

Branch Management Training for MFIs: Developing Staff Management Skills

Participant Manual

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**the
SEEP
NETWORK**

Practitioner Learning Program

MEDA

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Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the microenterprise field. A competitively run grants program, the SEEP PLP engages participants in a collaborative learning process to share and document findings and lessons learned, as well as to identify effective, replicable microenterprise practices and innovations to benefit the industry as a whole. The SEEP PLP is funded by the Microenterprise Development Division of the United States Agency for International Development (USAID). For more information on this and other SEEP PLP initiatives, see The SEEP Network website: www.seepnetwork.org.

The SEEP PLP in “Improving Efficiency – Maximizing Human and Physical Resources” was conducted from 2004 through 2006 and examined strategies, tools, and technologies that microfinance institutions (MFIs) use to maximize human and physical resources. There was a particular focus on low-technology solutions to increase staff productivity, decrease personnel or administrative costs, and increase outreach and client retention.

The “Improving Efficiency” PLP has produced a series of eleven Learning Products to share with the microfinance and microenterprise field that are explained in more detail below. All of these publications are available on-line at www.seepnetwork.org.

Most of the participating institutions began with a rigorous analysis of their core processes, including credit delivery, accounting, and management information systems. Process mapping proved a crucial tool in shedding light on process bottlenecks and inefficiencies. Three Learning Products produced from this PLP are devoted to process mapping: case studies of Pro Mujer Nicaragua and of MI BOSPO, Bosnia and Herzegovina, and a technical note that is an interview with MFI managers who used process mapping in their efforts to boost efficiency.

Based on their institutional assessments, most of the MFIs identified a similar set of interrelated issues that needed to be addressed in order for them to become more efficient. Decentralization emerged as an overriding theme, especially the exploration of what kinds of institutional structures and systems would support a shift in decision-making authority to branch offices for credit operations. “Decentralization of Microfinance Institutions: A Guide for Decision Making” addresses these issues in depth.

Closely related to the topic of decentralization was the need to train branch managers. Many of the participating MFIs’ branch managers had been senior loan officers and did not have many of the skills and perspectives needed to manage staff and operations. Two of our Learning Products are comprehensive training programs that address areas that were identified as key for branch management training: human resource management and financial management. The training manual on human resource management was developed in conjunction with MEDA and is entitled “Branch Management Training for MFIs: Developing Staff Management Skills.” The financial management training manual is “Principles and Practices of Financial Management.” Based on an identified need for training materials in other topics, several of our other Learning Products have accompanying PowerPoint presentations that summarize key information in a format conducive for training.

Several other topics related to enhancing efficiency emerged during the course of this PLP. One topic was the importance of cultivating client loyalty. Loyal clients provide repeat business, contributing to both lower expenses and higher income. The second technical note, "Building Client Loyalty," explores this issue in detail. Another recurring issue was staff incentives and the dangers of implementing a system before it is thoroughly analyzed. The third technical note, "Pitfalls and Unintended Outcomes: Some Thoughts on Staff Incentive Systems," explores these issues. Another valuable tool that emerged from this PLP was a framework for mapping key operational tasks and areas of responsibility. This is explored in the fourth technical note, "Division of Responsibilities Framework: A Tool to Strengthen Operations Management of Microfinance Institutions."

Our colleagues from India in this PLP faced an inverse set of challenges to those posed to most of the other participating institutions: how to capture information from an extremely decentralized network of savers and borrowers in self-help groups and centralize it in order to create accurate, timely, consolidated financial reports. The solution they developed and implemented is explained in the learning paper, "Promoting Quality Bookkeeping in Self-Help Groups: The Mahakalasm Management Information System".

The eleven Learning Products reflect both the range of institutions and issues explored during this PLP and the consensus that emerged regarding what is needed to enhance the efficient utilization of human and physical resources while remaining responsive to client needs. The participating institutions found the PLP to be a rich learning experience and we hope the lessons learned that are distilled in this series of Learning Products prove to be of value to the field as a whole.

- Tony Sheldon, PLP facilitator and Learning Products editor

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Section 1: Staff Management Introduction

Overview of Staff Management for Microfinance Institutions

All Microfinance institutions (MFIs) are comprised of an interdependent network of individuals. These individuals are one of a MFI's most important assets and a major portion of the operating budget. To be successful, MFIs must ensure that this asset is well managed. Effective staff management hinges on managers who are engaged, trained and supported by effective Human Resource Management systems and tools appropriate for the specific MFI.

This manual will cover some of the critical skills and tools all staff managers require. The following sections instruct managers on how to recognize and develop their proficiency in decision making, empowering, listening and feedback, coaching, resolving conflict, self awareness and building teams. In addition this manual will review an effective Performance Management Process that is a critical tool in developing staff. Your effectiveness as a staff manager will depend on the institutional culture of your MFI, your previous experience and personal style, and various additional skills you may have. Senior management can help you determine areas for further staff management training.

This manual focuses on staff management skills. Please note that we are making a distinction between *staff managers* and *managers*. One can hold a senior management position without supervising staff. We are also making a distinction between management and leadership. Many definitions exist on the differences between leadership and management. For the purpose of this manual and discussion we will use the following definitions of these concepts:

Leadership is a concept broader than management. It occurs whenever someone tries to influence an individual or group toward some change or goal. Leadership is the art of achieving a vision through others, and encompasses more than simply staff management.

Management is the art and science of how to plan and achieve **organizational** goals. It is essentially the process by which we get tasks done. Management is needed at the organizational level, and at the individual level.

Organizational performance management is the effort managers make to ensure that the organization successfully implements its mandate and goals.

Staff performance management is the effort managers make to ensure each staff person successfully performs the work delegated to them.

This manual focuses on "Staff Performance Management" skills and tools for managers to help their staff be successful. This manual does not provide information on financial or operational systems for branch managers— though each component is critical for the success of your MFI.

Who is This Manual For?

This manual is applicable to all levels of management who supervise staff, but the primary audience is branch managers.

In our experience we have found that over 80% of branch managers are promoted internally and most often from their initial role of credit officer. As such, the majority of these branch

managers have neither experience nor training in managing staff. Very few MFIs provide supervisory training for their branch management or middle-management level.

This manual is designed to introduce the principles of effective staff management and provide tools and suggestions to fine-tune current staff management skills, practices and attitudes. The content focuses on the skills and attitudes managers need to develop in order to be most effective. In our experience, many new branch managers come to the job without supervisory training. This manual is specifically designed with attention to the needs of these first-time staff managers.

Staff Managers and Their Leadership Role

All employees, regardless of their position in your MFI, need the same five things to be successful. It is each manager's responsibility to lead and provide an environment for all employees to:

1. Identify with your MFI's mission;
2. Understand their role and how that contributes to the mission;
3. Know specifically what is expected of them;
4. Have the capacity, resources, and environment that makes success possible; and
5. Receive encouragement, constructive feedback, and opportunities to develop and improve.

In order to do this, staff managers must develop specific skill sets as described below.

Pro Mujer Nicaragua (PMN) recruits for branch managers both internally and from outside the organization. Credit promoters have moved up to branch manager positions; their experience, commitment and knowledge of the organization are strengths that ensure success in credit operations. The disadvantage of promotion from within is that many of the operational management staff initially lack the management skills required for the position. So PMN invests heavily in a staff development process that in some cases takes a great deal of time and expense. However, PMN believes that existing staff's "ownership" of the credit methodology and the organizational philosophy makes them well-suited to move into management positions.

- Effective **decision making** will allow your MFI to progress efficiently and to minimize the time and energy spent to correct undesirable consequences of poor decisions.
- **Empowerment** leads to happier, challenged and engaged staff.
- Active **listening and feedback** is essential to the growth of your employees.
- **Coaching** is the most effective way to train your staff and provide continuous support.
- All staff managers should become experts at **resolving conflict** quickly and effectively.
- **Self awareness** is an easy way to understand your management style and recognize the areas requiring improvement.

- **Team building** fosters a friendly environment that allows information sharing, learning, innovation and employee satisfaction.

Leadership

Although this manual focuses on staff management skills we would like to briefly touch on the issue of leadership. Staff managers are in a position to model and demonstrate effective leadership skills. Therefore it is important for managers to understand valuable leadership qualities and how to employ those characteristics to help their staff achieve success.

