out in a strategic and thus sustainable way to promote the MFI's success? Are MFIs in a strong position to develop and retain the workforce they need for pursuing their business and social objectives? What might they do to strengthen their position?

The lack of recent global data on MFIs' HR management practices has made it difficult to answer these questions. After conducting a literature review to identify information gaps, the HR Action Group launched a large-scale survey among professionals worldwide to map out the current landscape of HR practices among MFIs, and to shed some light on the relationship between HR practices and MFI performance.

The complexity of the research questions called for a comprehensive survey which required commitment and dedication from respondents. The time that the MFIs invested in sharing their experiences through the

survey underlines the importance that they themselves devote to the topic. It is our hope that the questionnaire and this report present an opportunity for the institutions to assess and reflect on their current HR practices and benchmark their practices with those of the sector. We were positively surprised by the high response rate to the survey and are truly grateful for the valuable contribution made by all respondents.

The report would not have been possible without the collaboration of the e-MFP Secretariat and the HR Action Group's individual and institutional members, including ADA Microfinance, the Academy of German Cooperatives (ADG), International Labour Organisation (ILO), Microfinance Centre (MFC), Social Performance Task Force (SPTF), and Triple Jump, all of which were indispensable to the design and implementation of the survey and encouraging MFIs to take part.

The HR Action Group is grateful for the excellent support of consultant Cheryl Frankiewicz who accompanied the design and implementation of the questionnaires and made sense of the rich and large data set that emerged.

We believe that the report can serve as an important tool for the sector, and we hope you will enjoy reading it. Hopefully, it will generate self-reflection and discussion within MFIs and other stakeholders to improve HR practices and evolution within the sector.

Patricia Richter, ILO and **Elisabeth Niendorf**, ADG,
on behalf of the HR Action Group
Joana Afonso, e-MFP

EXECUTIVE SUMMARY

With a capable and motivated workforce, microfinance institutions (MFIs)¹ can overcome almost any challenge in today's environment. But are MFIs in a strong position to develop and retain such a workforce? What might they do to strengthen their position? The lack of recent global data on MFIs' human resource (HR) management practices has made it difficult to answer these questions. After conducting a literature review to identify information gaps, the [Human Resources Action Group](#) of the European Microfinance Platform launched a mapping exercise to describe the current landscape of HR practices among MFIs worldwide, and to shed some light on the relationship between those practices and MFI performance.

The Action Group conducted a survey of MFIs based on the Talent Management Life Cycle (TMLC), a tool developed by The Academy of German Cooperatives (ADG) which systematizes the elements of HR management and the connections between them. The TMLC follows the typical life cycle of an employee starting from recruitment through onboarding, performance management, remuneration, development, succession planning, retention and exit from the organization. The 68-question survey explored HR practices in each stage of this life cycle, integrating HR-related practices from the Universal Standards of Social Performance Management as relevant. It was administered via Survey Monkey in Arabic, English, French, Lao, Russian and Spanish from late November 2020 to the end of February 2021.

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Of the 342 survey responses received, 195 met the criteria for inclusion in this analysis and 143 were fully complete. The organizations included in the final data set operate in 56 countries with a range of organizational types, sizes, ages and outreach strategies. The majority are consistently profitable, have been in operation at least ten years, and offer both credit and savings products. Their market share is increasing, and they are publicly committed to financial and social objectives. 65% offer non-financial services of some kind. Approximately 42% of respondents operate in Sub-Saharan Africa, 23% in South, East or Southeast Asia and the Pacific, 18% in Latin America and the Caribbean, 15% in Eastern Europe and Central Asia, and 6% in the Middle East and North Africa. 16% of respondents operate in more than one country. 24% work with agents².

The length of the questionnaire and the diversity of the survey sample facilitated a rich analysis of current HR practices and their relationship with MFI performance. The analysis considered eight attributes of performance including organization size, age, profitability, market share, goals, product portfolio, gender participation, and turnover. It also explored differences in HR practices across organization types and geographic regions. This report highlights those HR practices that seem to be associated with multiple performance attributes, organization types and regions.

The survey was not designed to prove causality or to measure the strength of any particular relationship between HR practice and performance. Its results provide a foundation, however, for more rigorous research and follow up. Figure 1 summarizes HR practices among MFIs at each stage of the TMLC, and provides some initial observations on the relationship between these practices and performance. Numbers in parentheses indicate the percentage of survey respondents that have adopted each HR practice.

¹ In this report, the term “microfinance institution” refers broadly to any financial service provider working in financial inclusion.

² The survey defined an agent as “a commercial entity or an individual freelancer that has been contracted by a financial institution to provide specific services on its behalf”.

FIGURE 1

HR PRACTICES AND PERFORMANCE WITHIN THE TALENT MANAGEMENT LIFE CYCLE

TMLC STAGE	MOST FREQUENTLY ADOPTED HR PRACTICES	LESS FREQUENTLY ADOPTED HR PRACTICES	RELATIONSHIP WITH PERFORMANCE
RECRUITMENT AND SELECTION	<ul style="list-style-type: none"> Including curriculum vitae analysis (95%), interviews (91%), and skill examinations (63%) in the screening process Clearly documenting and adhering to recruitment and selection procedures (68%) Using personality tests – in banks (80%) and in the LAC³ region (78%) Taking team members’ opinions into account – in the AP region (68%) 	<ul style="list-style-type: none"> Including a trial day at work (24%) or informal exchanges with potential colleagues (28%) Sourcing new recruits primarily through referrals from current employees or agents (11%) Using personality tests – in NBFIs (33%) and in the EECA (20%) and MENA (22%) regions Taking team member opinions into account – in the MENA (33%) and EECA (24%) regions 	<ul style="list-style-type: none"> MFIs with clearly documented and adhered to procedures for recruitment and selection seem more likely to be consistently profitable, older, and have increasing market share No clear pattern was observed between the methods used for recruitment or selection and performance
ONBOARDING	<ul style="list-style-type: none"> Communicating the MFI’s vision and values (86%) Orienting new hires to relevant policies and procedures (75%) Providing on-the-job training or coaching (67%) Expecting full effectiveness within six months (66%) Prioritizing the speed with which employees can start working or the internalization of organizational goals and values (53%) 	<ul style="list-style-type: none"> Clearly documenting the steps of the onboarding process (46%) Standardizing the process across all job categories (30%) Limiting job-specific training to frontline staff only (26%) Videos, mobile apps or other forms of e-learning are used to transfer information (25%) 	<ul style="list-style-type: none"> As organizations mature, new recruits are more likely to be evaluated and to be required to meet certain criteria to remain employed Smaller and younger organizations tend to focus on the speed of onboarding As organizations age, they tend to place more emphasis on goals and values MFIs with faster than average growth in market share seem to emphasize the internalization of goals and values
PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> Formally evaluating employee performance each year (94%) Providing managers with performance management guidance (89%) Using key performance indicators (KPIs) (82%) Tying individual performance targets to organizational KPIs (100% of respondents with KPIs) Involving employees in setting their individual performance targets (82%) 	<ul style="list-style-type: none"> Providing managers with targets and training on how to assess skills and provide feedback (38%) Using Balanced Scorecards (28%), 360 degree feedback (16%) or psychological performance appraisals (7%) 	<ul style="list-style-type: none"> MFIs with steady or increasing market share use KPIs 45% and 53% more often, respectively, than those with decreasing market share MFIs that provide performance management guidance seem to have more consistent profitability and growth in market share
REMUNERATION AND REWARDS	<ul style="list-style-type: none"> Offering incentives (89%) Offering monetary incentives (85%) Incentivizing loan quality goals (81%) Limiting the variable component of compensation to 40% or less (70%) Offering individual incentives (61%) Offering group incentives – in organizations with more than 100,000 clients (63%) 	<ul style="list-style-type: none"> Incentivizing social goals (45%) Measuring the salary of the lowest paid employee relative to the national minimum wage (37%) Offering group incentives (36%) Measuring the ratio of top management compensation to average field staff compensation (28%) Incentivizing frontline and back-office staff as well as senior and middle management (22%) Incentivizing HR, Learning & Development (L&D) or professional development goals (26%) Offering agents working capital loans or other liquidity management support (13%) Rewarding managers when the employees they supervise are promoted (9%) 	<ul style="list-style-type: none"> Financial goals are incentivized more than social goals, even among respondents that are committed to social goals only Half of all respondents use compensation as a “carrot” and a “stick,” reducing variable compensation if targets are not met; this is more common with financial targets (48%) than with social targets (13%). The variable component of compensation is largest among unprofitable MFIs 45% of field staff regularly earn performance incentives

³ The names of geographic regions have been abbreviated as follows: Eastern Europe and Central Asia (EECA), Latin America and the Caribbean (LAC), the Middle East and North Africa (MENA), South, East, Southeast Asia and the Pacific (AP), and Sub-Saharan Africa (SSA).

TMLC STAGE	MOST FREQUENTLY ADOPTED HR PRACTICES	LESS FREQUENTLY ADOPTED HR PRACTICES	RELATIONSHIP WITH PERFORMANCE
LEARNING AND DEVELOPMENT (L&D)	<ul style="list-style-type: none"> Using classroom-based training (85%), e-learning (65%) or coaching and mentorship (65%) Using Training Needs Assessment (TNA) results (85%) or regulatory demands (64%) to drive participation Offering employees three or more days of training per year (66%) Covering all direct costs for L&D measures (66%) Evaluating impact through a combination of measures that includes post-training evaluation, examination and/or a supervisor's assessment (65%) 	<ul style="list-style-type: none"> Allocating an amount of money to be spent on L&D per employee (50%) or agent (22%) Using practice-oriented L&D measures (46%) Standardizing L&D measures for certain career paths (37%) Customizing L&D initiatives to individuals or groups of employees (35%) Measuring the return on L&D investments (20%) 	<ul style="list-style-type: none"> Increased participation in training and professional development goal setting can be associated with higher turnover; there is some evidence that a culture of hiring from within, a formal grievance mechanism, performance management targets and training for managers, and L&D measures that reward performance may offset this tendency 14% of respondents do not evaluate the impact of their L&D measures; this percentage is much higher (42%) among MFIs that are less than five years old
RETENTION, SUCCESSION PLANNING AND EXIT	<ul style="list-style-type: none"> Conducting regular employee surveys (65%) Conducting exit interviews (65%) Measuring employee turnover at least once per year (62%) Having a formal grievance mechanism (58%) Planning proactively for succession (56%) 	<ul style="list-style-type: none"> Tracking the resolution of grievances (50%) Systematically responding to the results of employee satisfaction surveys (41%) Making a distinction between voluntary and involuntary turnover (39%) Formally evaluating the results of exit interviews (22%) Conducting regular agent surveys (21%) Collecting data on the cost of employee turnover (16%) 	<ul style="list-style-type: none"> The average turnover rate is 17.9% for employees and 16.3% for agents Turnover rates for female employees and agents are lower than for males MFIs that have been profitable in 3 or more of the last 5 years have lower turnover (17.2%) than MFIs with less than 3 years of profitability (19.5%) Turnover is lower in larger MFIs, deposit-taking MFIs, those with a diverse product portfolio, and those that focus on a single goal (financial or social)
STRUCTURE AND STRATEGY	<ul style="list-style-type: none"> Providing employees with an employment contract that clearly explains salary levels, benefits, employment conditions, scope of work, work rules and possible sanctions, as well as the performance evaluation process (93%) Having the most senior HR representative report directly to the Board of Directors, CEO or most senior management executive (88%) Providing employees with a code of conduct (79%) Keeping all HR tasks in-house, i.e., no outsourcing (67%) Centralizing all HR tasks in the Head Office (66%) 	<ul style="list-style-type: none"> Having a policy to mitigate health and safety risks (46%) Having a target turnover rate (41%) Monitoring whether workload is keeping pace with growth in each department and branch (40%) Systematically informing staff of changes in HR policies (37%) Sharing results of employee satisfaction surveys (33%) Defining HR strategies for specific employee segments (25%) Having no HR department (24%) 	<ul style="list-style-type: none"> There seems to be a linear relationship between the existence of a separate HR department and organization size, but not with profitability or organization age MFIs with increasing market share and consistent profitability define HR strategies for specific employee segments much more often than other MFIs The average HR-to-employee ratio among respondents is 6.7, but varies significantly with organization size; MFIs with fewer than 50 employees have a ratio of 18.6, those with 51-100 employees have a ratio of 2.6, and those with more than 100 employees have a ratio of 1.5



There are five main opportunities for stakeholders to act on the survey results.

1 Strengthening the alignment between human resource development (HRD) and business strategy

Survey data indicate that the two factors most hindering HRD are a lack of HR management capacity and a lack of financial resources. These factors can only be addressed if an MFI's leadership believes that HRD has a strategic role to play in the future success of the business. If it is not yet convinced, HR professionals may be able to make the case for additional support and investment by understanding the business goals, documenting current performance weaknesses, and articulating specific HRD initiatives that should be able to improve performance in a manner that covers the cost of those investments. Some HR professionals may need help from networks, associations or investors to document the relationship between HRD and performance and build the business case. MFI leaders that know HRD is important in theory but find it is not being paid sufficient attention in practice can invite HR professionals to play a more strategic role, and they can hold managers at all levels accountable for supporting HRD functions. They can ensure their HR team is well-informed about business priorities and ask what would make it easier for employees and agents to deliver on those priorities. Once HRD investments are approved, they can follow up to understand which ones prove worthwhile and why.

2 Monitoring the cost-effectiveness of HRD initiatives

For HRD to make a valuable contribution to business strategy, HR professionals need to be able to provide decision-makers with information on both the cost and the effectiveness of HRD initiatives. The survey results indicate that relatively little of this information is being gathered, and too often what is gathered is not being analyzed. Effectiveness can be measured by changes in behavior, the achievement of specific performance goals, or improvement in HR indicators such as the turnover rate, cost of turnover, internal hire rate, average number of sick days, or time to fill open positions. On the cost side, MFIs' increased use of digital channels for recruitment and learning and development (L&D) during the pandemic presents an opportunity to assess the extent to which new technologies provide efficient HRD tools in the microfinance context. If they do, their use can be promoted more widely and the upfront investments necessary to leverage technology throughout the TMLC could become more strategic. It may be worth researching whether MFIs that use HR software have been able to decrease the time spent on administrative activities, increase the sophistication of their segmentation and analysis, improve feedback loops, or channel information more effectively for strategy and follow up.

3 Engaging employees

Although staff retention was mentioned as a generally important success factor, the survey data indicate that what MFIs treasure most are employees and agents that are committed and motivated to achieve organizational goals. Engaging people in this way is a difficult task, not only because each human being has a unique set of talents, aspirations and preferences, but also because organizational needs and the operational environment are constantly evolving. Certainly, structuring recruitment and selection processes to bring people into the organization whose priorities already align with the MFI's mission and values is good practice, but that alignment will rarely be perfect or sufficient. Remuneration and rewards are also necessary, but it seems to be workplace culture and relationships that keep people engaged in the long-term. The survey results suggest that transparency, responsiveness, empathy, and respect are key to engagement. The essential practices and indicators provided in Dimension 5 of the updated *Universal Standards for Social Performance Management* (forthcoming) can guide MFIs in the creation of a safe and equitable work environment and in developing a qualified and motivated workforce.

4 Supporting managers in their HRD role

Most of the organizations that participated in the survey rely significantly on supervisors to implement the performance management and L&D functions, yet only a third provide managers with both HRD targets and training on how to assess skills and provide feedback. Given that the provision of such targets and training seems to have a positive impact on performance, this is a practice that merits adoption. It may also strengthen the relationship between employees and their supervisors, which could positively influence engagement.

5 Gauging the strength of current HRD practice

The relationship between HRD and performance is complex and not all factors that influence it are well understood. Despite these gaps, it is possible to recognize some factors that have a powerful impact. The survey results suggest that the ten indicators in Figure 2 could usefully be incorporated into any benchmarking or due diligence process for the purpose of assessing the strength of an MFI's current HRD practice.

FIGURE 2

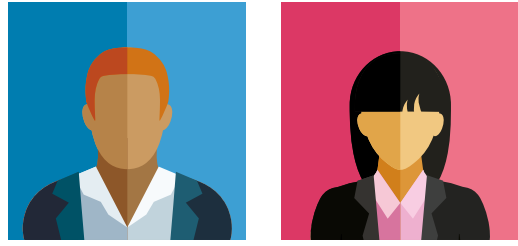
TEN HUMAN RESOURCE PRACTICES THAT SUPPORT MFI PERFORMANCE

<p>1</p> <p>The most senior HR representative reports directly to the Board of Directors, CEO or most senior management executive.</p>	<p>2</p> <p>HRD strategy is reviewed annually to ensure its alignment with business strategy.</p>	<p>3</p> <p>Recruitment and selection procedures are clearly documented and adhered to.</p>	<p>4</p> <p>New hires are oriented to relevant policies and procedures, as well as the organization's vision and values.</p>	<p>5</p> <p>The organization segments its human resources and defines HRD strategy for each key segment.</p>
<p>6</p> <p>The rate of turnover and the reasons for employee exit are analyzed at least once per year, disaggregated by segment.</p>	<p>7</p> <p>Managers have clear HRD targets and receive training on how to assess skills and provide feedback.</p>	<p>8</p> <p>Employees are involved in setting their performance targets, gauging the necessity of L&D measures to support their achievement of those targets, and evaluating their performance against those targets.</p>	<p>9</p> <p>Employee satisfaction is measured, and the results are shared annually.</p>	<p>10</p> <p>A formal grievance system enables employees/agents to raise workplace concerns in a confidential manner and tracks their resolution.</p>

1. BACKGROUND

In September 2018, the European Microfinance Platform (e-MFP) launched an Action Group focused on Human Resource Development (HRD). Its main objective is promoting HRD as an integral part of good business practices in microfinance institutions (MFIs) and of due diligence processes among investors. After a literature review revealed no recent global data on HR practices in the sector, the Action Group decided to invest in the collection of such data to better understand the state of current practice and to shed some light on opportunities to strengthen it.

This report summarizes the survey results and offers some insight into the relationship between current HR practices and MFI performance. It does not attempt to prove causality or to measure the impact of specific practices on performance. Rather, it describes the global landscape and provides a foundation for more rigorous research and case studies.