Kouzes and Posner are world-renowned experts in the field of leadership, having studied and taught leadership skills for over 20 years. In their extensive research, Kouzes and Posner learned that the single most important characteristic of leaders is **HONESTY**. This result was consistent across respondents from four continents and over a period of 20 years. Other highly ranked characteristics include the ability to be forward-looking, inspiring and competent. Figure 1.1 is a complete listing of the results of the survey. This is encouraging information for all managers. The ability to be “honest and act with integrity” is something we are all capable of. It is not a leadership quality that is learned through experience or education. Everyone is capable of possessing the most important characteristic of leadership – HONESTY.

Figure 1.1 Characteristics of Admired Leaders¹

The following qualities are the top responses to a questionnaire administered to over seventy-five thousand people across six continents: Africa, North America, South America, Asia, Europe and Australia that were asked “What values (personality traits or characteristics) do you look for and admire in your leader?”

| Characteristic | % of Respondents Selecting that Characteristic | | |
|-----------------|--|--------------|--------------|
| | 2002 edition | 1995 edition | 1987 edition |
| Honest | 88 | 88 | 83 |
| Forward-Looking | 71 | 75 | 62 |
| Competent | 66 | 63 | 67 |
| Inspiring | 65 | 68 | 58 |
| Intelligent | 47 | 40 | 43 |
| Fair-minded | 42 | 49 | 40 |
| Broad-minded | 40 | 40 | 37 |
| Supportive | 35 | 41 | 32 |
| Straightforward | 34 | 33 | 34 |
| Dependable | 33 | 32 | 33 |
| Cooperative | 28 | 28 | 25 |
| Determined | 24 | 17 | 17 |
| Imaginative | 23 | 28 | 34 |
| Ambitious | 21 | 13 | 21 |

¹ Kouzes, James M. and Posner, Barry Z. *The Leadership Challenge*. 2002.

| | | | |
|-----------------|----|----|----|
| Courageous | 20 | 29 | 27 |
| Caring | 20 | 23 | 26 |
| Mature | 17 | 13 | 23 |
| Loyal | 14 | 11 | 11 |
| Self-Controlled | 8 | 5 | 13 |
| Independent | 6 | 5 | 10 |

Based on this research, Kouzes and Posner developed a leadership model that emphasizes the five fundamentals of effective leadership. In MEDA’s experience working with MFIs, the fundamental lessons in this leadership model have proven to be adaptable and very relevant to the microfinance industry. This model is described in Figure 1.2, and is a valuable introduction to the essential skills and characteristics of successful leaders.

Figure 1.2: Five Fundamentals to Effective Leadership ²

| Practices | Commitments |
|-------------------------------------|---|
| 1. Model the Way | <ol style="list-style-type: none"> 1. Find your voice by clarifying your personal values. 2. Set the example by aligning actions with shared values. |
| 2. Inspiring a Shared Vision | <ol style="list-style-type: none"> 3. Envision the future by imagining exciting and ennobling possibilities. 4. Enlist others in a common vision by appealing to shared aspirations. |
| 3. Challenge the Process | <ol style="list-style-type: none"> 5. Search for opportunities by seeking innovative ways to change, grow and improve. 6. Experiment and take risks by constantly generating small wins and learning from mistakes. |
| 4. Enabling Others to Act | <ol style="list-style-type: none"> 7. Foster collaboration by promoting cooperative goals and building trust. 8. Strengthen others by sharing power and discretion. |
| 5. Encourage the Heart | <ol style="list-style-type: none"> 9. Recognize contributions by showing appreciation for individual excellence. 10. Celebrate the values and victories by creating a spirit of community. |

² Kouzes, James M. and Posner, Barry Z. *The Leadership Challenge*. 2002.

Section 2: Staff Performance Management Development and Training

Overview of Staff Performance Management

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

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

Purpose and Goal of a Staff Performance Management System

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

1. Identify with your MFI's mission;
2. Understand their role and how that contributes to the mission;
3. Know specifically what is expected of them;
4. Have the capacity, resources, and environment that make success possible; and
5. Receive encouragement, constructive feedback, and opportunities to develop and improve.

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

- Provide consistent and systematic supervision to all staff in the organization;
- Ensure that the mission, goals, objectives, and action plans of the organization are actually accomplished through individuals;
- Focus supervision on promoting and supporting successful performance, not just reprimanding and correcting poor performance;
- Take time to build trust and practice good one-on-one communication: listening, clarifying, and giving and receiving feedback; and

- Provide the opportunity for staff to participate in planning and monitoring their own work.

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

- Provides an understanding for each employee of how their work and team efforts contribute to the department and organizational goals;
- Creates year-round opportunities for regular coaching and feedback on job performance between employees and management, as well as a chance to adjust objectives as appropriate;
- Increases job satisfaction and growth opportunities for staff;
- Communicates general standards of performance and the knowledge, qualities, and skills valued by your MFI;
- Provides a tool to address performance problems;
- Facilitates staff development and training plans at both the individual and institutional level;
- Increases the quality of your MFI's decisions (e.g. staffing decisions, salary increases, promotional opportunities, etc.);
- Increases the quality of individuals' decisions (e.g. how time and effort should be directed on the job and to career goals.);
- Enhances the attachment between the employees and the organization. When done well, the PMP demonstrates commitment (e.g. time spent with employees) and increases employee satisfaction, motivation, etc.; and
- Helps employees reach higher level of performance.

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

Keys to a Successful Performance Management Process

- Senior management must fully support and use the PMP;
- Managers and staff must be trained and actively participate in the PMP; and
- Managers and staff must recognize that using the PMP will take time and resources.

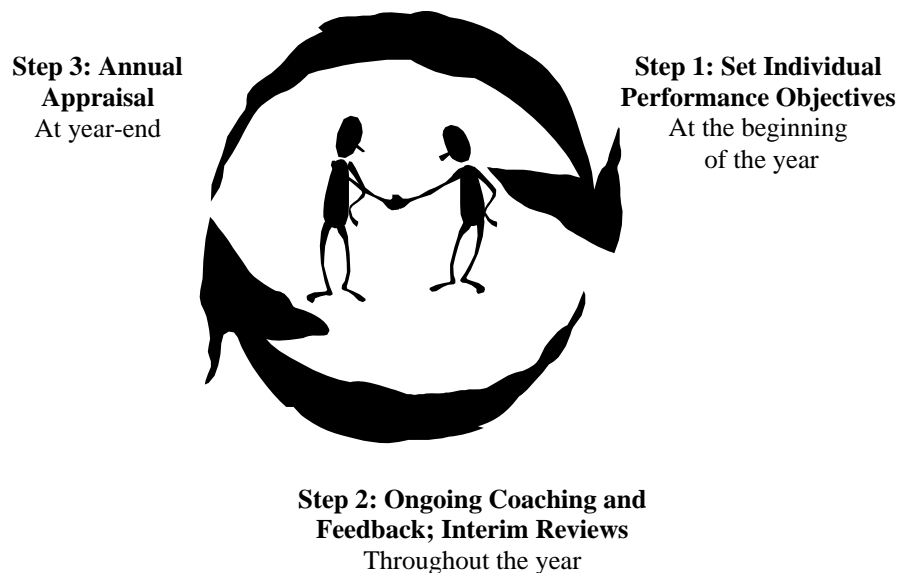
Performance Management Process

The PMP, depicted in Figure 2.1, has been utilized by a number of organizations and MFIs. MEDA developed this model based on extensive research and much trial and error. In this process, staff performance is based on a combination of objective evaluation through specific work objectives, and a more subjective component which looks at *how* the job was accomplished. Regardless of the model you choose, it is recommended that, as a minimum standard, your performance management process should:

- Include all staff;
- Be implemented at the beginning of each fiscal year;
- Encourage ongoing feedback throughout the year; and
- Include a performance assessment of both work targets and work style/attitudes.

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

Figure 2.1: Staff Performance Management Process



Many people assume that performance management consist simply of an annual year-end appraisal. However, this is only one component of a complete PMP. As shown in Figure 2.1, the PMP cycle involves setting individual objectives at the start of the year, ongoing coaching and feedback throughout the year including a mid-term review, and the final annual appraisal at year-end. It is a cyclical process where the first step is just as important as the third step. We cannot do the year-end appraisal if we do not set performance objectives at the beginning of the year. Employees need to know and understand, at the beginning of the evaluation cycle, how they will be evaluated. We will discuss each of these steps in more detail later in this section.

At first, the Performance Management Process may appear onerous; however most of the work involves setting up and implementing the system the first time. Once the PMP process is up and running, administering and maintaining it will be easy and will become routine.

Employee Responsibilities

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

- Focus on organizational results and their individual contribution;
- Participate in setting their annual performance objectives;
- Actively participate, ask questions, and follow through on individual commitments;
- Ask for and listen openly to feedback from managers and others;
- Initiate discussion about their own professional development; and
- Stay focused on their individual goals.

Manager Responsibilities

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

- Setting clear, measurable, and attainable objectives with input from employees;
- Providing honest and timely feedback to employees, recognizing achievements, and tracking progress towards goals;
- Recommending and supporting training and development; and
- Initiating and conducting semi-annual and annual performance reviews.

Human Resource Department Responsibilities

The Human Resource Management (HRM) department will be the driving force behind designing and implementing the Performance Management Process. The system outlined in this manual is an example of one process; many different performance management systems exist. It is important to select and modify a process to fit your MFI's needs and culture. In addition to the establishment of the overall process, HRM will also be involved in the ongoing support and maintenance of the process through:

- Helping managers to set clear, measurable, and attainable objectives with input from employees;
- Providing training to staff on how to use the process effectively;
- Ensuring all new staff receive an orientation on the process;
- Monitoring the use of the process and reminding managers to set meetings and provide ongoing feedback at appropriate

MI-BOSPO in Bosnia implemented a Performance Management Process that started with the annual organizational business plan, and included quarterly work plans for teams and each team member, ongoing monitoring, and an annual performance evaluation. This process was greeted by staff as an opportunity for performance feedback. However, quarterly work plans seemed like extra work rather than good planning. After one year, we decided to adjust the process to require a six-month work plan (instead of quarterly) along with the annual performance appraisals. This adjustment was responsive to staff feedback and the process is now widely accepted within the institution.

- Alma Bijedic, Human Resource Manager

- intervals;
- Reviewing completed year-end performance appraisals for all staff to ensure the process is working and to monitor performance gap trends within the MFI; and
- Monitoring and adapting the PMP as required.

Step 1: Setting Performance Objectives

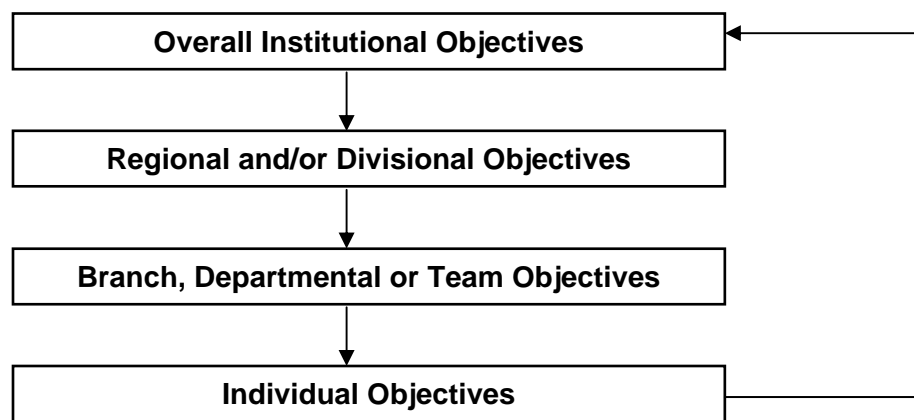
The first step in this process is to clearly define performance objectives for each job task. As with every step in the process, this is a joint effort between the manager and the employee.

Performance objectives describe what the employee will be held accountable for, and define important outcomes or results that contribute to the success of their branch and the MFI. Performance objectives are primarily derived from job descriptions and the annual goals set by the MFI. Normally a set of five to eight objectives is sufficient to describe the most critical outcomes of a position.

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

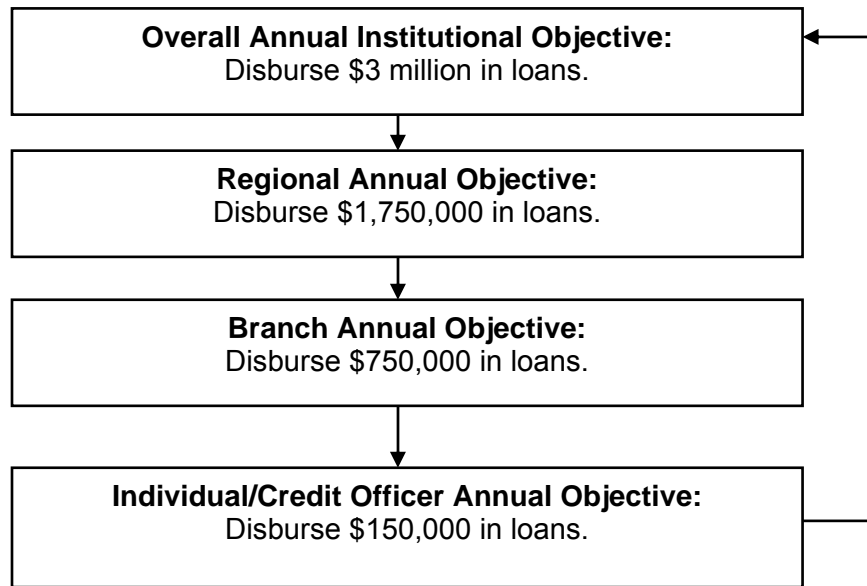
There is only one way to ensure that the mission and goals of the organization are more than words on paper; and that is to systematically follow the planning process from the overall strategic level to the individual staff level. The annual objectives of the MFI should impact the regional goals and objectives and, likewise, the branch objectives will fall out of the regional objectives. Subsequently, the branch objectives will shape individual objectives. Figure 2.2 highlights the linkages between institutional objectives and individual performance.

Figure 2.2: Linking Institutional Objectives to Individual Performance



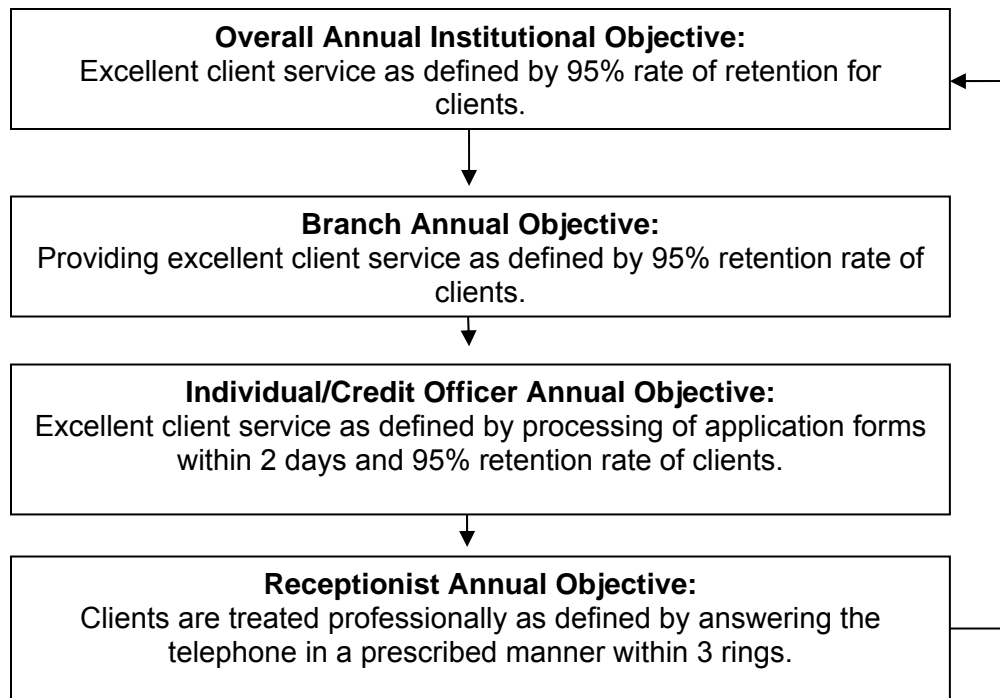
One obvious and easy example of this type of linkage for MFIs is setting revenue targets. Figure 2.3 provides an example of setting a revenue target within an MFI.