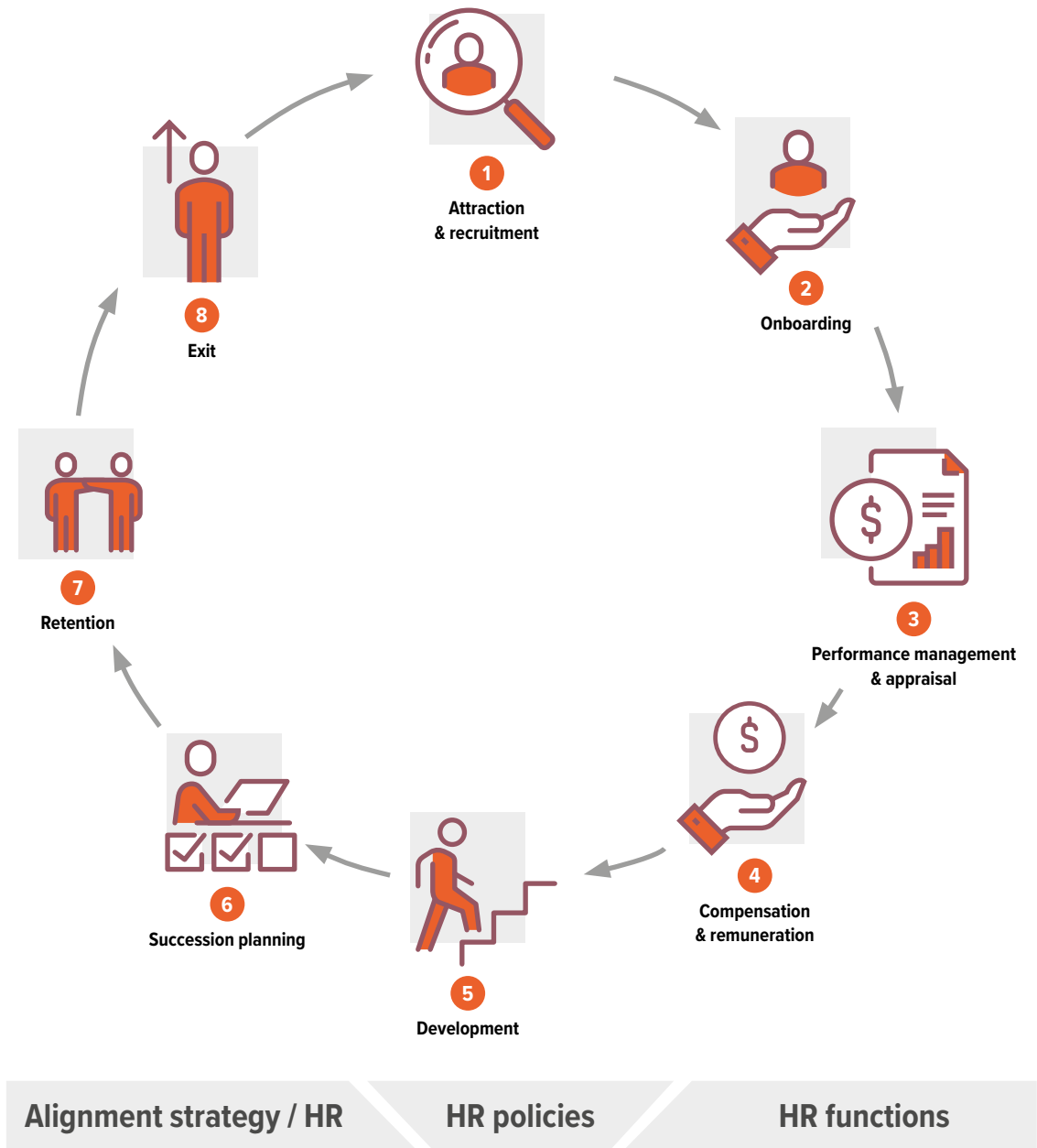
After a brief description of the survey's design and implementation, the results from each section of the survey are analyzed. Most graphs illustrate responses to a single survey question and are titled to communicate the exact question or statement that respondents were asked to consider. The final two sections of the report analyze the relationship between HR practices and performance more generally and highlight opportunities to apply the survey results.

2. SURVEY DESIGN AND IMPLEMENTATION

The survey was developed in a collaborative manner with input from e-MFP Action Group members, including representatives of the International Labour Organization (ILO), Academy of German Cooperatives (ADG), Social Performance Task Force (SPTF), Microfinance Centre (MFC), Appui au Développement Autonome (ADA), Incofin, Triple Jump, and University of Portsmouth. The survey was structured along the "Talent Management Life Cycle" (TMLC), a tool developed by ADG to systematize the elements of HR management and the interconnections among them. As shown in Figure 3, the TMLC follows the typical life cycle of an employee starting from recruitment through onboarding, performance management, remuneration, development, succession planning, retention and exit from the organization. HR strategies, policies and functions guide and support talent management at each stage of the life cycle to achieve business goals.

“
The TMLC follows the typical life cycle of an employee starting from recruitment through onboarding, performance management, remuneration, development, succession planning, retention and exit from the organisation.”

FIGURE 3
TALENT MANAGEMENT LIFE CYCLE



Source: Academy of German Cooperatives. (2018) Talent Management Life Cycle. Unpublished internal company document.

Taking into consideration the trade-off between survey length and the likely volume of response, the Action Group chose to design a longer survey that could probe each of the TMLC stages, assess HR-related practices from the Universal Standards of Social Performance Management (see Figure 4), and gather sufficient background information to segment respondents by region, organizational type, age, size, profitability, market share,

product portfolio, and goals. The survey consisted of 68 questions, all but two of which were multiple choice or numeric in nature. The two open-ended questions at the end of the survey were optional and invited respondents to comment freely on: 1) the HRD practices that have contributed most to their organization’s success, and 2) the factors that hinder their HRD.

FIGURE 4

HR-RELATED PRACTICES FROM THE UNIVERSAL STANDARDS OF SOCIAL PERFORMANCE MANAGEMENT (USSPM)

USSPM STANDARD	USSPM ESSENTIAL PRACTICE	SURVEY SECTION(S) THAT ASSESS THIS PRACTICE
5A: The provider creates a safe and equitable work environment.	5A1: A written Human Resources policy is available to all employees that explains and protects their rights.	<ul style="list-style-type: none"> • Structure and strategy
	5A2: Employee compensation is equitable and adequate.	<ul style="list-style-type: none"> • Remuneration and rewards
	5A3: The provider has a safety and health management system.	<ul style="list-style-type: none"> • Structure and strategy
5B: The provider’s Human Resource Development system is designed to attract and maintain a qualified and motivated workforce.	5B1: The provider gives each employee complete employment documentation and training to understand their job requirements.	<ul style="list-style-type: none"> • Onboarding • Learning and development • Structure and strategy
	5B2: The provider gives employees formal opportunities to communicate with management.	<ul style="list-style-type: none"> • Performance management • Learning and development • Retention, succession planning and exit
5C: The provider’s Human Resource Development system supports the provider’s social strategy.	5C1: During the recruitment and hiring process, the provider assesses each candidate’s commitment to achieving the provider’s social goals and serving the provider’s target clients.	<ul style="list-style-type: none"> • Recruitment and selection
	5C2: The provider trains all employees on the provider’s social goals.	<ul style="list-style-type: none"> • Onboarding • Learning and development
	5C3: The provider evaluates and incentivizes employees based on social and financial criteria.	<ul style="list-style-type: none"> • Performance management • Remuneration and rewards

The survey was piloted in English in September 2020 with seven MFIs from Asia, Africa, Latin America, and the MENA region. Adjustments were made in response to the pilot results and the survey was translated into five additional languages: Arabic, French, Lao, Russian, and Spanish. The survey was administered via Survey Monkey and responses were collected from late November 2020 until the end of February 2021.

A total of 342 surveys were received, of which 114 were deemed inadmissible because respondents did not complete even the first section of the questionnaire. An additional 33 responses were removed from the sample because they came from institutions that either do not provide financial services (19), provide financial services only to other institutions (6), submitted more than one response (6), or contained irregularities that could not be resolved through contact with the respondent (2). Thus, the final sample contains 195 surveys. Of this total, 143 are complete.⁴



⁴ A survey was considered complete if the last multiple-choice question was answered. The two open-ended questions at the end of the survey were optional.

3. ANALYSIS OF SURVEY RESULTS

There are many ways to define “strong performance.” Rather than choosing a single definition and examining the relationship between HR practices and that result, this mapping exercise was designed to facilitate the analysis of HR practices across eight attributes that can contribute to strong performance. The logic for including each of these attributes in the analysis is provided below.

Size: Larger organizations can reach more clients and take advantage of economies of scale.

Age: More mature organizations have demonstrated the ability to be resilient over time.

Profitability: Consistent profitability signals stability and the ability to generate value over time.

Market share: Growth signals a competitive value proposition.

Goals: The pursuit of social and/or environmental objectives in addition to financial ones can facilitate client protection, a healthier planet and greater outreach to marginalized segments.

Diversity of the product portfolio: Organizations that offer savings, credit, payments, insurance, and non-financial services can meet a wider range of client needs.

Gender: Organizations with more balanced participation of women and men may be able to leverage their diversity to achieve more inclusive outreach.

Turnover: Organizations with lower employee and agent turnover can minimize expenses related to the recruitment and onboarding of new talent and benefit from the expertise of those familiar with their business and clients.

HR practices that seem to be positively associated with multiple performance attributes are highlighted in this report as behaviors that can be embraced and promoted.

The relationship between HR practice and performance is also analysed across organization types and geographic context. This is because the legal frameworks under which MFIs are regulated and supervised impact the type of talent required and the way talent must be managed, while geographic context influences labor market dynamics and social norms, among other factors. HR practices that are being adopted across multiple organization types and regions are highlighted in this report as practices that can be valuable in a variety of contexts. Attention is drawn to practices that differ significantly by region or organization type to raise awareness of areas where contextual adaptation may be important.

The following analysis focuses on aggregate results and segments that contain 20 or more data points, but since observations are made across all regions and organizational types, caution is advised when interpreting results for banks and for organizations in the MENA region, as these segments consist of only 10 and 12 surveys respectively (refer to Section 3.1 for details on the respondents’ profile).

3.1 RESPONDENT PROFILE

As shown in Figures 5 through 17, the organizations included in the final data set constitute a diverse sample. They operate in 56 countries with a range of organizational types, sizes, ages and outreach strategies. The majority are consistently profitable, have been in operation at least ten years, and offer both credit and savings products. Their market share is increasing, and they are publicly committed to financial and social objectives. 65% offer non-financial services of some kind. Approximately 42% operate in Sub-Saharan Africa, 23% in South, East or Southeast Asia and the Pacific, 18% in Latin America and the Caribbean, 15% in Eastern Europe and Central Asia, and 6% in the Middle East and North Africa. 16% of respondents operate in more than one country.

Most respondents do not work with agents, but the 47 organizations that do provide some initial insight on agent-related HR practices. 18% of respondents work with volunteers. Among all respondents, the average percentage of female employees is 49%. Among MFIs that provided segmented data, the average percentage of field staff and management who are female is 38% and 34%, respectively. On average, 32% of agents and 38% of volunteers are female.

The characteristics of organizations that completed the survey do not differ significantly from those that did not. Thus, each question of the survey has been analyzed using the full set of responses provided and was not limited to the completed survey data set only. The number of responses to each survey question is indicated in the title of each figure (e.g., n=195).

FIGURE 5
SURVEYS INCLUDED IN THE FINAL DATA SET, BY COUNTRY (NUMBER OF SURVEYS IN PARENTHESES)

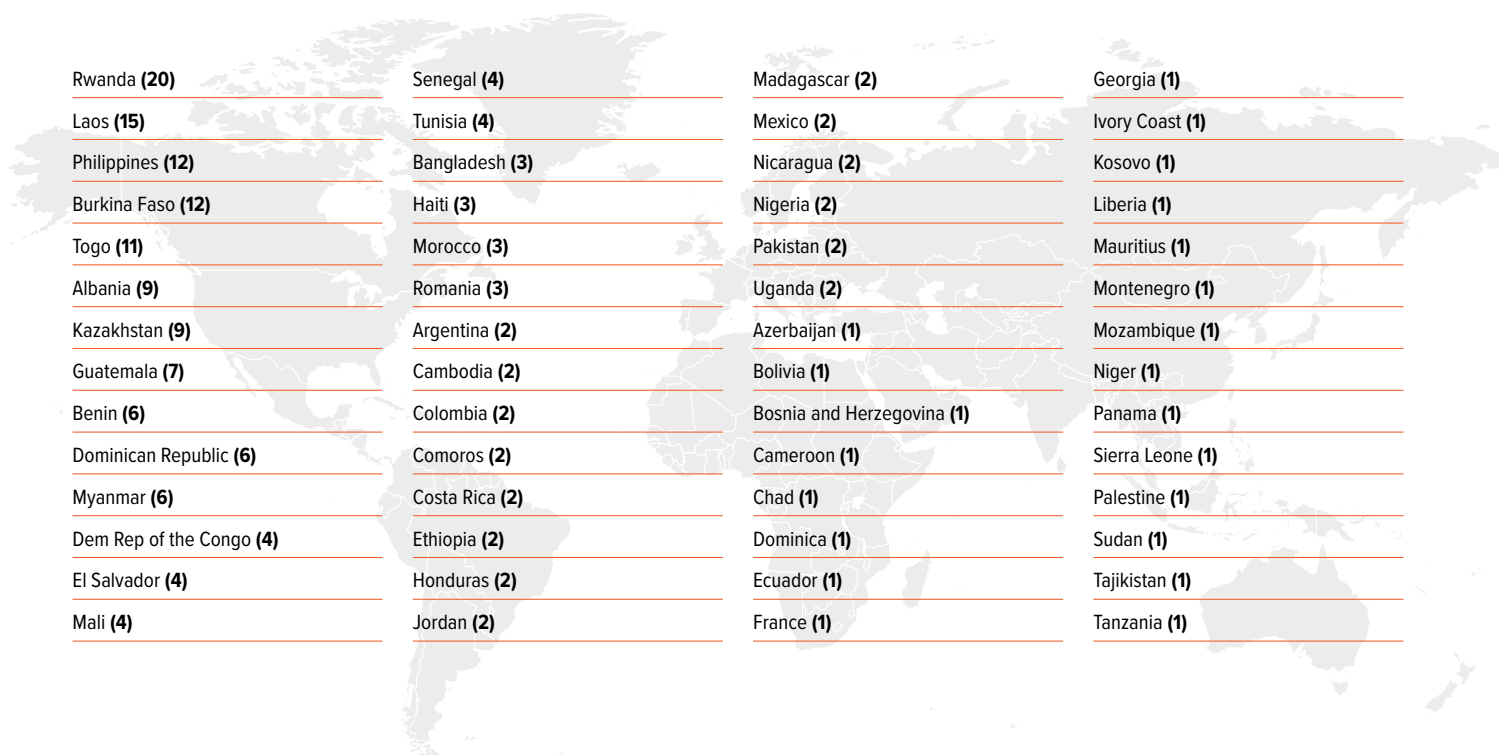


FIGURE 6
NUMBER OF RESPONDENTS OPERATING IN EACH REGION (n=195)

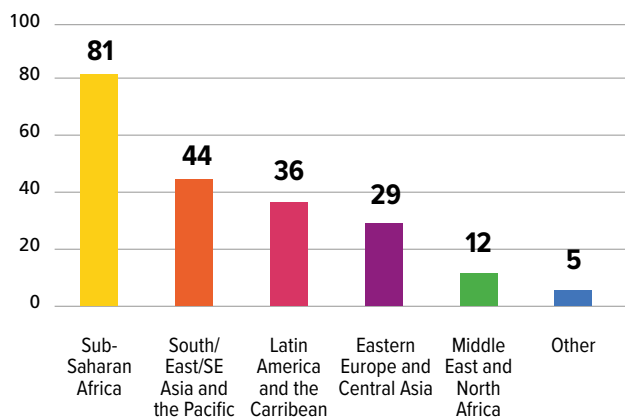


FIGURE 7
RESPONDENTS' ORGANIZATIONAL TYPE (n=195)

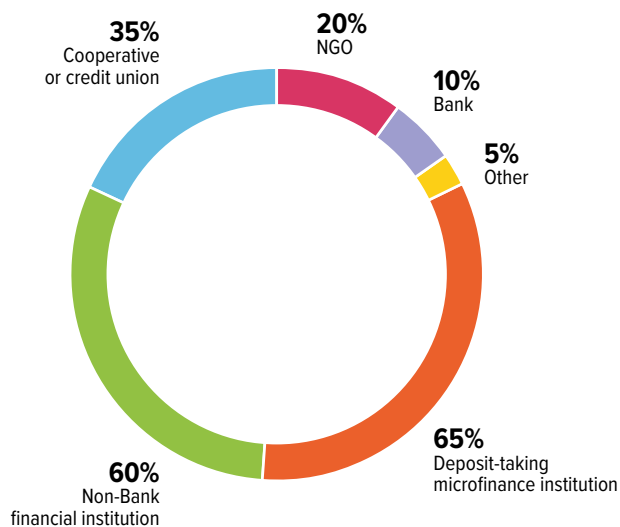


FIGURE 8
ORGANIZATION SIZE (AS MEASURED BY NUMBER OF CLIENTS) (n=195)

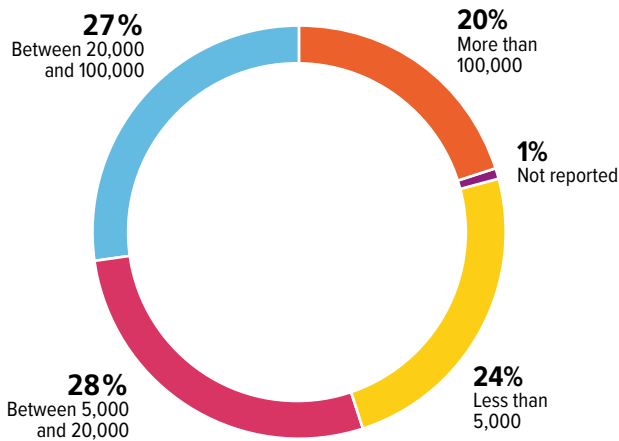


FIGURE 9
ORGANIZATION SIZE (AS MEASURED BY NUMBER OF EMPLOYEES) (n=195)

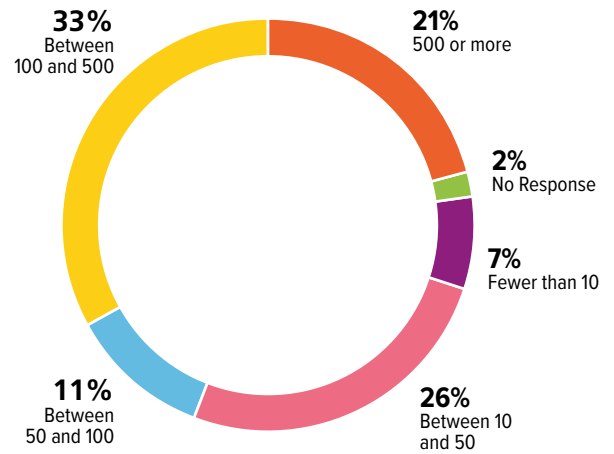


FIGURE 10
ORGANIZATION AGE (n=195)

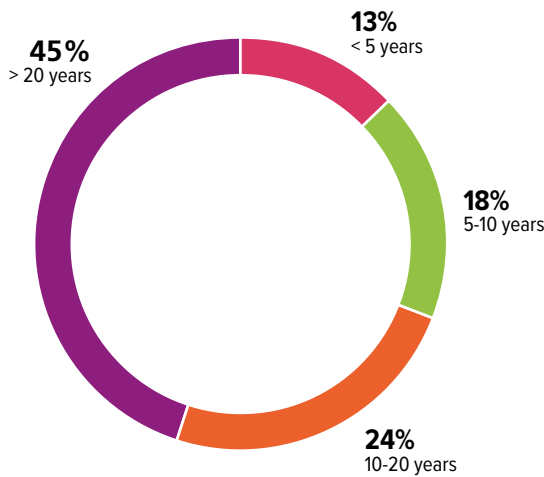


FIGURE 11
NUMBER OF PROFITABLE YEARS IN PAST FIVE (n=195)

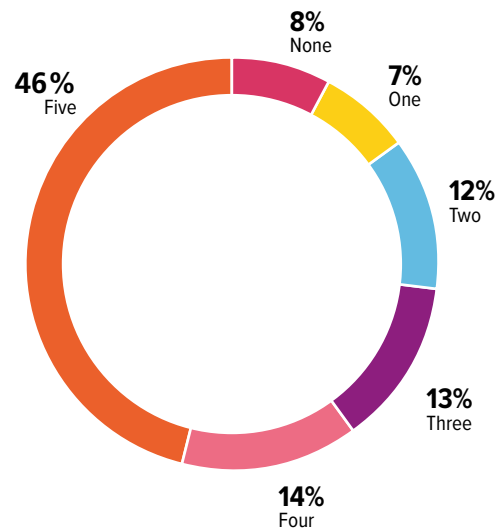


FIGURE 12
MARKET SHARE (n=195)

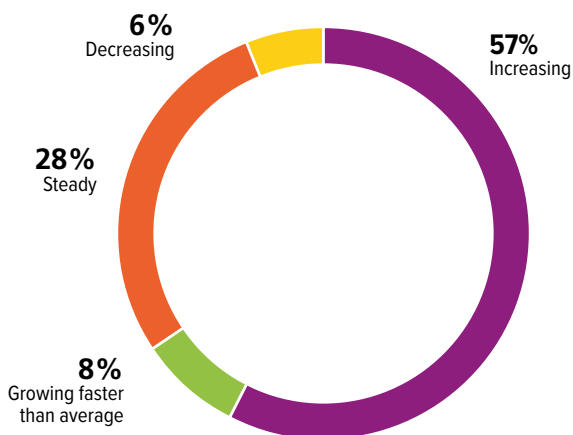


FIGURE 13
WORKING WITH AGENTS (n=195)

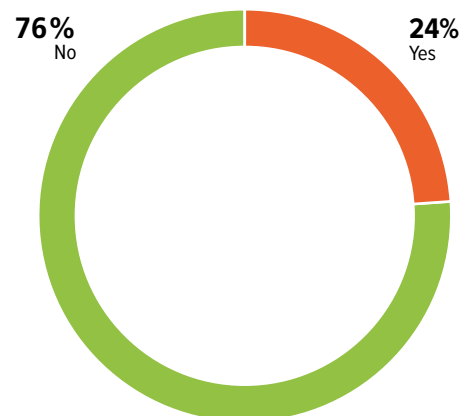


FIGURE 14
OFFERING NON-FINANCIAL SERVICES (n=195)

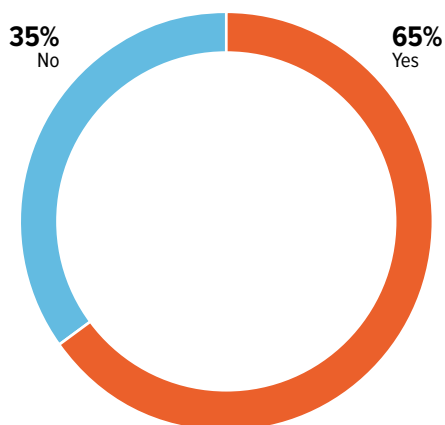


FIGURE 15
AVERAGE PERCENTAGE FEMALE EMPLOYEES

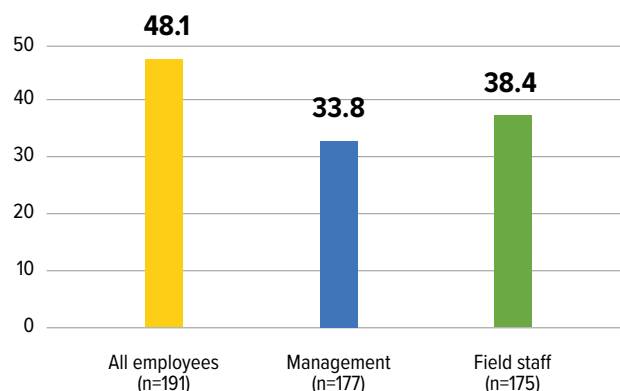


FIGURE 16
ORGANIZATIONAL GOALS (n=195)

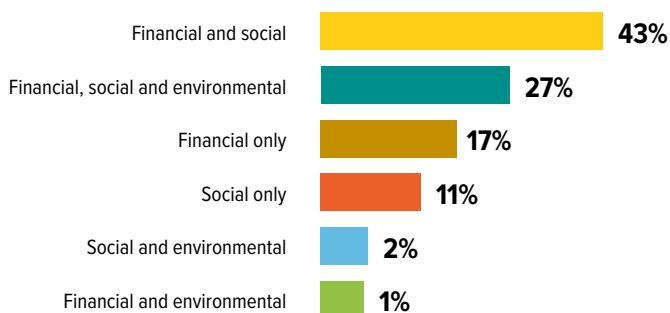
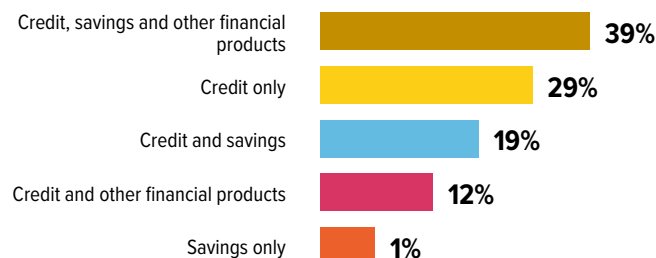


FIGURE 17
FINANCIAL PRODUCT PORTFOLIO (n=195)



3.2 RECRUITMENT AND SELECTION

The relationship between an MFI and its employees and agents begins with recruitment. At this stage of the TMLC, MFIs identify what kind of talent they need and put processes in place to attract, screen and select the best candidates, who are then contracted under specific terms and conditions. Three survey questions assessed MFI practices in this stage.

The first question explored MFIs' approach to the recruitment and selection process. The results are summarized in Figure 18. The pattern of responses to the first four statements was similar across organizational types, but

not across regions, profitability, organization age or size. The greatest variability in regional behavior was seen around the practice of involving team members (see Figure 19). The most common practice – having recruitment and selection procedures that are clearly documented and adhered to – appears to have the strongest relationship with performance. It has been adopted much more often by MFIs with five years of consistent profitability than by MFIs that have not been profitable (71% versus 43%), by institutions with steady or increasing market share more than those with decreasing market share (71% versus 30%), and by older organizations (those that have survived at least 20 years) more than those under 5 years old (78% versus 38%).

FIGURE 18

“WHICH STATEMENTS ACCURATELY DESCRIBE YOUR ORGANIZATION’S RECRUITMENT AND SELECTION PROCESS? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=174)

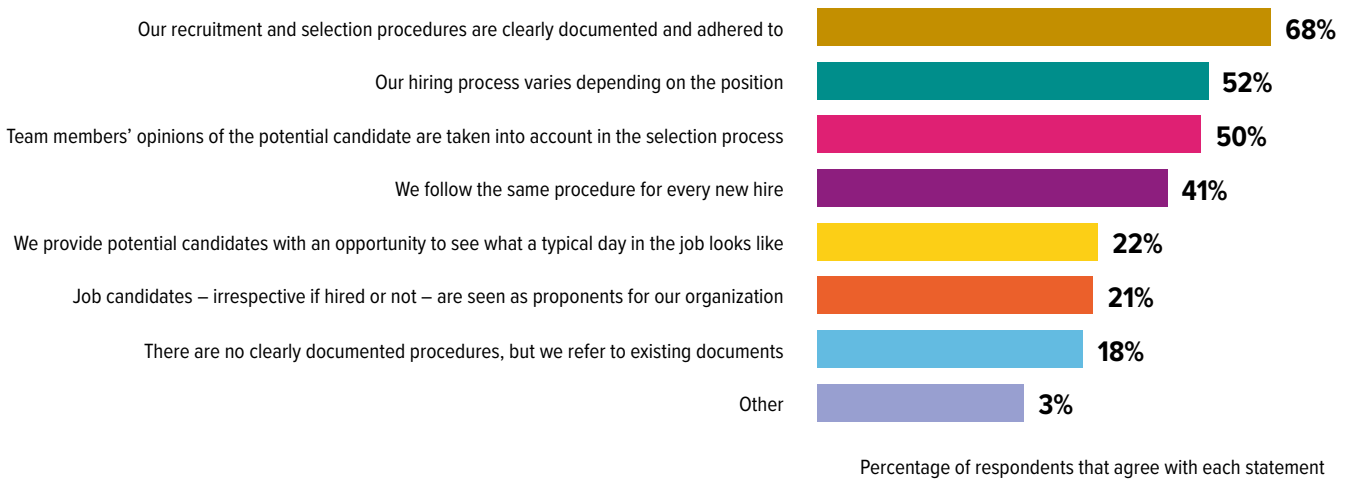


FIGURE 19

PERCENTAGE OF RESPONDENTS IN EACH REGION THAT TAKE TEAM MEMBERS’ OPINIONS OF POTENTIAL CANDIDATES INTO ACCOUNT DURING THE SELECTION PROCESS (n=174)

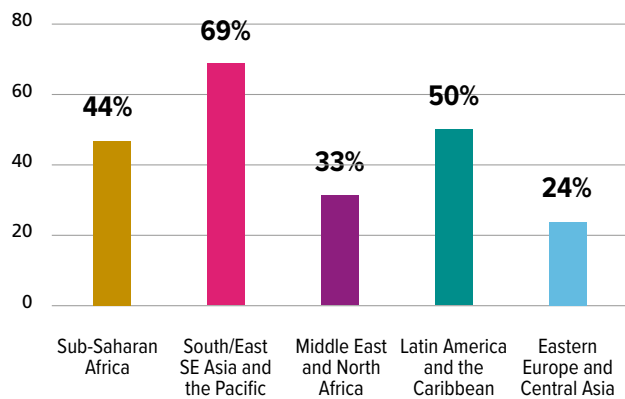
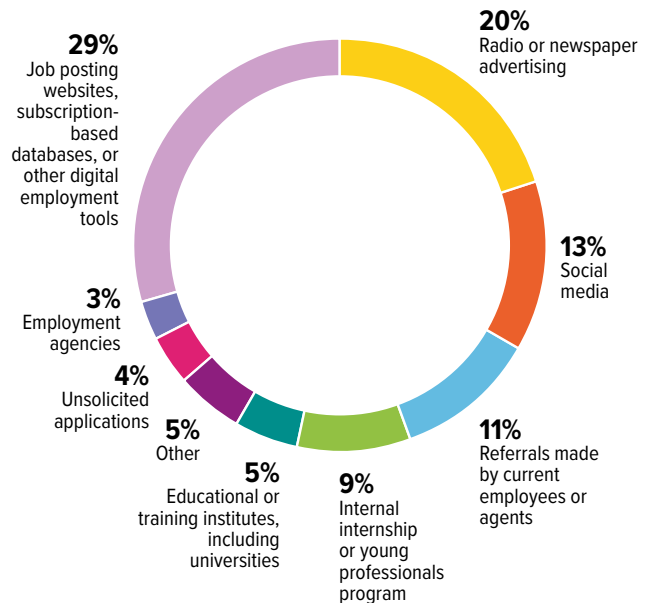


FIGURE 20

“FROM WHICH SOURCE DO YOU RECRUIT THE MOST NEW HIRES? (PLEASE CHOOSE ONE RESPONSE)” (n=174)

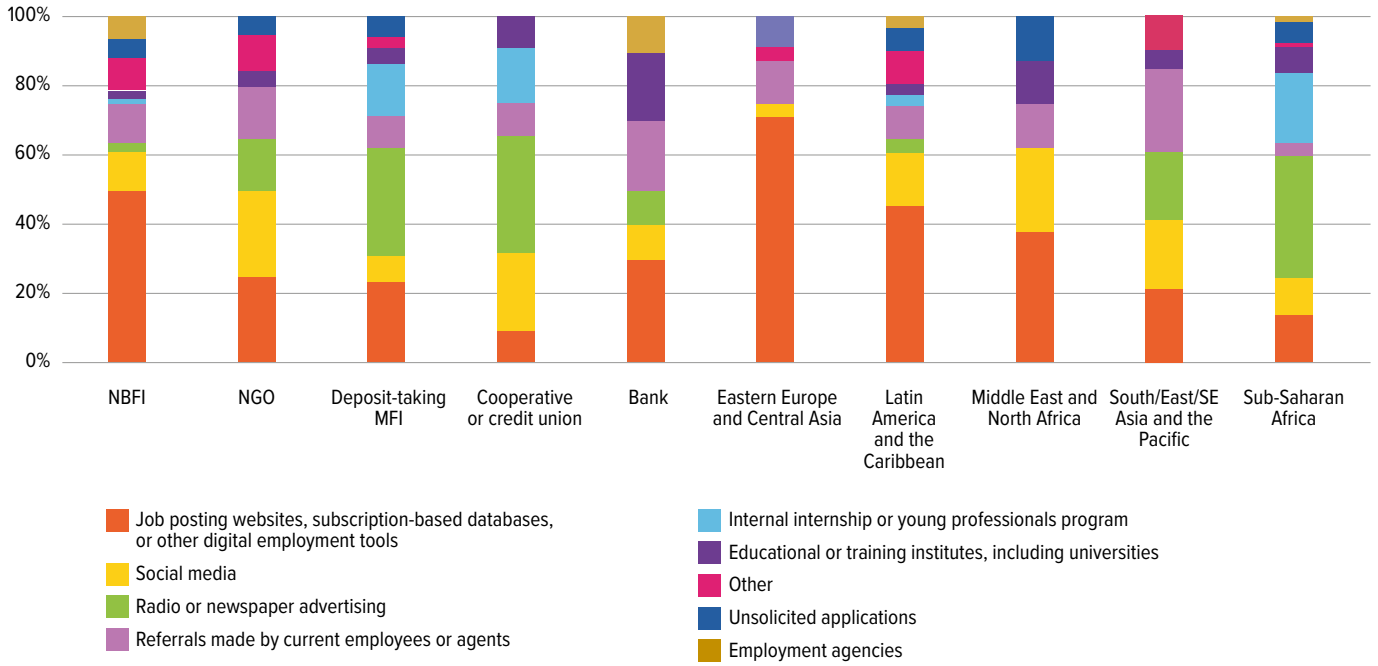


The second survey question focused on selection methods. As shown in Figure 20, 29% of respondents recruit primarily through digital channels such as job posting websites and subscription-based databases; another 13% recruit most through social media. 20% of respondents recruit most through radio and newspaper advertising, but this preference is limited to Sub-Saharan Africa (rep-

resenting 74% of responses in this category) and South/East/SE Asia. Only one organization outside of these regions prefers this channel. The significant differences in preferences across regions and organization types are summarized in Figure 21. No clear relationship was observed between recruitment methods and performance.

FIGURE 21

“FROM WHICH SOURCE DO YOU RECRUIT THE MOST NEW HIRES? (PLEASE CHOOSE ONE RESPONSE)” (n=174)



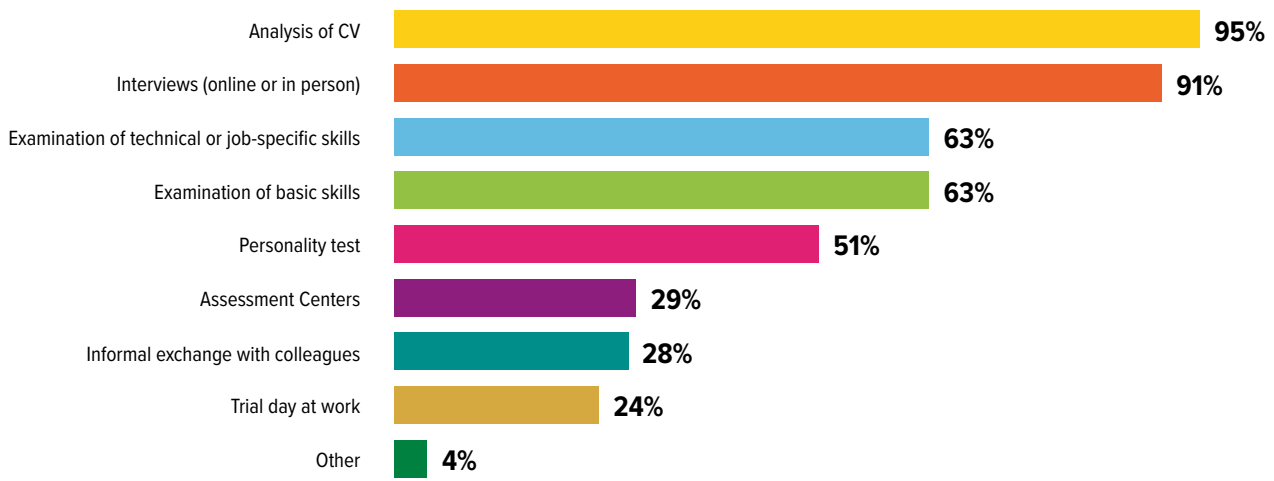
The third and final question in this section focused on selection methods. Figure 22 shows that selection processes almost always include the analysis of curriculum vitae (95%) and interviews (91%). More than 60% of processes include the examination of skills. Only a quarter of respondents include a trial day at work or informal exchanges with potential colleagues. Background and reference checks were mentioned as other methods used.

There are some regional differences. Assessment centers are used less in Sub-Saharan Africa (19%) and Eastern

Europe and Central Asia (16%) than in Latin America and the Caribbean (66%) and the MENA region (44%). Personality tests are used much more in Latin America and the Caribbean (78%) than in Eastern Europe and Central Asia (20%) or the MENA region (22%). They also seem to be used much more often by banks than by non-bank financial institutions (80% versus 33%). No clear relationship was observed between selection methods and performance.

FIGURE 22

“YOUR SELECTION PROCESS INCLUDES (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=174)



Percentage of respondents that agree with each statement

3.3 ONBOARDING

Once new employees or agents are contracted, they must get to know their MFI, what it expects of them and what they can expect from it. In this stage of the TMLC, an MFI prepares the new members of its workforce to begin contributing effectively to the achievement of business goals. Three survey questions assessed MFI practices at this stage.

The first two questions focused on onboarding processes and methods. The results are summarized in Figures 23 and 24. Overall, this phase of HR development tends not to be standardized or clearly documented, but 86% of respondents make sure that someone communicates the organization’s vision and values, and 75% have an HR

representative who orients new hires to relevant policies and procedures. 67% of respondents provide on-the-job training or coaching; 26% limit their job-specific training to frontline employees only. E-learning and self-discovery methods are used during onboarding by approximately one-quarter of respondents.

Few clear relationships were observed between onboarding processes and MFI performance. As organizations mature, new employees are more likely to be evaluated during the onboarding process and to be required to meet certain criteria to remain employed (see Figure 25). Cooperatives and credit unions are less likely than other organizations to adopt this practice.