Figure 2.3: Revenue Target Within a MFI



Other institutional goals may have less obvious links to individual performance. For example, increased competition in the market may create a concern about losing existing clients. One strategy to address this concern may be to improve customer service. Linking this institutional goal of improved customer service to the individual performance objectives of a Credit Officer or Receptionist is illustrated in Figure 2.4.

Figure 2.4: Customer Service Target Within a MFI



Benefits of Performance Objectives

- Employees will fully understand what is expected of them;
- Employees can specifically identify, describe, and set priorities on problems;
- Employees can be sure if their performance is in line with objectives;
- Managers can provide feedback that compares performance with an objective standard;
- Managers have indicators in place to trigger performance improvement actions; and
- Senior management can effectively make and support decisions regarding resources, plans, policies, schedules, and organizational structures.

Quick Reference for Individual Performance Objectives

- Develop performance objectives at the beginning of each fiscal year.
- Focus on specific targets to be achieved for the fiscal year and important ongoing job tasks derived from the job description.
- Ensure tasks and standards are clearly worded.
- Limit to 5-8 objectives in total.
- Make standards clear, realistic, specific, measurable, and time-fixed.

Setting Individual Objectives

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

Objectives are also derived from the job description and should include significant ongoing tasks. It is recommended to limit the number of objectives to between five and eight per year. **Performance objectives** are made up of two parts: **the task** to be accomplished and **the standard** by which to measure success. In Figure 2.5. Sample Performance Objectives for a Credit Officer, each performance objective is numbered. These objectives outline the major priorities that this employee will be accountable for at the year-end appraisal. The task appears as the statement, and the bullet points below this task represent the standards for that task.

Figure 2.5: Sample Performance Objectives for a Credit Officer

| Section 1: Performance Objectives | |
|--|---|
| 1. Effectively manage the client level portfolio lending process. | <ul style="list-style-type: none"> • Maintain a portfolio of no less than \$X. • Adhere to procedures as defined in policies. |
| 2. Maintain client level portfolio quality and control. | <ul style="list-style-type: none"> • PAR of less than 2%. • Follow-up loans in arrears within 2 days notice and regularly thereafter until payments are made, or loan committee takes action. |
| 3. Participate as an active member of the overall branch team. | <ul style="list-style-type: none"> • Prepare for and actively take part in all weekly team meetings. • Prepare for and actively take part in all monthly and annual planning meetings. |
| 4. Assist in the delivery of business training courses to new clients. | <ul style="list-style-type: none"> • Ensure all clients participate in required courses. • Have all materials available for each course. • Carry out training objectives of the course with an effectiveness rating of 4+. |
| 5. Carry out special projects and activities as opportunity and need arise. | <ul style="list-style-type: none"> • Actively take part in the credit policy revision work group and carry out all delegated tasks fully and on time. |
| 6. Seek out and participate in professional capacity development activities. | <ul style="list-style-type: none"> • Attend the financial indicators training and complete assignments with a quality rating of 4+. • Complete the self-study computer spreadsheet program. |

Measuring Individual Performance

It is critical to ensure that the standards created for each task are clear, realistic, specific, measurable and time-fixed. This detail is critical for helping the employee and manager to determine if the objective was met. The question to ask yourself in helping to define standards is: “How does this job look when it is done well?” This will help both the employee and manager identify what good performance looks like and will keep the employee’s performance focused on achieving the desired results. Tasks can be measured in many ways. The list below identifies the most common types of standards and examples of each.

1. Quantity:
 - Add 20 new clients each month
 - Disburse \$20,000 by the end of each quarter
2. Quality:
 - Clients who have taken part in trainings will better understand pros and cons of using credit in their business.
 - Adhere to standard as defined in the procedural toolkit.
 - Receive a rating of 4 or over in the client assessment feedback.
3. Time:
 - Loan process takes less than 2 days for repeat clients.
 - Follow-up on late payments takes place within 2 days.
4. Cost or revenue:
 - Decrease overall budget expenditure by 15%.
 - Generate income from interest to fully cover loan operations costs.

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

Managers and staff commonly have different ideas about task expectations and the priority of each duty or task. Discussing and documenting expectations ensures mutual understanding and agreement. Studies show that performance improves when staff help to develop their own plans. Quantifying results and scheduling tasks helps to organize the work and generates more realistic expectations on both sides. Setting objectives together provides staff and managers with a one-on-one opportunity for:

- Mutual goal setting
- Sharing of ideas
- Discussion of problems and concerns
- Planning for growth and development

General Standards of Performance

During the process of setting objectives, the manager and employee should also review general standards of performance (Figure 2.7), which apply to **all** employees, regardless of position. General standards of performance describe qualities, interpersonal skills, and performance expectations that should be shared by all the MFI's employees. These standards focus on the "how" of performance, whereas performance objectives focus on the "what". It is important that employees understand at the beginning of the year that these are standards upon which they will be assessed.

Senior management most often creates the general standards of performance based on the MFI's guiding principles. This section of the PMP is an excellent tool to help institutionalize culture for an MFI. By setting the general standards of performance and consistently following up with staff through the PMP, these behaviors are reinforced.

Critical Elements of General Standards of Performance:

- Apply to all employees
- Focus on **how** the job is performed
- Are more subjective than objective
- Describe valued knowledge, qualities and skills

The following are examples of General Standards of Performance:

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

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

- **Professionalism:** The employee is a professional representative of the institution and conducts him/herself with the highest level of integrity. The employee is able to deal with confidential matters and does the extra work needed to complete a project or task. The employee also demonstrates punctuality and low absenteeism.

Step 2: Interim Performance Reviews: “Ongoing Feedback”

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

Ongoing feedback is one of the most critical steps in the PMP. The frequency of the interim reviews can vary from position to position. At an absolute minimum, the supervisor and the employee should meet mid-way through the year (every 6 months); however, quarterly meetings are ideal. Meetings may be required on a more regular basis, especially if the employee is new, a project or product has recently been implemented, or if a performance problem has been identified. It is this process of ongoing feedback that relies on the effective staff management skills of managers and will determine the success of the PMP.

Why are Staff Management Skills so Important to an Effective Performance Management Process?

To ensure the PMP is effective and properly implemented, supervisors need to have good staff management skills. Some overall characteristics and essential qualities for effective staff management are discussed below.

Primary Knowledge and Skills

A good staff manager will know his/her employees’ job descriptions and the specific results that are needed for the success of each particular position. A good staff manager will:

- *Make decisions and delegate*
- *Collaborate with others*
- *Motivate*
- *Listen carefully and communicate clearly*
- *Encourage and support employees by coaching and giving feedback*
- *Monitor and assess performance and develop capacity*

Primary attitudes demonstrated by effective staff managers include:

- “I *delegate* responsibilities and tasks, but I retain accountability.”
- “I will be *successful* if my staff are *successful*.”
- “My staff are adults who want to succeed.”

- “I am an *enabler*, not a dictator.”
- “I practice trust and use *agreements*.”

These are qualities and attitudes that form the foundation of effective staff management. As noted earlier, many materials, tools, research, and training programs are available to guide you in developing staff management skills. Section 3 of this manual will further elaborate on these skills. In addition to training, it is imperative for staff managers to be measured on their staff management skills through the PMP. A performance objective for all staff managers might be: “Effective Staff Management”. Figure 2.6 provides an example of an annual objective that might be used for a Branch Manager:

Figure 2.6: Annual Performance Objectives

| Name: Daniel Mbeba | | Manager: Operations Manager | |
|---|-----------------------------------|------------------------------------|--|
| Position: Branch Manager | | Date: 15 July 2006 | |
| Performance Objectives (Job Task & Standards) | Results & Comments | Rating (1 to 5) | |
| 1. Effective Staff Management: <ul style="list-style-type: none"> • Implementation of PMP with all subordinates • Majority of subordinates achieve their performance objectives • Staff turnover in branch of less than 10% • High staff morale in branch as indicated by 0 staff grievances, and an average rating of “4” on the employee opinion survey. | 1. | | |

The mid-term review provides an opportunity to focus exclusively on each individual staff member’s performance and related issues. It creates a stonger sense of belonging and increases morale for the employee. It clearly demonstrates to the employee that the manager cares about her/his performance and is willing to spend the time needed to offer coaching and feedback. The mid-term review is an excellent opportunity to re-focus on the employee’s objectives for the year, apart from the ongoing feedback on daily, specific tasks.

Similar to the year-end appraisal, a mid-term review is an extremely important component which involves planning, monitoring, and personal support in the form of coaching. Managers should treat this mid-term review with importance. Use the tips in *Annex 1: Preparing for Performance Management Meetings* to help you prepare for your ongoing reviews of your staff. If a performance gap or problem is identified during these meetings, the manager and employee must create a plan to address this gap. Further discussion on this topic is found later in this section.

Step 3: Year-End Performance Appraisal

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

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

The year-end appraisal can be sectioned into two phases, which are illustrated in Figure 2.7.

Figure 2.7: Phases of Year-End Appraisal

| | |
|--|---|
| <p>Phase 1: Evaluation of Employee's Progress</p> | <p>The appraisal is based on the employee's:</p> <ul style="list-style-type: none"> • Performance relative to his/her objectives; • Conduct relative to the institution's general standards of performance; and • Additional achievements. |
| <p>Phase 2: Development Plan for Employee</p> | <p>The goal of the development plan may be to improve a specific area of performance and/or to prepare the employee for advancement or job enrichment. It may also be at this phase that the employee and manager, once again, prepare and agree on the performance objectives for the next year (most often another meeting is scheduled).</p> |

It is best to coordinate the year-end appraisal with your fiscal year-end. In some cases, the manager may preview the employee's appraisal with their direct manager for comments and ratings prior to meeting with the employee. This ensures agreement within senior management prior to communication with the employee. Furthermore, the employee may perceive the appraisal as more objective, knowing that it has been reviewed by another level of management. This is especially important if there are performance problem areas. Figure 2.8 illustrates a Performance Appraisal Form. A complete version of this form can be found in *Annex 2: Performance Appraisal Form*.

Figure 2.8: Performance Appraisal Form

ANNUAL PERFORMANCE APPRAISAL
For Fiscal Year:

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

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

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

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

Section 4: The manager should update the form after the discussion. Once the appraisal is complete and reflects the agreed upon outcomes, the manager will forward a copy to the employee for signature. Allow the employee a few days to review and comment.

A signed copy of this form should be sent to the HR manager for the employee's file.

| | | | |
|--|-------------------------------|---|--|
| Name: | | Manager: | |
| Position: | | Date: | |
| Performance Objectives | | The manager completes the results section and then rates the employee performance with respect to each job task/objective on a scale of 1 to 5. Support comments with SPECIFIC EXAMPLES . All accomplishments should also be included. | |
| 5 = Exceptional performance 4 = Good performance 3 = Satisfactory 2 = Weak performance 1 = Unacceptable performance | | | |
| Section 1: Performance Objectives | | | |
| Performance Objectives (Job Task & Standard) | Results & Comments | Rating (1 to 5) | |
| 1. | 1. | | |
| 2. | 2. | | |
| 3. | 3. | | |
| Section 2: General Standards of Performance | | | |
| (if it is helpful, use the numerical rating 1 to 5 as defined in Section 1) | | | |
| 2.1 Values | | | |
| <ul style="list-style-type: none"> Attuned with corporate values | | | |
| 2.2 Interpersonal and Problem Solving Ability | | | |
| <ul style="list-style-type: none"> Interacts effectively with all levels of staff, open and straightforward in dealing with others, demonstrates a positive attitude, team player | | | |
| 2.3 Initiative and Problem Solving Ability | | | |
| <ul style="list-style-type: none"> Assumes responsibility without being asked, resourceful Identifies ways to constructively deal with problems, creative | | | |
| 2.4 Professionalism | | | |
| <ul style="list-style-type: none"> Absenteeism, punctuality, goes the extra mile to complete a project/task Confidential, discreet, professional representative of MFI | | | |
| Section 3: Development Plan | | | |
| (e.g. to address performance areas where rating is below standard or to define a plan for career growth) | | | |
| | | | |
| Section 4: Employee Comments (optional) | | | |
| | | | |
| Employee's Signature: _____ | | Date: _____ | |
| Supervisor's Signature: _____ | | Date: _____ | |

Performance Appraisal Discussions

Many managers can be nervous about conducting these meetings with staff; therefore, it is important to provide managers with training and tools that will help them feel prepared and put them at ease. When the manager is confident in how the meeting should be conducted, the discussion and performance feedback will be more valuable. Here are some tips to ensure that performance discussions with an employee will be successful. Although the year-end performance appraisal meeting is more formal, many of the principles apply equally to mid-year review discussions. A checklist to help you prepare for performance discussions is also included as *Annex 1: Preparing for Performance Management Meetings*.

1. Come prepared!

- Review the employee's file
- Make notes
- Gather relevant data

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

2. Arrange a mutually convenient time in a private area where you will not be interrupted.

3. Put the staff member at ease

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

4. Explain the purpose and procedure for the discussion.

5. Ask your staff member to give an appraisal of his/her performance. Listen carefully.

6. Give your appraisal.

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

7. Discuss and reach agreement:

- Ask for reactions to your appraisal
- Focus on areas of agreement
- Pinpoint specific disagreements
- Ask for their data
- Re-enforce your data and support your assessment
- Ask for agreement

8. Note unresolved disputes and next steps.

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

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

9. Staff Development Plan

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

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

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

11. Close the meeting.

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

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

The Eight Most Common Appraisal Errors

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

1. Inadequately defined objectives or standards of performance
2. Over-emphasis on recent performance
3. Reliance on gut feelings rather than using facts or specific examples
4. Misunderstanding of performance standards by employee

5. Insufficient or unclear performance documentation
6. Inadequate time allotment for the discussion
7. Too much talking by the manager
8. Lack of a follow-up plan

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

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

The annual appraisal discussion should be a “wrap-up” session, a summary, or a conclusion to a year-long process of review. For this reason, it is important to understand that staff management takes place on a day-to-day basis. If the PMP is to be effective, you must ensure that your staff managers develop and use good staff management skills regularly.

Closing Performance Gaps

A critical function of the Performance Management Process is to help managers and staff identify performance gaps and implement a plan to close any gaps. The staff manager should ensure that the HR Manager is involved in addressing performance deficiencies. This is one reason it is critical that the HR Manager receives a copy of each employee's final appraisal. The HR Manager can then support the manager to close employees' performance gaps.

Closing performance gaps involves three steps:

1. Identifying the gap through:

- Monthly one-on-one meetings that compare targets with actual performance.
- Annual performance appraisal to compare targets and actual performance.

2. Analyzing why the gap exists through:

- Ongoing coaching and monitoring by the manager and staff holding similar positions.
- Investigating other general organizational issues with HR (i.e. staff in similar positions with the same challenges, constraints in other departments, lack of resources, team morale, etc).
- Analysis of the employee's strengths/weaknesses/constraints.

3. Planning how to fill the gap through:

- Monthly planning.
- Meetings with other appropriate staff members to remove barriers, secure resources, etc.
- Annual review and application of learning to next year's plan.

Preparing a Personal Development Plan

A personal development plan is another tool managers and staff can use to close performance gaps. With the manager, the employee can formulate actions plans to address areas of

weakness identified in the PMP. Creating a personal development plan is also an opportunity for employees to discuss their career interests with their manager and to develop action plans toward career goals.

The first step to create a development plan is for the employee and manager to identify areas needing development. This may come directly from the PMP, or in the case of more general professional development, the employee may review:

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

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

Once employees have identified their own development objectives and created an action plan to reach their goals, they should review the plan with their manager. A manager may confirm the action plans, suggest alternative action plans, and help set target dates for completion. In addition, feedback from a “360 degree review” can provide useful developmental information. Further discussion on a 360 review can be found in MEDA’s Human Resource Management Toolkit, developed in conjunction with MicroSave Africa (www.microsave.org).

A development plan can be used throughout the year to chart progress. Learning activities and progress relative to development objectives should be reviewed, particularly at mid-year and year-end performance meetings. A copy of a personal development form is found in Figure 2.9.