FIGURE 23
“HOW WOULD YOU DESCRIBE YOUR ORGANIZATION’S ONBOARDING PROCESS? (PLEASE SELECT ALL APPLICABLE RESPONSES)”
(n=174)

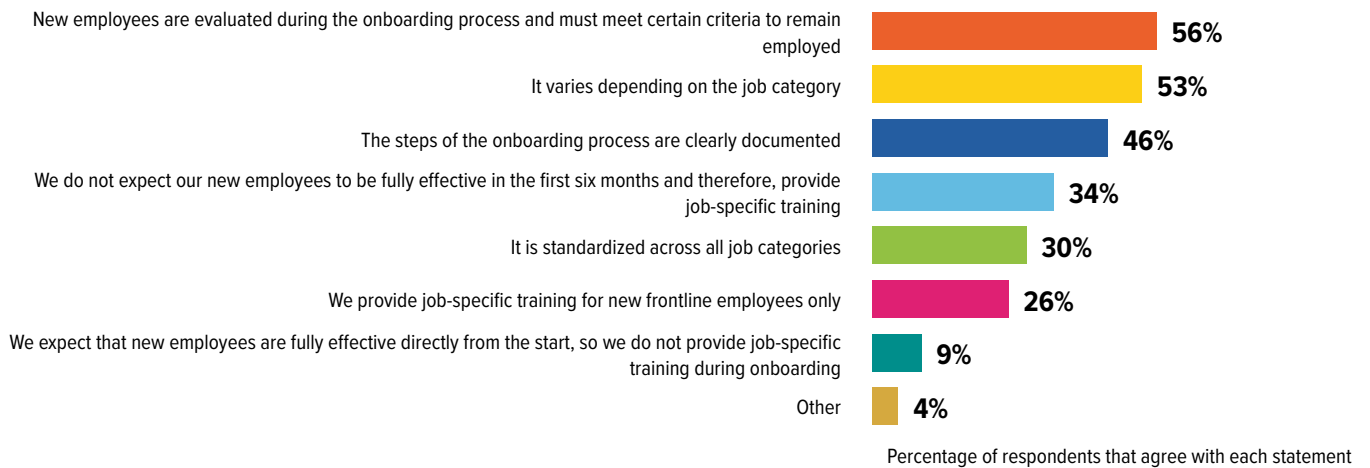


FIGURE 24
“WHICH OF THE FOLLOWING METHODS ARE TYPICALLY INCLUDED IN YOUR ORGANIZATION’S ONBOARDING PROCESS? (PLEASE SELECT ALL APPLICABLE RESPONSES)”
(n=174)

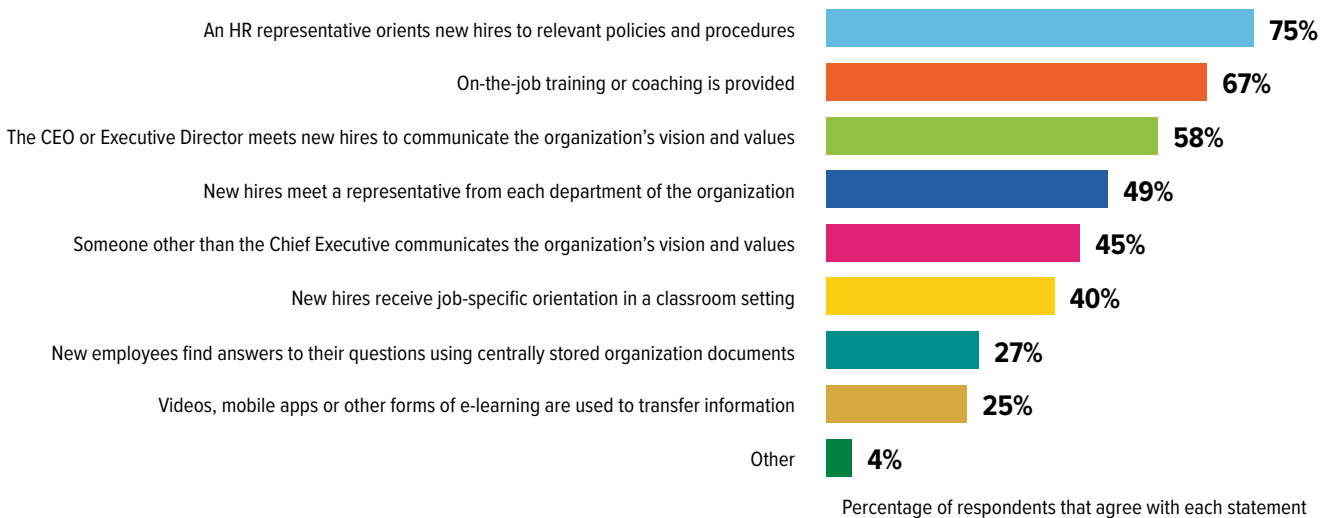
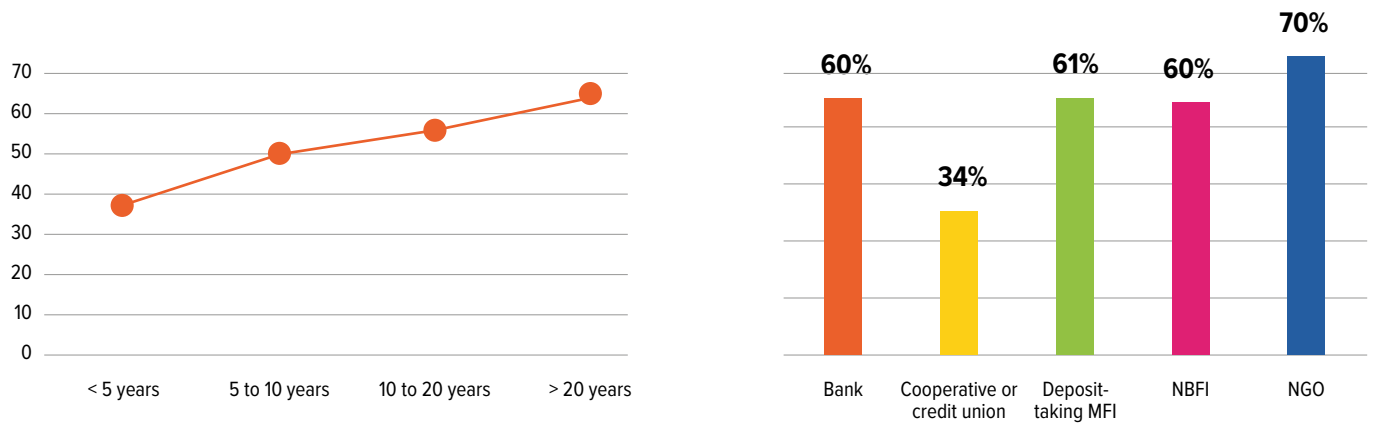


FIGURE 25

PERCENTAGE OF MFIS THAT EVALUATE NEW EMPLOYEES DURING THE ONBOARDING PROCESS AND REQUIRE THEM TO MEET CERTAIN CRITERIA TO REMAIN EMPLOYED, SEGMENTED BY AGE AND TYPE OF MFI (n = 174)

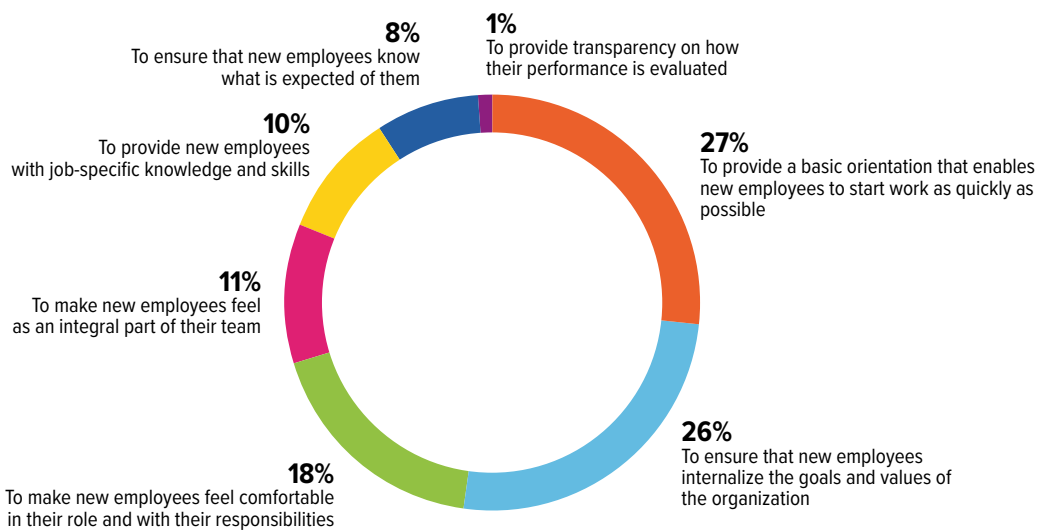


The third and final question in this section focused on the overarching aim of MFIs’ onboarding processes. As shown in Figure 26, respondents prioritize different goals, but more than half emphasize either speed or the internalization of organizational values. MFIs with market share that is increasing faster than average tend to prioritize the internalization of goals and values (42% of respondents in this category) rather than the speed with which they can get employees in place (no respondents

prioritized this goal)⁵. Consistently profitable organizations and those that have been around for more than 20 years adopt both approaches in approximately equal proportions. As organizations age, they tend to place more emphasis on goals and values; the smallest and youngest organizations focus more on getting new employees to work. As shown in Figure 27, preferences vary substantially by organization type.

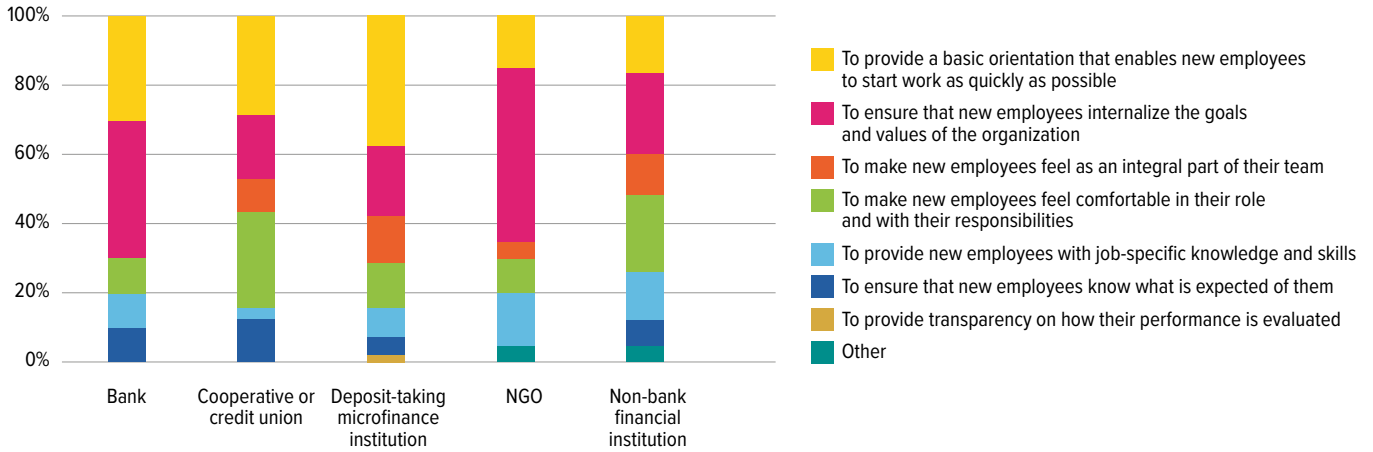
FIGURE 26

“WHAT IS THE MOST IMPORTANT GOAL OF YOUR ORGANIZATION’S ONBOARDING PROCESS? (PLEASE CHOOSE ONE RESPONSE)” (n=172)



⁵ In this analysis, take into consideration that the number of respondents (12) reporting growth in market share that is above average is small.

FIGURE 27
PRINCIPAL ONBOARDING GOAL BY ORGANIZATION TYPE (n=172)



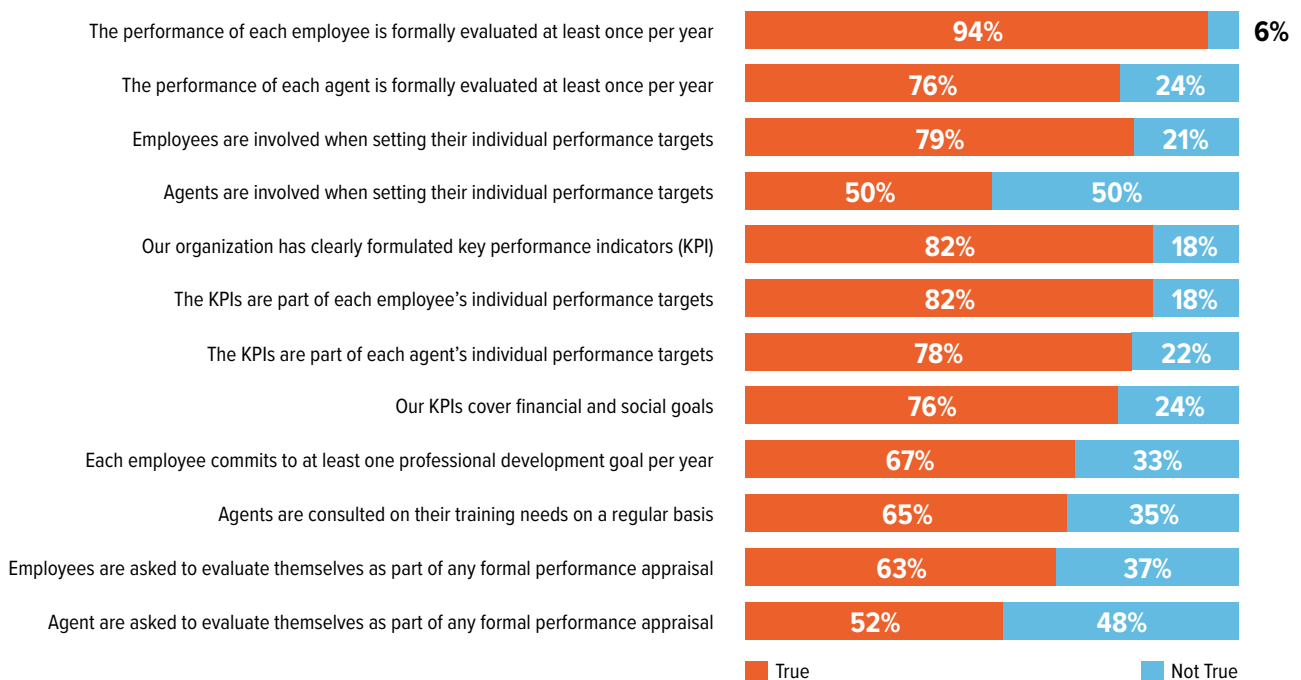
3.4 PERFORMANCE MANAGEMENT

Once new employees or agents begin working for an MFI, their performance is ideally guided and monitored to maximize the contribution that each individual makes to the achievement of business goals. Five survey questions assessed MFI practices at this stage. The first three focused on the processes through which MFIs manage employee and agent performance.

As shown in Figure 28, employees are almost always formally evaluated at least once per year, agents somewhat

less so. Four-fifths of respondents involve employees in setting their performance targets, while 50% of respondents with agents involve them in setting theirs. Approximately two-thirds of all respondents involve employees and agents in their professional development, but fewer organizations give employees and agents the chance to evaluate themselves as part of the formal appraisal process (63% and 53% of respondents respectively). These numbers vary by region, with employee participation in the evaluation process being lower in Latin America and the Caribbean (43%) than in the Middle East and North Africa (89%). In general, agents are less engaged in their performance management than employees.

FIGURE 28
“WHICH OF THE FOLLOWING STATEMENTS ACCURATELY DESCRIBE YOUR ORGANIZATION’S PERFORMANCE MANAGEMENT PROCESS?” (n=160)



One hundred percent of the respondents with key performance indicators (KPIs) tie individual performance targets to their organization's KPIs. Curiously, though 82% of respondents reported using KPIs to set individual performance targets (see Figure 28), only 68% report using KPIs for performance management (see Figure 29). There seems to be a relationship between the use of KPIs in performance management and market share. Respondents with steady and increasing market share use KPIs in performance management 45% and 53% more often, respectively, than those with decreasing market share.⁶

The last two questions in this section of the survey focused on performance management instruments and the

guidance provided to managers as they use these instruments. As shown in Figure 29, 81% of respondents manage performance (at least in part) through staff appraisal by supervisors. 89% of these MFIs provide managers with some kind of performance management guidance, but there is no consensus with respect to what type of guidance is best (see Figure 30). 38% of respondents provide managers with targets and training on how to assess skills and provide feedback, but this does not seem to generate significantly better results than targets or training alone. There does seem to be a positive relationship between performance management guidance and market share (see Figure 31) as well as profitability (see Figure 32).

FIGURE 29
“WHICH INSTRUMENTS ARE USED IN YOUR INSTITUTION’S PERFORMANCE MANAGEMENT? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=160)

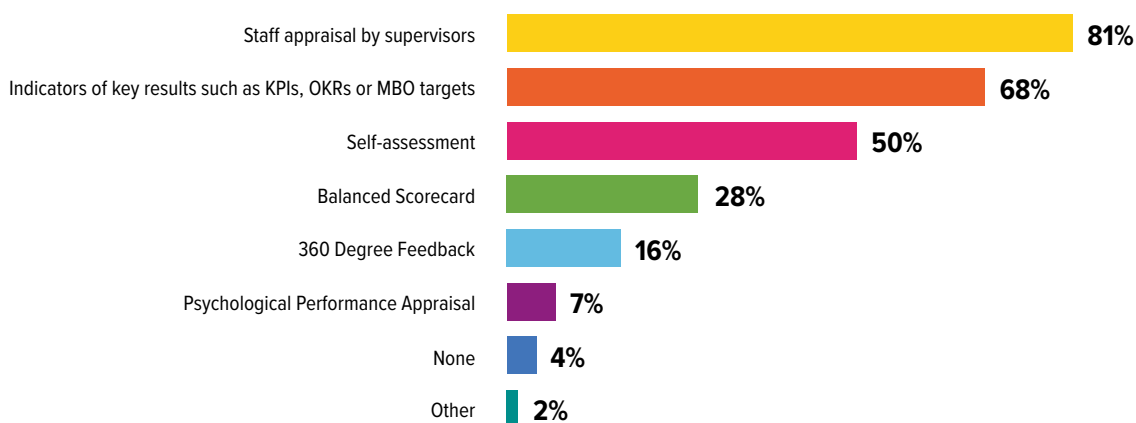


FIGURE 30
“WHAT KIND OF GUIDANCE DOES YOUR ORGANIZATION PROVIDE MANAGERS FOR PERFORMANCE MANAGEMENT? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=160)



⁶ The general trend is clear given the number of respondents reporting steady (45) and increasing (109) market share, but the strength of the trend should be interpreted with caution given the number of respondents reporting decreasing market share (9).

FIGURE 31
PERCENTAGE OF RESPONDENTS THAT AGREE WITH EACH STATEMENT, SEGMENTED BY MARKET SHARE STATUS (n=160)

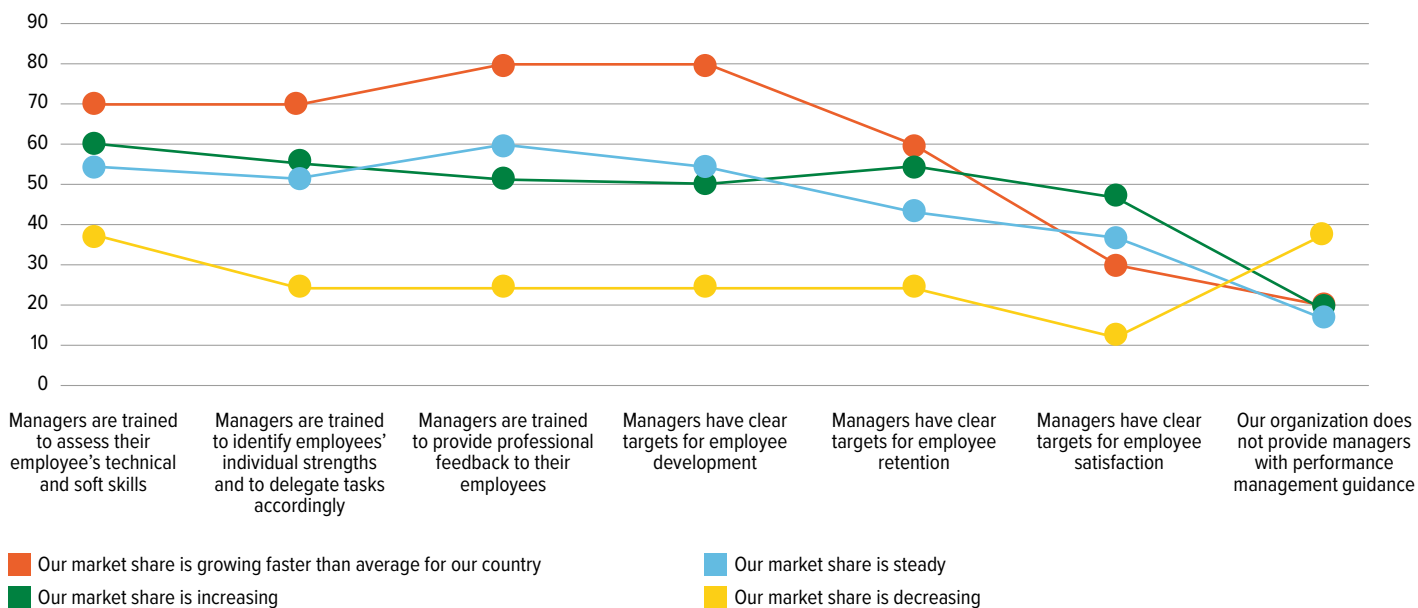
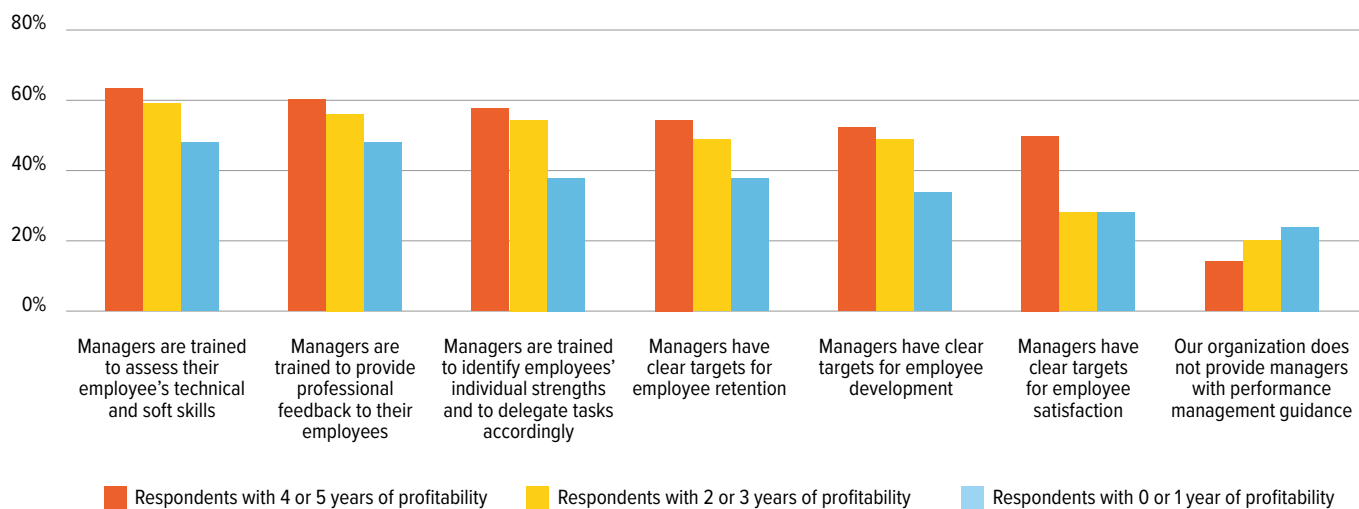


FIGURE 32
PERCENTAGE OF RESPONDENTS THAT AGREE WITH EACH STATEMENT, SEGMENTED BY PROFITABILITY OF THE LAST FIVE YEARS (n=160)



3.5 REMUNERATION AND REWARDS

Once employees and agents have begun working, remuneration and rewards play a critical role in motivating them to keep working, and to give their best to the organization. Thirteen survey questions assessed MFI practices at this stage of the TMLC. The first two focused on the fairness and competitiveness of MFIs' remuneration, and the results are summarized in Figure 33.