Figure 2.9: Personal Development Plan Form

| This chart is to address performance areas where rating is below standard (e.g.: number 1 or 2) or to define a plan for career growth, etc. | | | |
|---|--|-----------------------------------|-----------------------|
| Development Objectives (Up to 3 objectives are recommended) | Action Items (ie: training required, workshops, on the job assignments, coaching, resources materials) | Target date for completion | Comments/Notes |
| 1. | | | |
| 2. | | | |
| 3. | | | |

Training and Development

Training and staff development can be used to close performance gaps and provide professional development. *Training* is the acquisition of knowledge, skills and attitudes that improve performance in the current job. *Development* focuses on knowledge and attitudes that may be required in the long-term achievement of an individual's career goals as well as the MFI's objectives. As a manager, it is important to learn to recognize how training and development opportunities can facilitate improved performance and professional development of your staff. The Human Resource Manager (HRM) is also a valuable resource and should be involved in training and development decisions.

HRM involvement in training will vary for each MFI. Orientation and job training are most often provided in-house as they are offered on a regular basis, the expertise is available internally and it is more cost effective. For many of the same reasons, large institutions may create a high performing training department to deliver most of the skills training and professional development required by their staff. However, an internal training department is not always a viable solution for many MFIs, nor is it always desirable. Together with the HR Manager, you should decide to take advantage of external training opportunities when:

- You do not have internal expertise to provide the required training
- It is more cost effective to send employees to a course
- The course is offered by a credible institution on regular basis
- The training/development is specific to very few staff (e.g. HR certificate, Accounting designation etc.)
- Your MFI will benefit from the staff person interacting with other industry players for learning and networking
- You do not have the time to administer training in-house
- You desire the credibility an outside expert or institution can provide on the topic

At Microfund for Women (MFW) in Jordan, development in terms of career path was limited. This was especially frustrating for loan officers because they could work for years and not get promoted. To address this issue, MFW developed a graded career path plan with specific criteria that gives the chance for loan officers to get promoted from one level of loan officer to the next. They even can become branch managers and credit supervisors if they have the right qualifications and good evaluations. Consequently, this has increased staff motivation and loyalty to Microfund.

- Lina Naif, Human Resources Manager

Remember that approximately 70% of learning and staff development happens on the job through experience, feedback, coaching, and relationships with staff. Although outside training programs can be helpful at the right time and place, do not over-estimate their value. You will realize greater impact by focusing on improved staff management and spending time managing your staff, providing timely feedback, and looking for opportunities to involve staff in new and challenging tasks.

What are the Benefits of Training and Staff Development

Training can be an excellent way to close performance gaps and prepare and develop staff to do their current jobs well. Overall, training can:

- Improve the effectiveness of staff;
- Increase adaptability;
- Ease the introduction of new technologies or methodologies;
- Standardize work processes to increase efficiency;
- Help to retain employees who understand the MFI's mission and culture, thereby building organizational memory and loyalty, Increase job satisfaction through a more thorough understanding of the task to be performed;
- Improve self confidence; and
- Increased morale, which contributes to a desirable work environment.

Figure 2.10: Training Opportunities

- Special work projects
- On-site field visits
- Joining professional associations
- Writing articles for journals/newspapers
- One on one coaching
- Exchanges with other branches/offices
- Outside reading
- Distance learning

Overall, training can create many benefits for an institution and its staff. Training not only improves the knowledge and skills of staff, but also increases their enthusiasm for the job and commitment to the institution.

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

Development of staff does not require special programs and training materials. In fact, it has been stated that 55% of development occurs through on-the-job experience and 15% through job relationships and feedback. An important piece of staff development is encouraging managers and staff to recognize and take advantage of on-the-job learning opportunities. Another critical component to development is through the feedback provided by managers, specifically through formal performance appraisal channels. Although most staff development can occur within the context of the day-to-day work situation, outside resources can also play a key role. Staff and managers should learn to recognize opportunities for learning outside of formal training. For examples, see Figure 2.10.

Human Resource Role in Closing Gaps

If the PMP reveals performance gaps, the manager should discuss additional skills and/or knowledge required with the HR Manager. Together, they can develop a training plan, which could involve additional courses, workshops, or an outside trainer. The Human Resource

Manager can also help managers determine the cost-effectiveness of a training solution for a performance problem. It is important to consider the costs of not only attending the course, but also the time away from work. By involving the HR Manager in these decisions, similar training requirements identified for more than one employee can be addressed through a more comprehensive or organization-wide training plan.

It is important to note that often the response to a performance problem is to provide training. However, we need to ensure that the problem *can* be solved through training. For example, the issue could be lack of time: the person is simply too busy to complete his/her tasks. Perhaps training on time management skills could help. or improved performance may require reallocation of specific tasks or improved technology. A performance gap could be the result of an increase in absenteeism due to illness or a family situation. In Africa, HIV/AIDS is the single largest cause of death for people between the ages of 15 and 49, the breadwinners and youth who are vital to the local economy. Families struggle to care for sick relatives, pay funeral costs, look after orphaned children, and still earn enough to survive. These struggles may be affecting your staff, their performance at work and, consequently, your MFI's success. This issue is highlighted in Figure 2.11.

Figure 2.11: HIV/AIDS and Staff Management

HIV/AIDS and Staff Management

Understanding HIV/AIDS as a human resource issue within your MFI (in addition to the obvious implications at the client and operational level) will help you to support your staff in dealing with these issues. Your MFI may experience the effect of HIV/AIDS on your staff in many ways. These might include:

- Increased staff turnover and absenteeism (either due to personal illness, death or helping a family member who is ill);
- Lower levels of productivity due to personal illness and increased burdens at home;
- Increased cost of benefits;
- Fewer eligible candidates available to fill vacancies;
- Challenges of succession planning for staff who leave due to illness, death or increased responsibilities at home;
- Heightened opportunity for a negative work environment through discrimination against or alienation of an employee with HIV/AIDS; and
- Low morale among staff as a result of any of the issues stated above, or from working with clients affected by HIV/AIDS.

These are only a few examples of how HIV/AIDS could be effecting your staff and your MFI. The microfinance industry as a whole has been slow to respond and is only beginning to recognize the importance of dealing with the affect of HIV/AIDS on staff. For further information on how Human Resources can help you deal with your staff and HIV/AIDS please refer to MEDA's Human Resource Management Toolkit, developed in conjunction with MicroSave Africa (www.microsave.org).

A performance gap could also be an issue of attitude and will. *Annex 4: Analyzing Performance Problems* is a series of questions to help you determine the root cause of performance problems so you can address them appropriately.

What if Performance Gaps are Not Closed?

If after implementing plans to improve gaps in performance, the employee is still not able to perform the job, the appropriate written warnings and probationary periods must be provided to the employee. The HR Manager should provide support in this process, and will guide managers in considering another appropriate position for the employee in your MFI. As a last resort, you may be faced with the tough decision of termination. Although this is never an easy decision, it is often the best solution for both the MFI and the employee. It can be very frustrating for an employee to be in a position that is beyond his or her capabilities and, of course, keeping that employee can negatively affect productivity and staff morale of other employees. Terminations must be handled very carefully and HRM should be involved to help support the manager and the employee in the termination decision and process.

Terminations

Terminating is a very difficult process; therefore, it is best to prepare a plan and deal with the issues in a step-by-step manner together with the HR Manager. Further information and materials to guide the termination process are available in MEDA's Human Resource Management Toolkit, developed in conjunction with MicroSave Africa (www.microsave.org). Not all terminations will be the result of poor performance. Mergers, closing a branch, technological changes, or other factors within your MFI may force you to terminate/lay off employees. Regardless of the reason for termination, you want to plan a process that will:

- Be sure the situation is clearly communicated to the employee in a compassionate manner
- Be direct while maintaining the person's dignity
- Give guidance
- Be a listening ear to the person without losing focus of the purpose
- Be sure appropriate supports are in place to relieve the transition

It is the job of the HR Manager to help managers make tough decisions. Sometimes the most appropriate decision is to terminate a staff person. We need to ensure that the staff member has been given adequate support and due process, and that legal requirements are followed. However, we have an obligation, especially to our existing staff, not to permit poor performers to be part of the team over an extended period of time. This impacts morale and eventually productivity. HR can help staff and managers to avoid the costly process of termination through the staff performance management process and guidance on staff management.