80% of respondents believe their remuneration scheme is competitive, and a third of the respondents who ticked "Other" in Figure 33 did so to communicate how they measure this. Fewer respondents monitor ratios that gauge the fairness or adequacy of their remuneration. Only 37% measure the salary of the lowest paid employee relative to the national minimum wage; 28% measure the ratio of top management compensation to average field staff compensation. Four respondents in West Africa ticked "Other" to note the existence of a collective agreement that fixes remuneration at prescribed levels.

The next seven survey questions focused on incentives, which are used by 89% of responding organizations. They are offered most often to frontline employees, but some MFIs extend them to all members of the workforce. 22% of respondents incentivize frontline and back-office staff as well as senior and middle management; 63% of those who ticked "Other" in Figure 34 did so to communicate that everyone in the organization is incentivized.

As shown in Figure 35, there is a clear preference for monetary and individual incentives, and this holds true across all segments. Group incentives are rarely used in the Middle East/North Africa (13%) and in young and small organizations (13% and 16% respectively) but are popular in organizations with more than 100,000 clients (63%). Non-monetary incentives are used more in Eastern Europe/Central Asia (68%) and Latin America/Caribbean (62%) and less by NGOs (29%) and credit unions/cooperatives (26%).

Loan quality and financial goals are the ones most often incentivized (see Figure 36). Even respondents that indicated at the beginning of the survey that they were committed to social goals only (and not financial goals) incentivize financial goals nearly twice as often as they incentivize social goals (69% vs 38%). Among the 115 respondents that have publicly committed to social goals, 50% provide incentives to motivate their workforce to achieve them.

On average, 45% of field staff regularly earn performance incentives (the median is 50%). As shown in Figure 37, more than two-thirds of those offering incentives limit the variable component of compensation to 40% or less for both field staff and management. The variable component is largest among unprofitable organizations. Payouts are most often monthly for field staff and annually for management (see Figure 38).

FIGURE 33
"WHICH OF THE FOLLOWING DOES YOUR ORGANIZATION MEASURE? (PLEASE SELECT ALL APPLICABLE RESPONSES)?" (n=153)

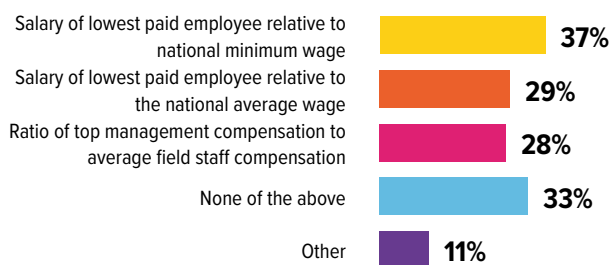


FIGURE 34
"FOR WHOM DOES YOUR ORGANIZATION OFFER INCENTIVES? (PLEASE SELECT ALL APPLICABLE RESPONSES)?" (n=137)

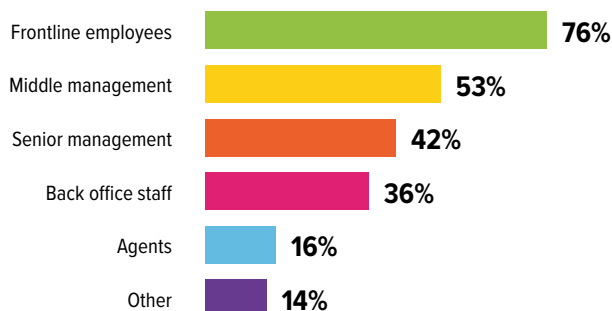


FIGURE 35
"WHAT TYPES OF INCENTIVES DOES YOUR ORGANIZATION USE? (PLEASE SELECT ALL APPLICABLE RESPONSES)?" (n=137)

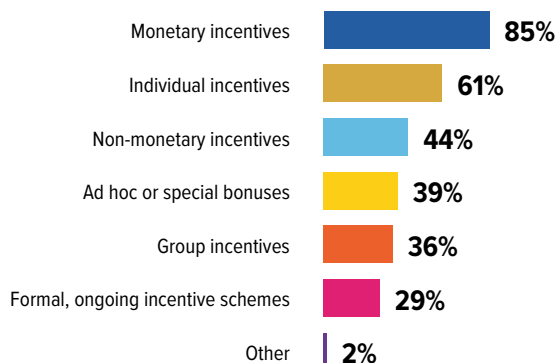


FIGURE 36
"WHICH GOALS DOES YOUR ORGANIZATION INCENTIVIZE? (PLEASE SELECT ALL APPLICABLE RESPONSES)?" (n=137)



FIGURE 37
“WHAT PERCENTAGE OF COMPENSATION IS VARIABLE?”
 (n=114 FOR FIELD; 104 FOR MANAGERS)

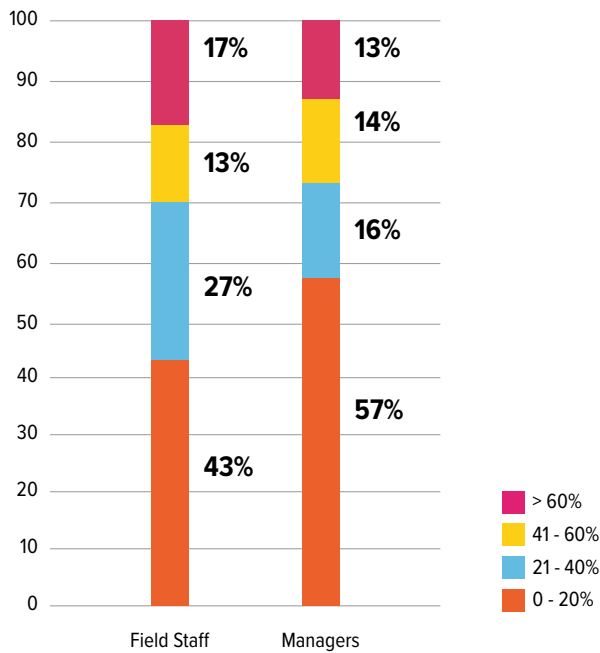
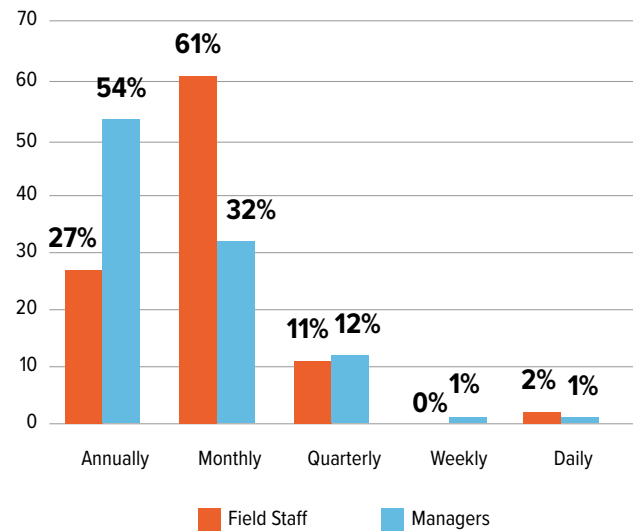


FIGURE 38
“IF YOU OFFER MONETARY INCENTIVES, HOW OFTEN ARE PAYOUTS MADE?”
 (n=128 FOR FIELD; 113 FOR MANAGERS)



The final three questions in this section of the survey focused on agent remuneration. Most respondents working with agents provide monthly commissions (81%), but a small number of respondents pay agent commissions irregularly (9%), weekly (6%) or instantly, after every transaction (3%). Figure 39 highlights the lack of consensus around what should be incentivized. It also suggests that few respondents are designing their remuneration and rewards to make agents’ work easier. Only 13% offer agents working capital loans or other liquidity management support; 19% guarantee agents a minimum income during their start-up phase.

With respect to respondents’ overall approach to compensation, Figure 40 illustrates the importance of communicating the link between rewards and performance. It also shows that approximately half of respondents use compensation as a “stick” as well as a “carrot,” reducing variable compensation if targets are not met. This behavior is more common with financial targets (48%) than with social targets (13%). Compensation is rarely designed to ensure a decent income, or to reward managers when the employees they supervise are promoted.

FIGURE 39
HOW DOES YOUR ORGANIZATION COMPENSATE ITS AGENTS? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=32)



FIGURE 40

“WHICH OF THE FOLLOWING STATEMENTS ACCURATELY DESCRIBE YOUR ORGANIZATION’S SYSTEM OF REMUNERATION AND REWARDS? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=157)



3.6 LEARNING AND DEVELOPMENT

Over time, employees and agents will need to acquire new knowledge, skills and attitudes to respond effectively to changes in the client base, the external environment and business strategy. They may also want to acquire new knowledge and skills for their own career development. By supporting employees and agents at this stage of the TMLC, MFIs can strengthen both the ability and engagement of their workforce. Eight survey questions assessed MFI practices in this area. Three questions focused on the culture of learning and development (L&D) within MFIs. Two questions explored the processes and methods through which people access L&D opportunities. The remaining questions examined the practices through which MFIs attempt to translate learning into improved performance.

85% of respondents provide L&D opportunities. Participation in L&D activities is most often driven by the results of a training needs assessment (85%) and/or by the need for compliance with regulatory demands (64%). Classroom-based training is the most frequently used method (82%), but e-learning and coaching or mentorship are also used often (65%). There are some regional differ-

ences. E-learning is used twice as much in the Middle East/North Africa (86%) and Latin America/Caribbean (85%) as in Sub-Saharan Africa (43%), and study tours are at least twice as popular in South/East/SE Asia and the Pacific (61%) than in any other region. Two-thirds of respondents offer staff members three or more days of training per year. These results are summarized in Figures 41 through 43.

As shown in Figure 44, 81% of respondents center their L&D approach around the training needs of employees and 66% cover all direct costs for their L&D measures. 50% of respondents allocate an amount of money to be spent on L&D per employee, but only 22% of those working with agents allocate an amount to be spent on L&D per agent. Slightly more than half of the respondents that offer L&D opportunities encourage employees to take advantage of them during working hours.

Less than half of the respondents reported using L&D measures that are practice-oriented, and only 35% customize their L&D measures to individuals or groups of employees. 41% monitor employee satisfaction with their L&D measures and 37% standardize their L&D measures for certain career paths.

FIGURE 41

“WHICH L&D METHODS DOES YOUR ORGANIZATION OFFER? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=128)

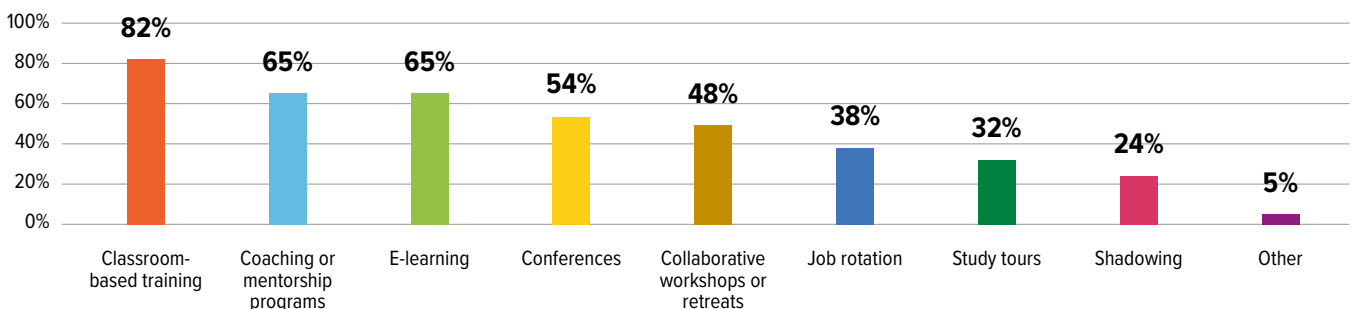


FIGURE 42

“HOW DOES YOUR ORGANIZATION DECIDE WHO PARTICIPATES IN L&D MEASURES?” (PLEASE SELECT ALL APPLICABLE RESPONSES) (n=128)



FIGURE 43

“HOW OFTEN DO STAFF MEMBERS RECEIVE TRAINING?” (PLEASE CHOOSE ONE RESPONSE) (n=127)

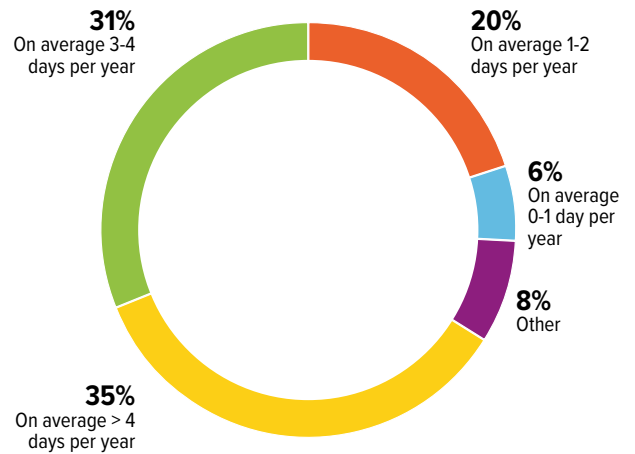
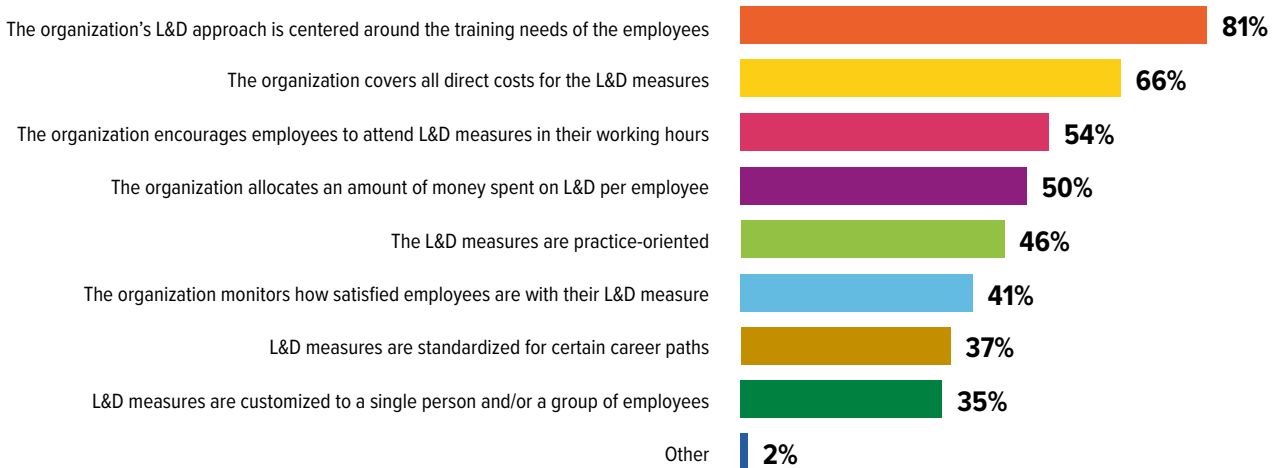


FIGURE 44

“WHICH OF THE FOLLOWING STATEMENTS ACCURATELY DESCRIBE YOUR LEARNING & DEVELOPMENT CULTURE? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=128)



As shown in Figures 45 and 46, organizations that try to encourage practice-oriented L&D do so in a variety of ways, most frequently by involving supervisors (57%) and/or by providing HR staff with training/coaching in the design of practice-oriented measures (54%). After an L&D measure takes place, most respondents try to ensure transfer by having employees share what they learn with others (63%).

Most respondents (65%) evaluate impact through a combination of measures that includes post-training evalua-

tion, examination and/or a supervisor's assessment (see Figure 47). 13% assess impact solely through post-training evaluation forms. 14% of respondents do not evaluate the impact of their L&D measures. This percentage is much higher (42%) among MFIs that are less than five years old. 20% of respondents measure the return on their L&D investments, but this practice varies significantly by segment. It seems more common for banks (50%), NGOs (35%) and MFIs in the MENA region (43%) than for deposit-taking MFIs (12%), NBFIs (14%) or MFIs in Eastern Europe and Central Asia (16%).

FIGURE 45

“DOES YOUR ORGANIZATION TAKE ANY OF THE FOLLOWING MEASURES TO ENCOURAGE PRACTICE-ORIENTED L&D?” (PLEASE SELECT ALL APPLICABLE RESPONSES) (n=127)

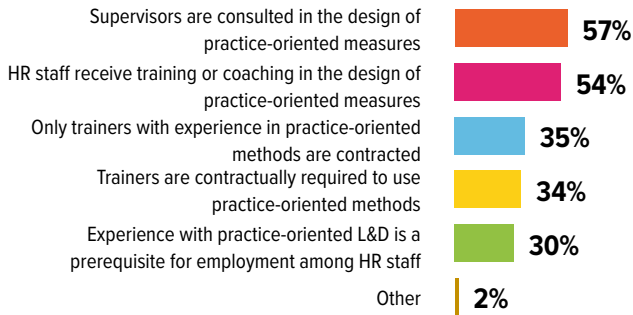


FIGURE 46

“HOW DOES YOUR ORGANIZATION EVALUATE THE IMPACT OF L&D MEASURES?” (PLEASE CHOOSE ONE RESPONSE) (n=127)

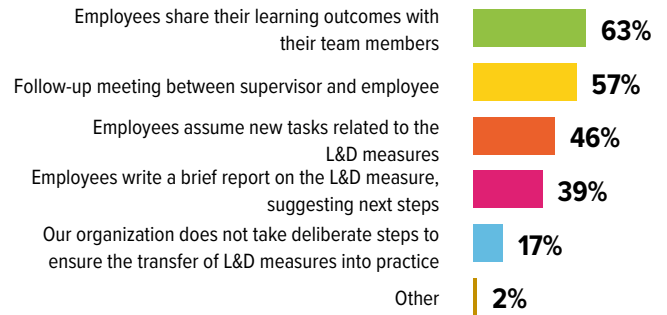
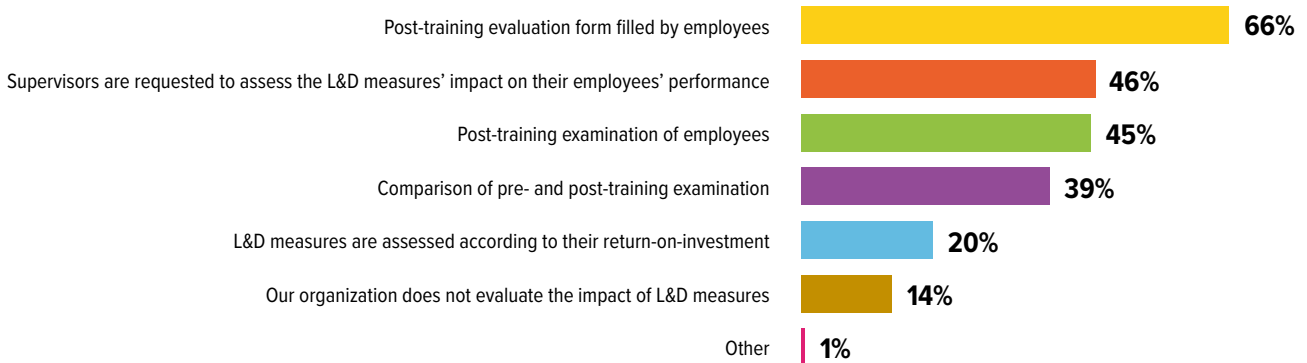


FIGURE 47

“HOW IS THE TRANSFER FROM L&D MEASURES INTO PRACTICE ENSURED? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=127)



3.7 RETENTION, SUCCESSION PLANNING, AND EXIT

The final three phases of the talent management lifecycle are strongly interconnected and were therefore assessed and analyzed together. Many of the HR practices discussed in previous sections impact employee and agent retention but are carried out earlier in the lifecycle. This section describes the current status of retention, exit and succession planning among respondents and the practices through which organizations are attempting to manage these phases of the TMLC. Twelve survey questions focused on these themes.

The survey requested data on turnover rates⁷ for employees, agents, managers and field staff, disaggregated by gender. Although survey respondents were asked to skip the question if they did not have the information necessary to answer, 17% of the 122 MFIs that provided data reported turnover rates of zero. This high percentage does not align with reality, and thus, these responses were removed from the turnover rate analysis. The remaining 101 respondents have an average turnover rate of 17.9% for all employees (median of 12.0%) and an average turnover rate of 16.3% for agents (median of 14.5%). The turnover rates for female employees and agents were significantly lower than for male members of the workforce (see Figures 48a and b).

⁷ The survey defined turnover as the number of people who left or were fired in 2019, divided by the average number of employees/agents in 2019, multiplied by 100.

FIGURE 48 A
TURNOVER RATES IN 2019 (AVERAGE)

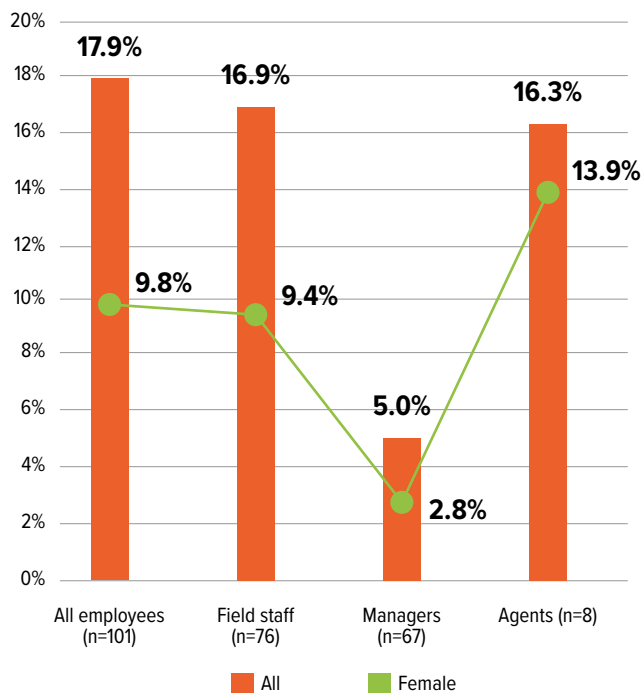
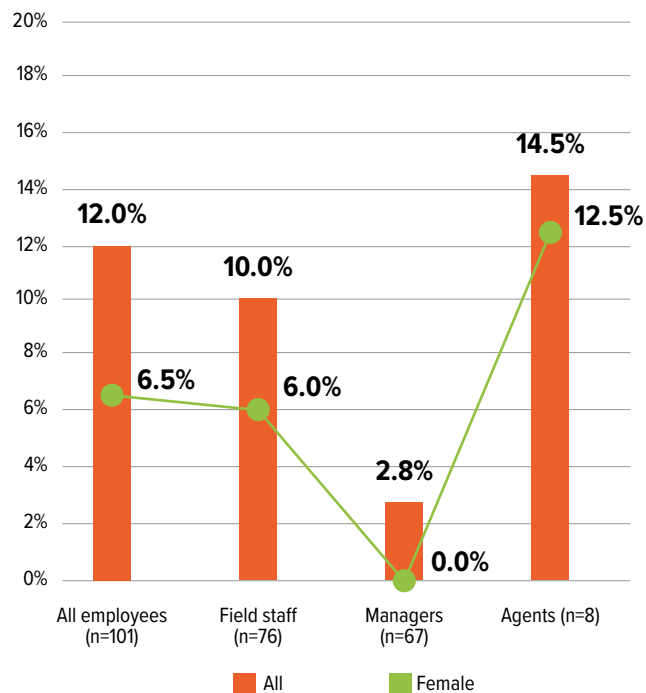


FIGURE 48 B
TURNOVER RATES IN 2019 (MEDIAN)



Finding an appropriate, publicly available global benchmark against which to analyze these numbers is challenging. LinkedIn used its database from half-a-billion professionals worldwide to conduct a study of turnover rates in 2018. It found the average turnover rate for the Financial Services and Insurance industry to be 10.8%, and the highest rate for any industry to be 13.2%.⁸ The Crowe 2019 Bank Compensation and Benefits Survey, completed by 778 financial institutions varying in asset size and geographic location, reported a turnover rate of 23.5% for non-officer positions and 7.5% for officers.⁹ Since these benchmarks differ substantially and are not directly comparable to the MFI market, it is perhaps more strategic to use the turnover data in this report as a benchmark, both for MFIs that participated in the research to gauge their performance, and as data points for assessing future trends.

To facilitate benchmarking, Figures 49 through 56 segment the “All employee” turnover rate data by region and by the six performance attributes that have not yet been explored in this section: organization size, age, profitability, market share, goals, and product portfolio. The turnover rate is lower in larger MFIs, in organizations with a diverse product portfolio, and in organizations that focus on a single goal. Deposit-taking MFIs seem to have much lower turnover than NGOs (10.4% vs 28.9%), while MFIs in Sub-Saharan Africa have half as much turnover as MFIs in Latin America and the Caribbean (13.5% vs. 26.4%). At first glance, there appears to be no relationship between turnover and profitability but if one compares the average turnover rate of MFIs that have been profitable in three or more of the last five years (17.2%) to that of MFIs that have been profitable in less than three of the last five years (19.5%), there is some evidence that the relationship is negative.

⁸ Paul Petrone, “See The Industries With the Highest Turnover (And Why It’s So High),” LinkedIn Learning Blog, 19 March 2018, <https://www.linkedin.com/business/learning/blog/learner-engagement/see-the-industries-with-the-highest-turnover-and-why-it-s-so-hi>, (accessed 6 May 2021).

⁹ Crowe LLP, “Survey shows recruiting and retaining talent are top of mind for banks,” PRNewswire, 24 September 2019, <https://www.prnewswire.com/news-releases/survey-shows-recruiting-and-retaining-talent-are-top-of-mind-for-banks-300924309.html>

FIGURE 49
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY ORGANIZATION TYPE

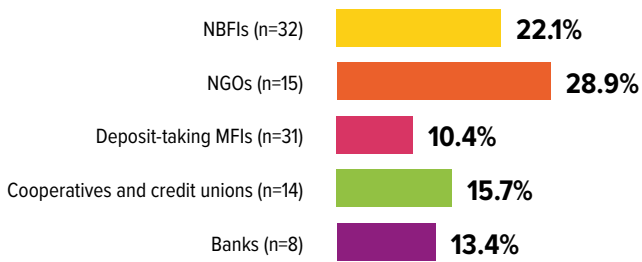


FIGURE 50
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY ORGANIZATION AGE



FIGURE 51
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY REGION OF OPERATIONS

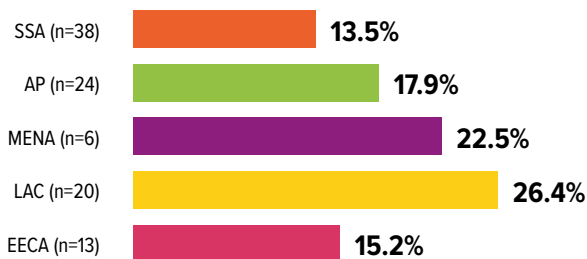


FIGURE 52
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY NUMBER OF CLIENTS



FIGURE 53
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY NUMBER OF YEARS PROFITABLE IN LAST FIVE

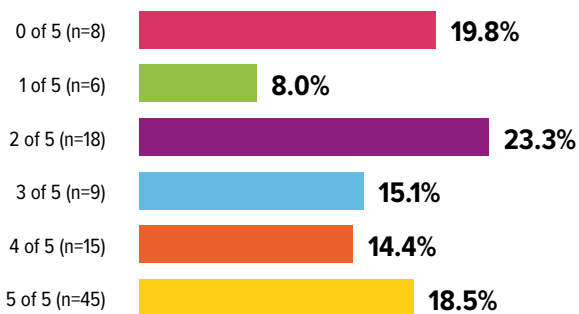


FIGURE 54
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY NON-FINANCIAL SERVICE PROVISION

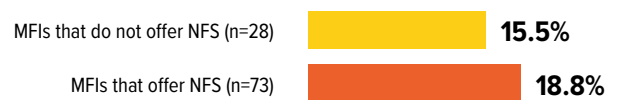


FIGURE 55
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY PRODUCT OFFERING

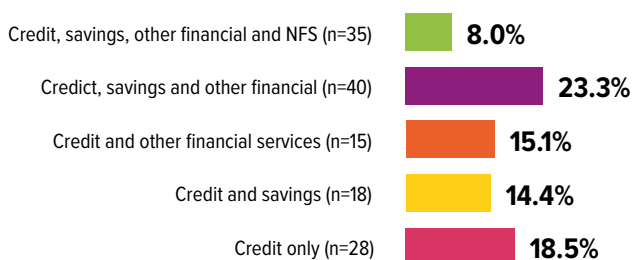
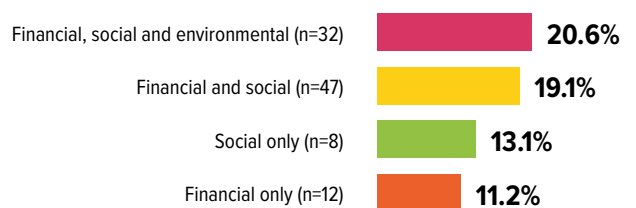


FIGURE 56
AVERAGE EMPLOYEE TURNOVER RATE, SEGMENTED BY ORGANIZATIONAL GOAL(S)



If MFIs want to reduce their turnover rate, they need accurate information about their current situation – who is leaving and why. 38% of respondents do not collect this information even once per year (see Figure 57). Among those that do, 39% do not make a distinction between voluntary and involuntary turnover, thus treating people who they would have liked to retain in the same way as those they did not want to retain. Only 16% of respondents collect data on the cost of employee turnover.

Approximately two-thirds of respondents (65%) regularly conduct employee surveys and/or exit interviews (48% conduct both). 19% of respondents working with agents regularly implement agent surveys. Figures 58 and 59 summarize the content of those surveys.

FIGURE 57

“WHICH OF THE FOLLOWING INDICATORS DOES YOUR ORGANIZATION COLLECT INFORMATION ON AT LEAST ONCE PER YEAR? (PLEASE SELECT ALL APPLICABLE RESPONSES)”

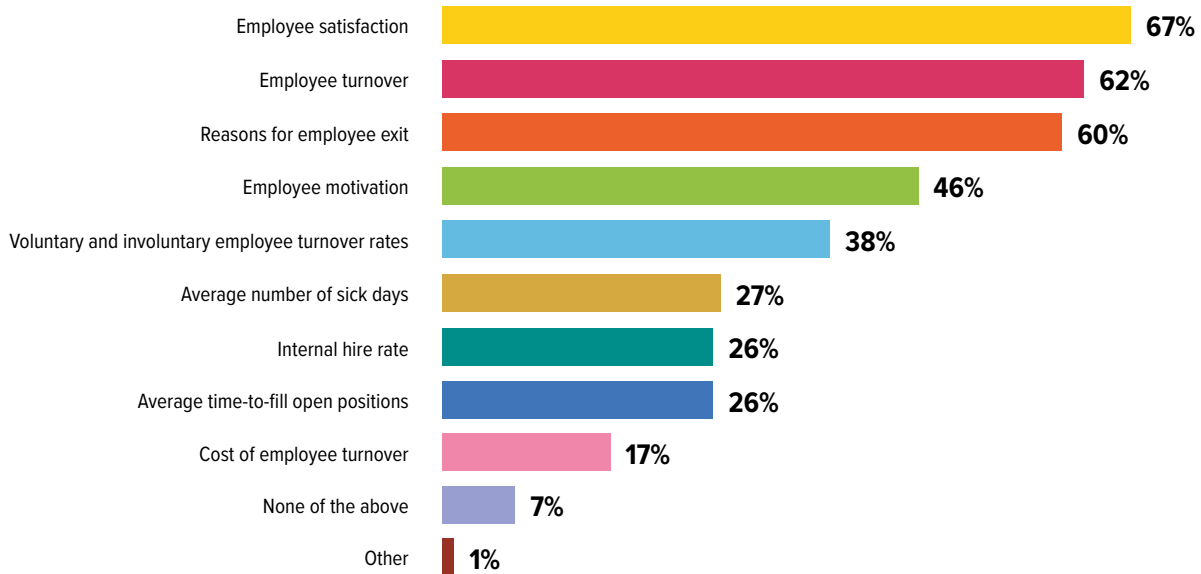


FIGURE 58

“WHICH OF THE FOLLOWING ITEMS ARE MEASURED BY YOUR EMPLOYEE SURVEYS? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=151)



FIGURE 59

**“WHICH OF THE FOLLOWING ITEMS ARE MEASURED BY YOUR AGENT SURVEYS?
(PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=151)**

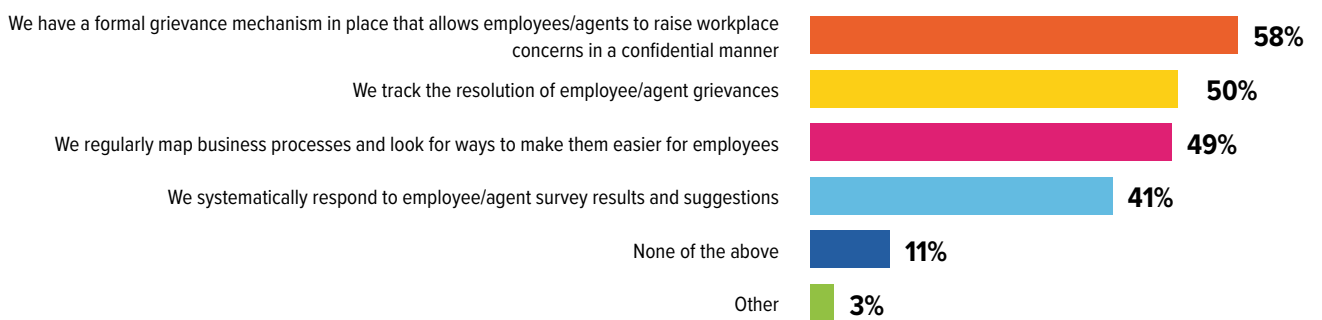


In general, feedback loops seem to be an area of weakness. As shown in Figure 60, although 67% of respondents collect information on employee satisfaction at least once per year, only 41% systematically respond to survey results. 58% have a formal grievance mechanism in place that allows employees/agents to raise workplace concerns in a confidential manner, but only half track the resolution of grievances. Exit interviews are conducted by 65% of

respondents, but 22% of those who conduct them don't formally evaluate the results. By failing to act on the information they collect, MFIs are losing opportunities to improve their processes, tap into innovation, and provide a more secure workplace. They are also disempowering employees and agents, which can negatively affect motivation and engagement.

FIGURE 60

**“WHICH OF THE FOLLOWING PRACTICES DOES YOUR ORGANIZATION IMPLEMENT?
(PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=146)**



Proactive succession planning occurs in 56% of responding institutions. Figure 61 summarizes the job positions for which succession is planned. Fifteen percent of those who plan for succession do so only for senior managers; 27% plan for senior and middle managers but for no one else; 15% plan for all employees. Senior managers and

human resources are jointly responsible for succession planning in 48% of the responding organizations; senior managers are responsible in half of the remaining organizations, and human resources is responsible in the other half (see Figure 62).

FIGURE 61

“FOR WHICH JOB POSITIONS DOES YOUR ORGANIZATION ENGAGE IN PROACTIVE SUCCESSION PLANNING? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=82)

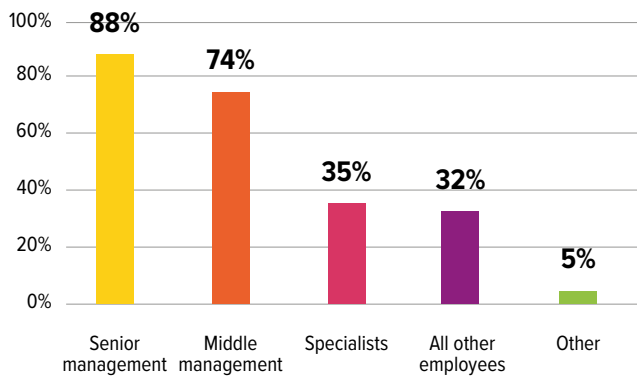
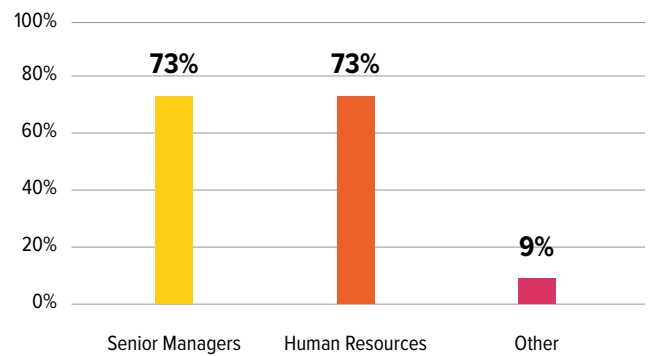


FIGURE 62

“WHO IS RESPONSIBLE FOR SUCCESSION PLANNING? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=82)



3.8 STRUCTURE AND STRATEGY

Underlying the eight stages of the TMLC are HR strategies, policies and functions that guide and support HR practices throughout the life cycle. Ideally, these elements are aligned with current business strategy to create a workforce that is both motivated and able to achieve business goals despite the challenges faced along the way. Eight survey questions explored how MFIs are guiding and supporting HR practice within their organization.

Five of the questions in this section of the survey focused on the way HR functions are structured. One of the most common practices among MFIs is to have the most senior HR representative report directly to the Board of Directors, CEO and/or most senior management executive. 88% of responding organizations adopt this practice (see Figure 63)¹⁰ and one respondent highlighted it as the HRD factor that has contributed most to organizational success. Two-thirds of responding organizations centralize all HR tasks in the Head Office (see Figure 64). Only 10% of respondents completely decentralize HR tasks to the branch or unit level. 24% of respondents have no HR department, and this was mentioned several times as a factor that hin-

ders HR development. There seems to be a relationship between the existence of a separate HR department and organization size, but not with profitability (see Figure 65) or organization age.