Section 3: Staff Management Skills

Overview of Staff Management Skills

The performance management process described in Section 2 provides a tool which will not realize its full benefit if our managers are not skilled in staff management. The whole area of effective management skills, specifically for middle management, is a weakness in many MFIs. It is important that MFIs address this issue and provide training to their staff managers on effective management skills. This section will highlight those skills that we have found to be critical for effective staff management in MFIs. Throughout many years of experience, we have found, time and time again, that even though many MFIs may have similar resources and the right product mix, some are more successful than others. Why? A significant contributing factor is the staff managers and how they manage and motivate staff!!

Maximizing the potential of human resources is directly dependent on a manager's skills and abilities to manage staff.

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

- Setting clear, measurable, and attainable objectives with input from employees;
- Providing honest and timely feedback to employees, recognizing achievements, and tracking progress towards goals;
- Recommending and supporting training and development; and
- Initiating and conducting semi-annual and annual performance reviews.

Supporting staff to reach performance goals requires time, attention and the right set of skills. In addition, a manager's attitudes, behaviors and competencies can influence their ability to motivate and develop staff. This section will explain and provide tools to understand and develop seven primary skills that are essential to effective staff management.

1. Listening
2. Feedback
3. Decision Making
4. Empowering and Delegation
5. Coaching
6. Conflict Resolution
7. Team Building

Management and Self Awareness

Self assessment is a critical skill for a good manager. It is extremely valuable as a manager to understand your current strengths and weaknesses. This will help to understand how your own strengths and weaknesses as a manager can affect the performance of your staff. For example, if a manager is not good at setting realistic and defined timelines, this may contribute to an employee’s performance issue in meeting deadlines. Through periodic self analysis, managers can understand how to improve their management skills and enhance the performance of themselves and their staff.

Quick self assessment tools and surveys are available to help you understand your management style and communication skills. Managers can also get feedback on their skills through performance management systems and “360° Feedback” tools. The better you know yourself, the better you’ll be able to understand how you are perceived by others and, in turn, the more effective your ability to influence and develop staff will be. Throughout this section we have included a number of easy self-awareness assessments to help you understand your current strengths and weaknesses in these skill areas.

Listening

Active listening is the process of maximizing the amount of information you absorb through listening. As the name implies, it requires the active participation of the listener to be engaged and interactive, not to simply ‘hear’ what is being said. Active listening involves the following:

- ✓ Thinking about what we hear
- ✓ Paying attention to the speaker
- ✓ Interpreting and clarifying the content
- ✓ Remembering the message

Just as managers must be attuned to the MFI’s market and financial performance, they must also be aware and informed of employee activities, concerns and opinions. Listening is the most important tool for understanding your employees.

The Significance of Listening

- Studies have shown that we spend 80% of our waking hours communicating – 45% of this time is spent listening.
- In business, listening has been cited as being the most critical management skill.
- After 48 hours the average adult remembers only 25% of what was heard.
- Among the primary communication skills of speaking, reading, writing and listening, *listening* is the communication skill we use the most, but are taught the least about.

Suggestions for Listening Effectively

Listening can be one of the most important qualities any MFI manager can develop. Active listening is particularly important in the performance management process and will greatly improve the effectiveness of this process. As a staff manager, you will increase your awareness of conflict and performance constraints, be open to innovative suggestions from your staff, foster an open and collaborative team environment, and learn what motivates your employees. As a manager it is essential that you try to understand what the employee wants to

communicate rather than what you want to understand. The following tips will improve your listening skills:

- Stop all other actions and offer 100% of your attention
- Maintain eye contact and show interest
- Be empathetic
- Paraphrase, but do not interrupt
- Ask for comments and opinions from your staff
- Foster an environment open to dialogue and discussion
- Be objective and listen without judging
- Learn to keep conversations on topic and subject-focused
- Demonstrate that you value your staff and their ideas

SELF-ASSESSMENT EXERCISE

Listening Questionnaire³

| For each of the following questions, select the answer that best describes your listening habits. | | | |
|--|--------------------------|--------------------------|--------------------------|
| | Usually | Sometimes | Seldom |
| 1. I maintain eye contact with the speaker. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. I determine whether or not a speaker's ideas are worthwhile solely by his or her appearance and delivery. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I try to understand the message from the speaker's point of view. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. I listen for specific facts rather than for "the big picture". | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I listen for both factual content and the emotion behind the literal words. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I ask questions for clarification and understanding. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. I withhold judgement of what the speaker is saying until he or she is finished. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. I make a conscious effort to evaluate the logic and consistency of what is being said. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. While listening, I think about what I'm going to say as soon as I have my chance. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. I try to have the last word. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Scoring Key and Interpretation: Listening Skills

³ Robbins, Stephen and Hunsaker, Philip. *Training in Interpersonal Skills*. Prentice Hall, 1996.

For questions 1,3,5,6,7, and 8, give yourself 3 points for “Usually”, 2 points for “Sometimes”, and 1 point for “Seldom”.

For questions 2,4,9, and 10, give yourself 3 points for “Seldom”, 2 points for “Sometimes”, and 1 point for “Usually”.

Sum up your total points. A score of 27 or higher means you’re a good listener. A score of 22 to 26 suggests you have some listening deficiencies. A score below 22 indicates that you have developed a number of bad listening habits.

Providing Feedback

Equally important to listening is providing feedback. These two skills go hand in hand and are particularly important in the performance management process in staff management. Feedback includes more than simply verbal comments: it is any communication that gives your staff information about some aspect of their behavior and its effect on you, others, or the organization. Therefore, as a manager, it is important to remember that body language and written messages in addition to verbal comments made by you or others are means of feedback.

Any formal or informal, direct or indirect message to or about your staff regarding their behavior or performance can have a very powerful impact. Managers must be careful, as negative or even neutral messages can have harmful and permanent effects on employees, your relationship and your ability to manage that person. Likewise, if conducted appropriately, feedback can also have very positive effects.

Positive Effects of Providing Effective Feedback

- Motivates staff and reinforces good behavior/performance and can act as incentive for higher levels of performance.
- Demonstrates to employees that you care about them and their work is noticed and important.
- Relays information on undesired actions and can pinpoint areas requiring improved performance.

Techniques for Providing Effective Feedback

When giving feedback, managers must consider the context in which feedback is given, who the feedback is supposed to help, what behaviors are desired, results of feedback, and how to deliver feedback most effectively. The following techniques will help you as a manager to ensure you have considered these factors and provide feedback that will be constructive and appreciated.

1. Focus on specific behaviors:

Tell the employee *why* you are being complimentary or critical and provide suggestions on what they can do to continue performing well or to correct an undesired action. Vague statements such as “you are a good employee” or “you are always late” do not communicate to the

employee the exact desired or undesired behavior. Use specific examples that demonstrate your feedback, particularly when giving negative feedback.

Good feedback statements are specific such as:

- “I appreciated your performance in the working group – you had researched the topic and had written notes for all participants.”
- “You arrived 30 minutes late yesterday, and last week you were also 15 minutes late on Monday and Wednesday. This tardiness is not acceptable and we need to resolve this problem.”

A manager should always be looking for opportunities to provide constructive and positive feedback to an employee. Search out those opportunities: “catch your employee doing it right!”

2. Keep it impersonal, yet relevant:

Examples in negative feedback should be descriptive not judgmental or evaluative. It is important to provide constructive feedback, not feedback regarding aspects the employee has neither control over nor ability to change. Examples should be *job related* not personal. Please ensure your feedback is sincere. If the feedback is superficial it will be demotivating for an employee.

3. Make it well timed:

Feedback is most meaningful to an employee when there is a short interval between her/his behavior and the receipt of feedback of the behavior. However, one should not wait too long to provide feedback or it may not be as effective.

The Staff Performance Management Process system provides a formal structure to ensure that staff are receiving feedback on their performance. However, effective management of staff requires ongoing and timely feedback on a regular basis, not simply during formal performance reviews. It is critical that managers are providing timely feedback to staff throughout the year.

4. Ensure understanding:

Successful communication requires both transference and understanding of meaning. Therefore, feedback needs to be concise and complete. To ensure the employee understands the meaning of your feedback, ask the employee to re-phrase the content of the feedback in his or her own words. It is the Manager’s responsibility to ensure understanding.