The ratio most often used to compare HR staffing levels between organizations is the HR-to-employee ratio, which represents the number of HR staff per 100 employees. This ratio is typically lower in larger organizations because they can take advantage of economies of scale and are more likely to automate and outsource. The average HR-to-employee ratio of survey respondents is 6.7 (median of 1.7) and the ratio does decline as the number of employees rises. On average, MFIs with fewer than fifty employees have a ratio of 18.6, those with 51 to 100 employees have a ratio of 2.6, and those with more than 100 employees have a ratio of 1.6. Figure 66 shows how these ratios compare to benchmarks provided by the Society for Human Resource Management.¹¹ Although the benchmarks are not ideal (they cover multiple sectors and date from 2015), they do suggest that the staffing constraints mentioned by respondents in the survey’s open-ended questions may have less to do with the number of HR staff employed and more to do with HR staff capabilities and the role of HR within organizations.

¹⁰ In some organizations, the most senior HR representative reports both to the Board of Directors and the most senior management executive. This explains why the data point here is 88% and not the total of the percentages provided in the first two rows of Figure 63.

¹¹ With 300,000+ members in 165 countries, the Society for Human Resource Management (SHRM) is the world’s largest HR membership organization devoted to human resource management. These benchmarks appear in its 2015 report, “How organizational staff size influences HR metrics,” available at: www.shrm.org.

FIGURE 63
“TO WHOM DOES THE MOST SENIOR HUMAN RESOURCE REPRESENTATIVE IN YOUR ORGANIZATION REPORT? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=146)

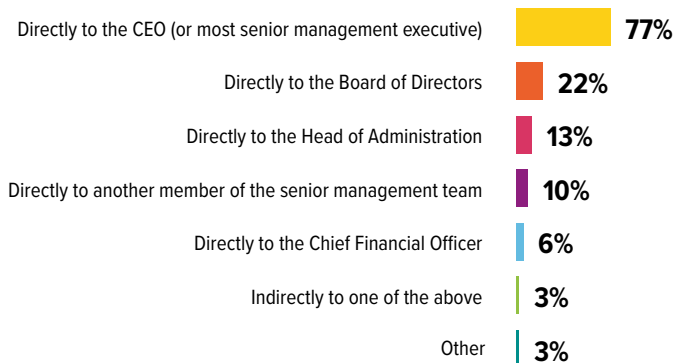


FIGURE 64
“WHICH OF THE FOLLOWING STATEMENTS ACCURATELY DESCRIBE YOUR ORGANIZATION’S STRUCTURE? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=146)

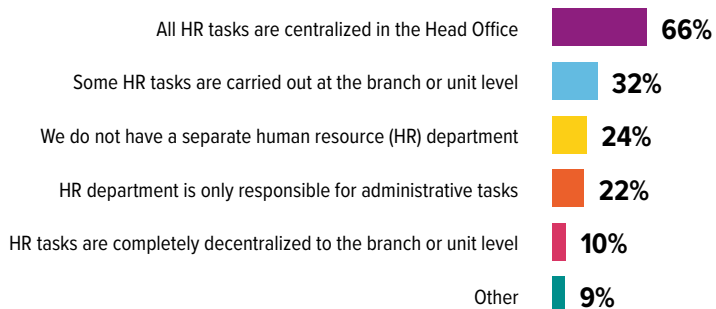


FIGURE 65
RELATIONSHIP BETWEEN HR DEPARTMENT EXISTENCE, ORGANIZATION SIZE, AND PROFITABILITY (n=146)

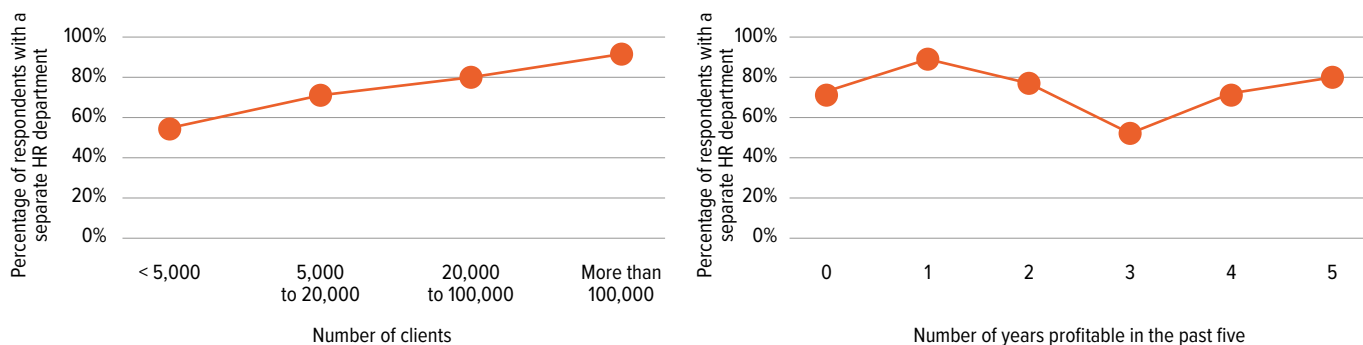
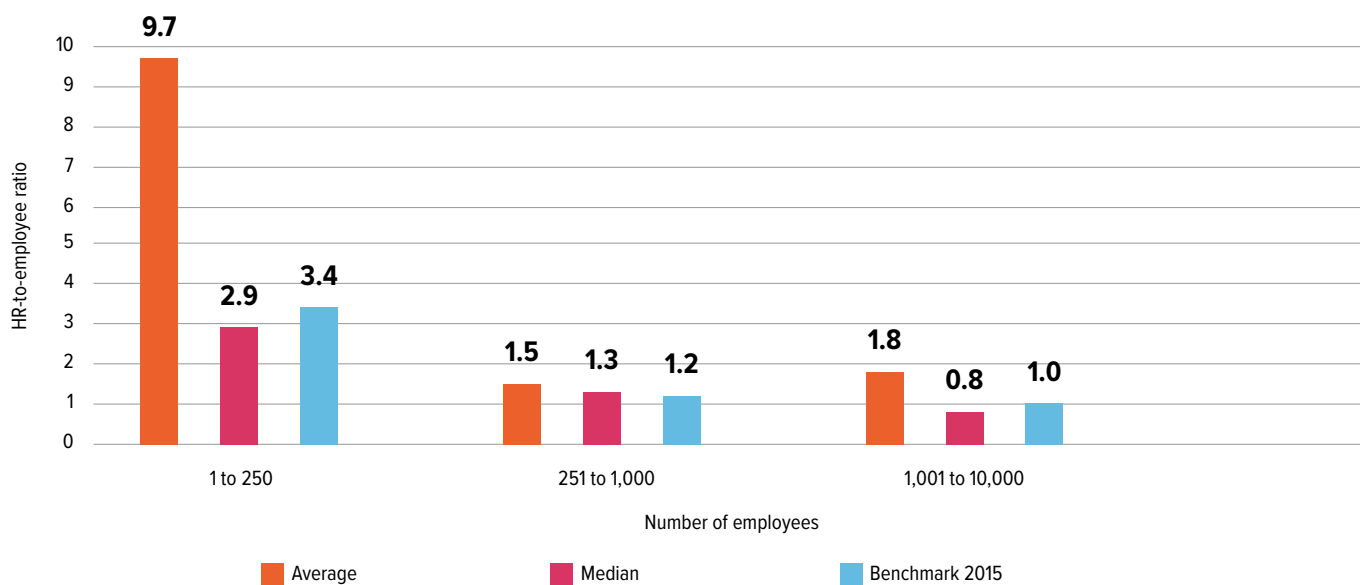


FIGURE 66
COMPARISON OF HR-TO-EMPLOYEE RATIOS (n=173)



One-third of respondents outsource HR tasks to third parties. As shown in Figure 67, those that do not outsource choose not to do so primarily because they believe it is important to carry out HR functions internally. Nearly one-quarter of respondents do not outsource as much as they would like to because service providers are too expensive. Those that outsource do so for a variety of HR tasks, the most frequent of which are training delivery, market surveys on salaries, and training needs assessment (see Figure 68). The only HR function on the survey that was never outsourced was agent monitoring and evaluation.¹²

The remaining questions in this section of the survey focused on strategy, policies and procedures. As shown in Figure 69, 82% of respondents have an HR strategy and three-quarters of these design their strategy to meet organizational goals, but only 41% have a target turnover rate. 25% of respondents define HR strategies for specific employee segments. This practice is much more common among organizations with increasing market share and consistent profitability than among those with decreasing market share and inconsistent profitability (see Figure 70).

FIGURE 67
“HOW WOULD YOU DESCRIBE YOUR ORGANIZATION’S ABILITY TO OUTSOURCE HUMAN RESOURCE (HR) FUNCTIONS? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=138)

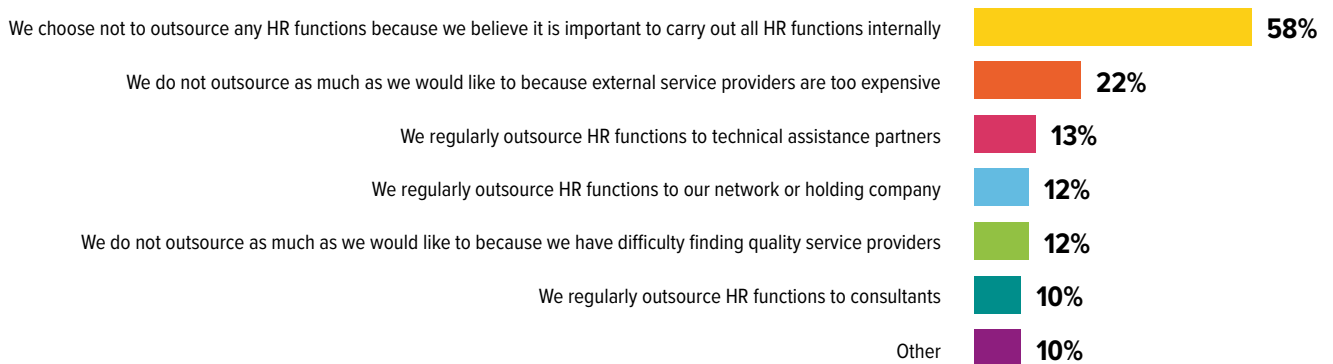


FIGURE 68
“WHICH HR FUNCTIONS DO YOU PARTIALLY OR FULLY OUTSOURCE TO OTHERS (E.G., CONSULTANTS, PARTNERS, ASSOCIATIONS, ETC.)? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=47)

FUNCTIONS OUTSOURCED BY > 25% OF RESPONDENTS THAT OUTSOURCE	FUNCTIONS OUTSOURCED BY < 25% OF RESPONDENTS THAT OUTSOURCE	AGENT-ONLY FUNCTIONS OUTSOURCED BY RESPONDENTS WORKING WITH AGENTS
<ul style="list-style-type: none"> • Training delivery (55%) • Market survey on salaries (45%) • Training needs assessment (38%) • HR information system design (30%) • Candidate interviews (30%) • Candidate testing (30%) • E-learning training delivery (30%) • Coaching & mentoring (28%) • Training design (26%) • Employee satisfaction survey (26%) 	<ul style="list-style-type: none"> • HR information system maintenance (23%) • E-learning design (21%) • E-learning platform maintenance (21%) • Identification of potential employee (head-hunting) (21%) • Incentive system design (19%) • Design of HR strategies (17%) • Designing job description (15%) • Succession planning (13%) • HR data analysis (11%) • HR administration (9%) 	<ul style="list-style-type: none"> • Identification of potential agent (15%) • New agent orientation (8%) • Agent monitoring & evaluation (0%)

¹² Although the box for “agent monitoring and evaluation” was ticked by two respondents, neither reported working with agents.

FIGURE 69

“WHICH OF THE FOLLOWING STATEMENTS ACCURATELY DESCRIBE YOUR ORGANIZATION’S HUMAN RESOURCE (HR) STRATEGY? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=146)

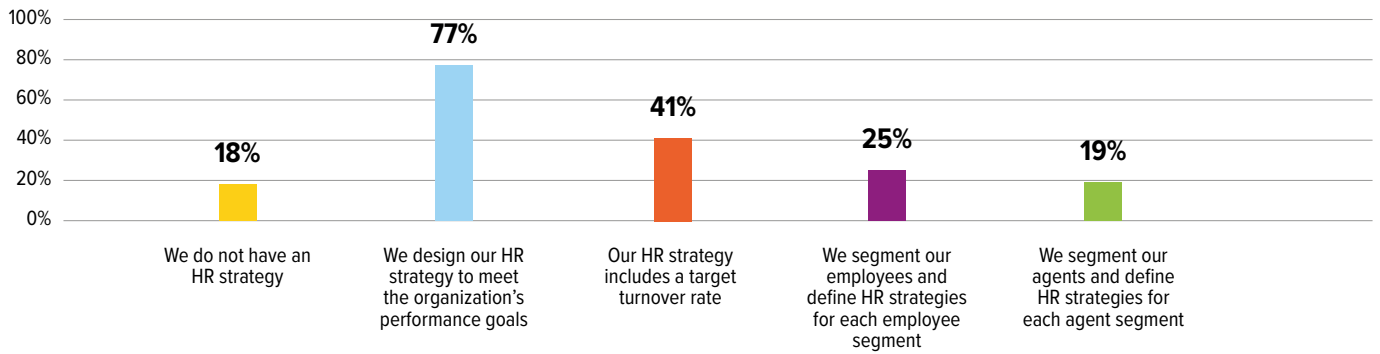
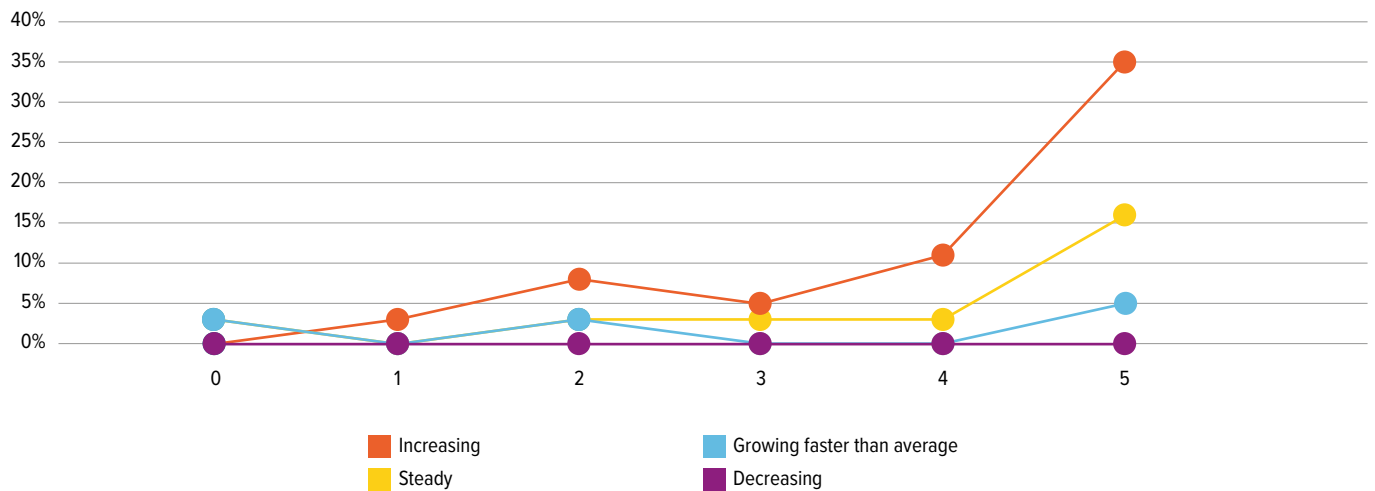


FIGURE 70

PERCENTAGE OF RESPONDENTS THAT SEGMENT EMPLOYEES AND DEFINE HR STRATEGIES FOR EACH EMPLOYEE SEGMENT, GROUPED BY MARKET SHARE TREND AND PROFITABILITY (n=146)



With respect to the development and communication of HR policy, almost all respondents (93%) provide employees with an employment contract that has a clear explanation of salary level, benefits, employment conditions, scope of work, work rules and possible sanctions, as well as the performance evaluation process (see Figure 71). 79% of respondents provide an employee code of conduct. More than half of all respondents provide employees with policies on employee loans and salary advances, work-related travel, health and safety at work, but less

than half provide anti-harassment, conflict of interest, non-discrimination, and/or whistleblower policies. 66% do not share the results of employee satisfaction surveys. 54% of respondents review their HR policies annually to ensure their effectiveness and alignment with business strategy, but 37% do not systematically inform staff of changes in those policies (see Figure 72). Less than half of responding MFIs have a policy to mitigate health and safety risks; 40% monitor whether workload is keeping pace with growth in each department and branch.

FIGURE 71

“WHICH OF THE FOLLOWING DOCUMENTS HAVE BEEN RECEIVED BY ALL EMPLOYEES IN YOUR ORGANIZATION? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=145)

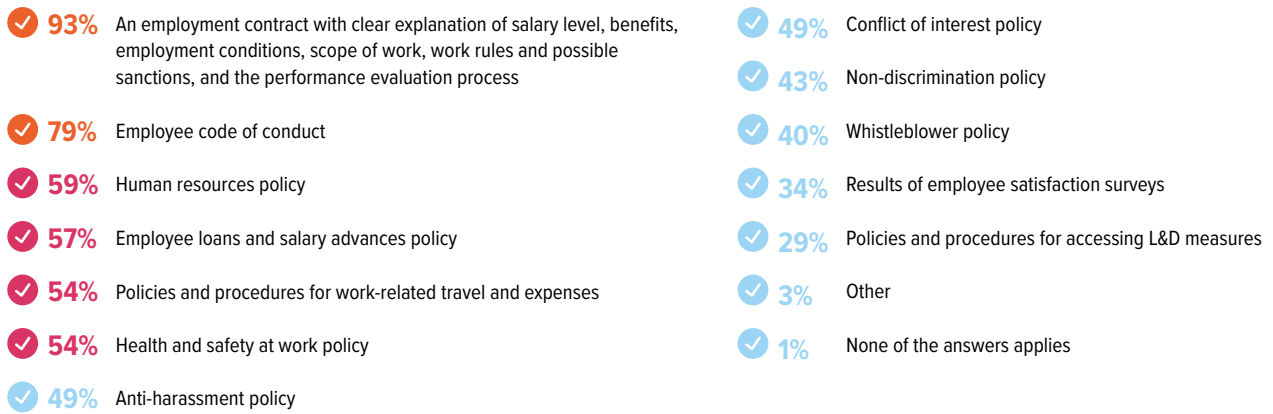
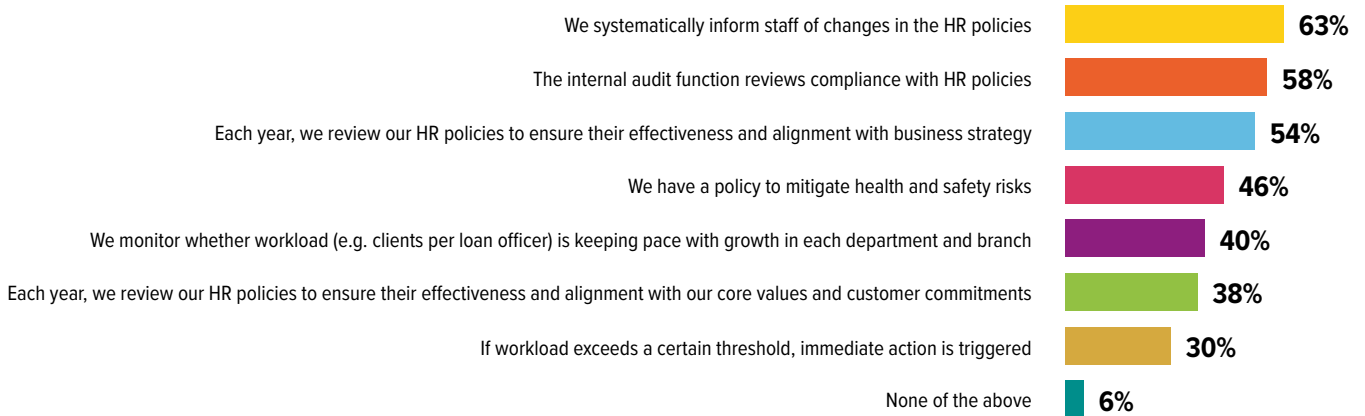


FIGURE 72

“WHICH OF THE FOLLOWING PROCESSES ARE IMPLEMENTED IN YOUR ORGANIZATION? (PLEASE SELECT ALL APPLICABLE RESPONSES)” (n=145)

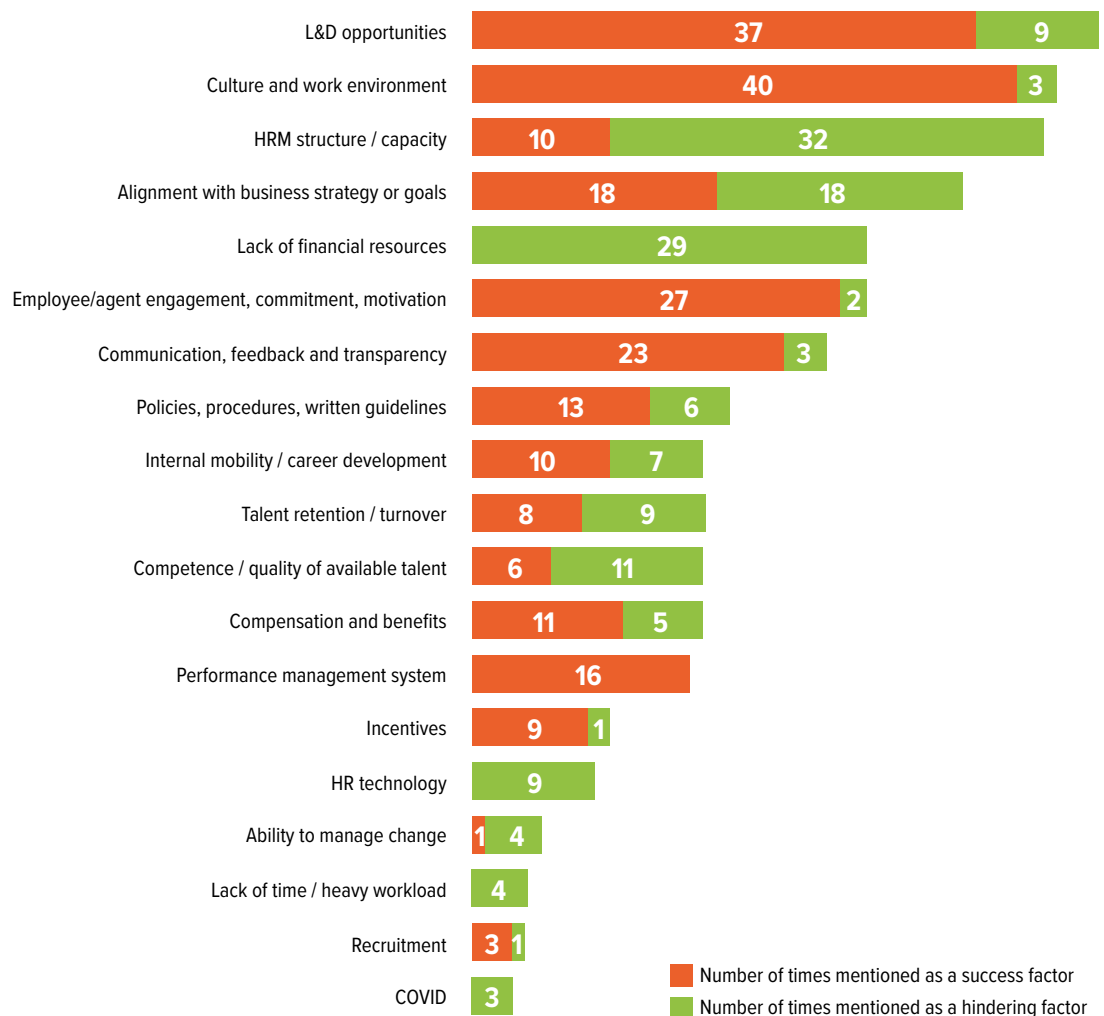


4. GENERAL OBSERVATIONS ON HRD PRACTICE AND PERFORMANCE

As mentioned in Section 2, the final two questions on the survey were open-ended so that respondents could comment on the HRD practices that have contributed most to their organization's success, and on the factors that have hindered their organization's HRD. Respondents' qualitative responses were categorized by theme and Figure 73

summarizes the frequency with which each theme was raised. Orange bars indicate the number of times that an area was mentioned as a success factor; green bars indicate the number of times it was mentioned as a hindering factor.

FIGURE 73
MAJOR FACTORS INFLUENCING HUMAN RESOURCE DEVELOPMENT AND PERFORMANCE (n=135)



Two aspects of Figure 73 are notable. First, the specific actions taken at each stage of the TMLC appear less important than the culture and work environment that is created through HR structures and policies. **Recruitment, retention, compensation, and performance management are mentioned less frequently as success factors than communication and feedback**, while onboarding and succession planning practices are not mentioned at all. L&D opportunities can have a strong and positive influence on performance, but the survey data suggest that increased participation in training and professional development goal setting can also be associated with higher turnover (see Figures 74 and 75).

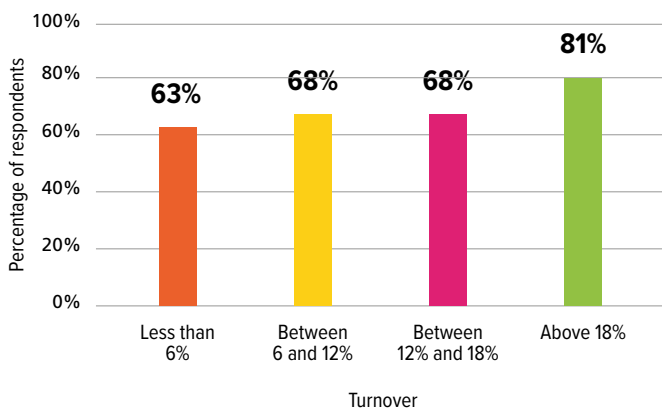
In an attempt to understand the conditions under which increased L&D opportunities might not result in higher turnover, the HR practices of 22 MFIs were analyzed. Their turnover rates are below average, yet their employees receive three or more days of training and commit to at least one professional development goal each year. These MFIs adopt three HR practices significantly more often than average: 1) 73% have a formal grievance mechanism in place that allows employees to raise workplace concerns in a confidential manner (compared to 58% of all respondents); 2) 50% provide managers with performance management targets and training on how to assess skills and provide feedback (compared to 38% of all respondents); and 3) 41% measure the internal hire rate at least once per year (compared to 26% of all respondents). At the end of the survey, three of these MFIs

mentioned internal recruitment as the practice that has contributed most to their organization's success.

In general, turnover is lower among MFIs that do not offer incentives (12.9% vs. 18.5% among those that do offer incentives.) Turnover is also lower when MFI remuneration is in line with that of the competition (17.5% vs. 19.8% when it is not), when HR goals such as the retention rate are incentivized (16.2% vs. 18.3% when they not), and when incentives are provided for middle managers (15.9% vs. 19.9% when not).

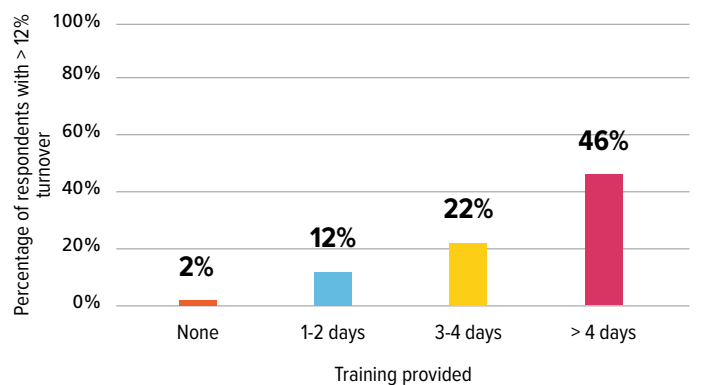
A second aspect of Figure 73 worth noting is the two-color pattern of the bars in the graph. Most of the issues mentioned can be success factors or hindering factors depending on the nature of the HR practice. For example, many respondents commented on the positive impact of L&D opportunities, but others described how such opportunities are difficult to access, which hinders their organization's HRD. There were a handful of exceptions to this general pattern, however. Having sufficient money, time, or access to HR technology was never mentioned as a success factor, while having a clearly defined and accountable performance management system was never mentioned as a hindering factor. The most important item on the list may be the alignment of HRD with business strategy, since it was reported to have a strong and positive influence on performance when it is present, and to significantly hinder HRD when it is absent.

FIGURE 74
RELATIONSHIP BETWEEN THE TURNOVER RATE AND THE PERCENTAGE OF RESPONDENTS WHOSE EMPLOYEES COMMIT TO AT LEAST ONE PROFESSIONAL DEVELOPMENT GOAL PER YEAR (n=101)



The diversity of responses to the survey's open-ended questions mirrors the diversity of responses to survey questions overall. The data did not reveal any clear relationship between specific HRD practices and organizational goals or product portfolio composition. It appears that the same practices are used to pursue social and financial objectives, and to deliver credit and non-credit services, without producing significantly better (or worse) results.

FIGURE 75
AVERAGE NUMBER OF DAYS THAT STAFF RECEIVE TRAINING AT ORGANIZATIONS WITH A TURNOVER RATE ABOVE 12% (n=101)



There were also few clear connections between specific HRD practices and the participation of women in the workforce. There does seem to be a relationship between the percentage participation of females in management and the participation of females in the overall talent pool. More than half of those respondents with more than 65% female management also had more than 65% female employees overall. The same relationship is not seen in re-

verse, however. Organizations with more than 65% female employees overall are almost equally likely to have less than 35% female participation in management as they are to have more than 65% female participation in management. Additional research may be warranted to explore the HRD practices that support female participation.

From the perspective of social performance, the survey results reveal areas of strength as well as weakness (see Figure 76). 93% of respondents provide employees with an employment contract and 59% provide an HR policy, but less than half provide non-discrimination, anti-harass-

ment, or health and safety at work policies. Only 37% of respondents systematically inform employees of changes to HR policy. Less than half systematically respond to employee survey results and suggestions. Most remuneration schemes appear sensitive to market rates but do not measure adequacy or equity. 77% of respondents say their HR strategy is designed to meet organizational goals, but less than half review their policies on an annual basis to ensure effectiveness and alignment. This may explain the current mismatch between goals and incentives among many socially-oriented MFIs.

FIGURE 76

HR PRACTICE AND SOCIAL PERFORMANCE

USSPM STANDARDS	RELEVANT HR PRACTICES
5A: The provider creates a safe and equitable work environment	<ul style="list-style-type: none"> All employees have received an employment contract that clearly explains salary levels, benefits, employment conditions, scope of work, work rules and possible sanctions, as well as the performance evaluation process (93%)¹³ All employees have received a Human Resources policy (59%), a health and safety at work policy (54%), an anti-harassment policy (49%), a non-discrimination policy (43%), or a whistleblower policy (40%) The MFI has a policy to mitigate health and safety risks (46%) Staff are systematically informed of changes in HR policies (37%) The MFI monitors whether workload is keeping pace with growth in each department and branch (40%) The MFI's fixed compensation for low-income groups guarantees a decent income (37%) The MFI measures the salary of lowest paid employee relative to national minimum wage (17%), or the ratio of top management compensation to average field staff compensation (28%)
5B: The provider's Human Resource Development system is designed to attract and maintain a qualified and motivated workforce	<ul style="list-style-type: none"> HR strategies are defined for specific employee segments (25%) During onboarding, the MFI's vision and values are communicated (86%), an HR representative explains relevant policies and procedures (75%), and job-specific training is provided (34%) Employees are involved when setting their individual performance targets (79%); they are asked to evaluate themselves as part of any formal performance appraisal (63%) Information is collected annually on employee satisfaction (67%), motivation (46%), turnover (62%), or the internal hire rate (26%) A target turnover rate exists (41%) Employee survey results and suggestions are systematically responded to (41%) Exit interviews are regularly conducted and formally evaluated (51%) A 360 Degree Feedback instrument is used (16%) A formal grievance mechanism allows employees to raise workplace concerns in a confidential manner (58%); the resolution of employee grievances is tracked (50%)
5C: The provider's Human Resource Development system supports the provider's social strategy	<ul style="list-style-type: none"> HR strategy is designed to meet the organization's goals (77%) HR policies are reviewed annually to ensure their effectiveness and alignment with the MFI's business strategy (54%) or with its core values and customer commitments (38%) Among MFIs that are committed to social goals, 50% provide incentives to motivate their workforce to achieve them MFIs that are committed to social goals only (and not financial goals) incentivize financial goals nearly twice as often as they incentivize social goals (69% vs 38%)

¹³ Numbers in parentheses indicate the percentage of survey respondents that have adopted each HR practice.

5. OPPORTUNITIES FOR ACTION

Layering the analysis of success and hindering factors from Section 4 onto the TMLC analysis from Section 3, this section concludes the report by highlighting five opportunities for stakeholders to act on the survey results.

5.1 STRENGTHENING THE ALIGNMENT BETWEEN HRD AND BUSINESS STRATEGY

The two biggest factors hindering HRD (lack of financial resources and HR management capacity) can only be addressed if an organization's leadership believes that HRD has a strategic role to play in the future success of the business. In some cases, HR professionals may be able to make the case for additional support and investment by understanding the business goals, documenting current performance weaknesses, and articulating specific HRD initiatives that should be able to improve performance in a manner that covers the cost of those investments. In other cases, HR professionals may need help from industry stakeholders to document the relationship between HRD and performance and build the business case. Networks, associations and investors could all play a valuable role here.

MFI leaders that know HRD is important in theory but find it is not being paid sufficient attention in practice can invite HR professionals to play a more strategic role, and they can hold managers at all levels accountable for supporting HRD functions. They can ensure their HR team is well-informed about business priorities and ask what would make it easier for employees and agents to deliver on those priorities. Once HRD investments are approved, they can follow up to understand which ones prove worthwhile and why.

The more the HR function serves – and can demonstrate that it serves – business objectives, the easier it will be for HR staff to find financial and operational support for HRD initiatives. Survey respondents have clearly identified the importance of this alignment, but they have also signaled that it is an area of relative weakness. Nearly one-fifth of respondents have no HR strategy and half of those that do lack a target turnover rate. Less than a third segment their employees and adjust HRD strategies to the needs of different segments. Institutions with social goals are incentivizing financial ones. Ultimately, performance will be strong only if MFIs prepare, guide, support and hold talent accountable for contributing to organizational goals throughout the TMLC.

5.2 MONITORING THE COST-EFFECTIVENESS OF HRD INITIATIVES

For HRD to make a valuable contribution to business strategy, HR professionals need to be able to provide decision-makers with information on both the cost and the effectiveness of HRD initiatives. The survey results indicate that relatively little of this information is being gathered, and too often what is gathered is not being analyzed. Effectiveness can be measured by changes in behavior, the achievement of specific performance goals, or improvement in HR indicators such as the turnover rate, cost of turnover, internal hire rate, average number of sick days, or time to fill open positions. Satisfaction with an L&D measure itself (such as a classroom training) is a weak measure of effectiveness, although it can help improve the quality of L&D design and delivery.

On the cost side, MFIs' increased use of digital channels for recruitment and L&D during the pandemic presents an opportunity to assess the extent to which new technologies provide efficient HRD tools in the microfinance context. If they do, their use can be promoted more widely and the upfront investments necessary to leverage technology throughout the TMLC could become more strategic. It may be worth researching whether MFIs that use HR software have been able to decrease the time spent on administrative activities, increase the sophistication of their segmentation and analysis, improve feedback loops, or channel information more effectively for strategy and follow up.

5.3 ENGAGING EMPLOYEES

Although staff retention was mentioned as a generally important success factor, the survey data indicate that what MFIs treasure most are employees and agents that are committed and motivated to achieve organizational goals. Engaging people in this way is a complex task, not only because each human being has a unique set of talents, aspirations and preferences, but also because organizational needs and the operational environment are constantly evolving. Certainly, structuring recruitment and selection processes to bring people into the organization whose priorities already align with the MFI's mission and values is good practice, but that alignment will rarely be perfect or sufficient. Remuneration and rewards are also necessary, but it seems to be workplace culture and relationships that keep people engaged in the long-term.

The fact that 86% of survey respondents ensure that someone communicates their organization's vision and values during the onboarding process indicates that MFIs are aware of the need to engage people in this way, but communicating values is not the same as living them. Employees notice if an organization's stated goals are not the ones they are incentivized to achieve. They notice when satisfaction is evaluated and grievances are "heard" but no action is taken in response. They notice when HR policies change but they are not involved, much less informed, about the changes.

The survey results suggest that transparency, responsiveness, empathy, and respect are key to engagement. Employees want to feel like they are part of a team, making a valuable contribution even if they work quite independently. They want to feel like their organization will support them and invest in them as long as they support and invest in the organization. In many respects, engagement is partnership, and HRD strategy is about building the strongest partnership possible with the resources available. HR professionals can likely increase engagement by making sure that employees are involved in setting their performance targets, gauging the necessity of L&D measures to support their achievement of those targets, and evaluating their performance against those targets.

The essential practices and indicators provided in Dimension 5 of the updated *Universal Standards for Social Performance Management* (forthcoming) can guide MFIs in the creation of a safe and equitable work environment and in developing a qualified and motivated workforce. Industry stakeholders that are interested in supporting additional research could usefully explore the role of segmentation. Are MFIs targeting sub-groups of employees or agents with HR strategies to improve performance or strengthen engagement? If so, what criteria have proved most useful for creating those segments and why?

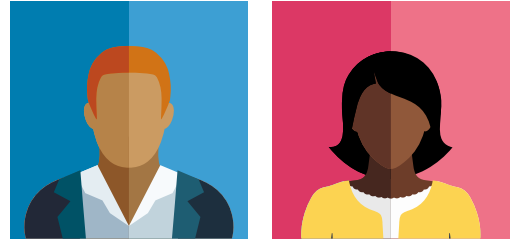
5.4 SUPPORTING MANAGERS IN THEIR HRD ROLE

Most of the organizations that participated in the survey rely significantly on supervisors to implement the performance management and L&D functions, yet only a third provide managers with both HRD targets and training on how to assess skills and provide feedback. Given that the provision of such targets and training seems to have a positive impact on performance, this is a practice that merits adoption. It may also strengthen the relationship between employees and their supervisors, which could positively influence engagement.

5.5 GAUGING THE STRENGTH OF CURRENT HRD PRACTICE

The relationship between HRD and performance is complex and not all factors that influence it are well understood. Despite these gaps, it is possible to recognize some factors that have a powerful impact. The survey results suggest that the following ten indicators could usefully be incorporated into any benchmarking or due diligence process for the purpose of assessing the strength of an MFI's current HRD practice.

1. The most senior HR representative reports directly to the Board of Directors, CEO or most senior management executive.
2. HRD strategy is reviewed annually to ensure its alignment with business strategy.
3. Recruitment and selection procedures are clearly documented and adhered to.
4. New hires are oriented to relevant policies and procedures, as well as the organization's vision and values.
5. The organization segments its human resources and defines HRD strategy for each key segment.
6. The rate of turnover and the reasons for employee exit are analyzed at least once per year, disaggregated by segment.
7. Managers have clear HRD targets and receive training on how to assess skills and provide feedback.
8. Employees are involved in setting their performance targets, gauging the necessity of L&D measures to support their achievement of those targets, and evaluating their performance against those targets.
9. Employee satisfaction is measured, and the results are shared annually.
10. A formal grievance system enables employees/agents to raise workplace concerns in a confidential manner and tracks their resolution.



About the European Microfinance Platform (e-MFP)

The European Microfinance Platform (e-MFP) is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers. Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. The Platform achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 400 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award and its many and regular publications.

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