5. Tailor the feedback to fit the person:

Different people want and need different levels of feedback. Although some top performers may not need corrective feedback, they may thrive on positive feedback in the form of praise and recognition for their work. Some staff may feel that too much feedback from a manager is overly controlling and interferes with their autonomy. As a manager it is important to find the right level of feedback for each of your employees through active listening and asking for feedback from your staff on your management style.

SELF-ASSESSMENT EXERCISE

Providing Feedback Questionnaire⁴

For each of the following questions, select the answer that best describes you. Remember to respond as you have behaved or would behave, not as you think you should behave.

| | Usually | Sometimes | Seldom |
|---|--------------------------|--------------------------|--------------------------|
| 1. I focus my comments on specific, job-related behaviors. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. I keep my comments descriptive rather than evaluative. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I prefer to save up comments so they can be presented and discussed in detail during the person's annual performance review. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. I ensure that my feedback is clearly understood. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I supplement criticism with suggestions on what the person can do to improve. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I tailor the type of feedback to reflect the person's past performance and future potential. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Scoring Key and Interpretation

For # 1,2,4,5 and 6, give 3 points for "Usually", 2 points for "Sometimes", and 1 point for "Seldom".

For # 3, give 3 points for "Seldom", 2 points for "Sometimes", and 1 point for "Usually".

Sum up your total points. A score of 16 or higher indicates excellent skills at providing feedback. Scores in the 13 to 15 range suggest some deficiencies in providing feedback. Scores below 13 indicate considerable room for improvement.

Decision Making

Ultimately, managers must make a final decision. It can be hard to make a difficult or unpopular decision but this is the realm of effective management. However, involving your staff in a meaningful decision making process is a critical step to ensuring staff support the decision taken. Although it is preferable to reach a consensus with your staff on a particular decision, it is not always possible. An excellent example of how staff participation in decision-making can be effective is described through the following illustration called:

The "70/100 Principle"

- "I was given the opportunity to express my ideas, opinions, feelings."
- "I believe I was listened to and understood."
- "Even though I understand the logic of the decision taken, I am still only 70% in agreement with it."
- "However, because I have had the chance to have input and influence, I will be 100% committed to the choice that was made."

⁴ Robbins, Stephen and Hunsaker, Philip. *Training in Interpersonal Skills*. Prentice Hall, 1996.

Many successful business leaders believe that “making no decision is worse than making a wrong decision”. If a good process is followed then it is important to make timely decisions. At a minimum, a decision (even if it is not a perfect decision) will provide you as a manager with information and feedback on a specific issue. This information can guide further decision-making.

Decision Making Process

Including staff in decision-making not only increases support for the outcome, but it also provides the opportunity for new perspectives, creative ideas and improved decisions. The following steps outline an excellent process for making decisions and how staff can be included in the process.

1. Ensure you have the authority to make the decision.
2. Collect an appropriate amount of background information.
3. Discuss the options with those who will be most impacted by the decision. This can include discussions, proposals, and asking for critique.
4. Consider the options and the benefits / drawbacks associated with each option. Weigh these options for significance and impact.
5. Ensure the decision does not intrude on other people’s delegated realm of authority and responsibility without their involvement.
6. Communicate the decision once it has been made quickly and clearly. This permits activities to proceed, demonstrates that you value inclusivity and shows fair judgment.
7. Follow-through with your decision.

Empowering and Delegating

Delegation is the act of assigning tasks to an employee with the primary objective to free up the manager’s time to concentrate on more complex projects. In addition to gaining more time, delegating work will also increase your employees’ involvement in their work through greater participation in decisions and control over work-related responsibilities. This increased participation and ownership of work issues is known as empowerment.

Participatory Management – is the management practice of empowering employees to engage in organization-related decisions.

Delegating allows managers to:

- Free time for more complex problems
- Empower employees
- Create accountability
- Challenge and develop staff
- Improve manager-subordinate relations
- Ease decision making
- Create a sense of ownership and commitment among staff

Guidelines for Effective Delegation

Delegation can be a difficult activity for managers, as it requires them to take higher risk and step out of their comfort zone. Managers must place trust in their employees' capabilities but still accept some accountability for outcomes.

Effective delegation requires clear instructions and properly communicating to the employee the level of authority and accountability to complete the task. The manager should ensure mutual understanding and mutual agreement with the employee. When delegating, instructions to the employee should include:

- ✓ Clearly defined task
- ✓ Desired outcome
- ✓ Timeline
- ✓ Authority and responsibility the employee has to complete the task.
- ✓ Budget or access to resources needed to do the task
- ✓ A plan for coaching and monitoring task design and implementation

Regular and effective delegation can result in substantial benefits. Managers will find their own work more rewarding and may experience a higher level of personal self-confidence and self-esteem through empowering their staff. Staff will benefit through improvement in skills and abilities, increased job satisfaction, and more commitment to the organization. Combined, these benefits can result in increased productivity, enhanced job content and overall good morale within the work group where delegation is practiced.

SELF-ASSESSMENT EXERCISE

Empowerment Through Delegation Questionnaire⁵

For each of the following questions, select the answer that best describes your approach to delegating tasks to subordinates. Remember to respond as you **have** behaved or **would** behave, not as you think you **should** behave.

WHEN DELEGATING TO A SUBORDINATE, I:

| | Usually | Sometimes | Seldom |
|---|--------------------------|--------------------------|--------------------------|
| 1. Explain exactly how the task should be accomplished. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Specify the end results I expect. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Feel that I lose control. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Expect that I'll end up doing the task over again myself. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Only delegate routine or simple tasks. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Clarify to the subordinate the limits to his or her authority. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Establish progress report dates with the subordinate. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Inform all who will be affected that delegation has occurred. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Scoring Key and Interpretation

For questions 2,6,7 and 8, give yourself 3 points for “Usually”, 2 points for “Sometimes”, and 1 point for “Seldom”.

For questions 1,3,4, and 5, give yourself 3 points for “Seldom”, 2 points for “Sometimes”, and 1 point for “Usually”.

Sum up your total points. A score of 20 or higher suggests superior delegation skills. Scores in the 15 to 19 range suggest you have room for improvement. A scores below 15 suggests that your approach to delegation needs substantial improvement.

Coaching

Coaching is more than simply giving a task list and instructions to employees. Coaching is providing guidance, feedback and support that help an employee improve performance or learn new skills. On the whole, 70% of learning and staff development happens on-the-job through learning from experience, feedback, and relationships - all of which are enhanced by effective coaching. For this reason, coaching has been cited as one of the most effective development and training tools available to an organization.

If done appropriately, coaching can result in greater

“I believe effective coaching requires sincere interest and care in the person and their success. As a manager you should care passionately about their success.”
- Kim Pityn, MEDA

⁵ Robbins, Stephen P and Hunsaker, Phillip L. Training in InterPersonal Skills: Tips for Managing People at Work. Prentice Hall. 1996.

productivity and job satisfaction for staff than more traditional forms of training. The coaching relationship also relays the message that you, as a manager, care about your staff's performance and are willing to spend your time helping them. Staff will feel valued and recognize their work as important to the organization.

Effective coaching requires the application of excellent interpersonal and communication skills in ways that can help employees learn and improve performance. Three fundamental steps are involved in the coaching process and successful coaches learn many techniques as they apply these principles.

1. Understand the employee's performance challenges and capabilities.

Observe the employees' day-to-day activities, ask questions, listen, and demonstrate a genuine interest in the person. This will help you to understand obstacles and challenges your employee is facing, and provide perspective and insight to the employee that will help them to improve performance.

2. Create a supportive climate.

Seek to reduce barriers you've identified that may be causing performance problems or inhibiting professional development. Empower staff, be positive and upbeat and focus on mistakes as learning opportunities. Empowering includes encouraging staff to take initiative and solve their problems. It is important to train staff to come to you with recommended solutions to a problem, not simply the problem. An excellent method is to train ourselves as managers to ask this simple question "What would you recommend? What are some of your ideas?" This approach may take a little longer in the short-term but it will help develop your staff save you time in the long-term!

3. Encourage employees to change their behavior.

Use a style of feedback, motivation, and management that is tailored to each of your employees. Many techniques exist that can encourage and support your employees to improve their performance, some of these include:

- Show concern for your staff's on-going growth and development
- Recognize and reward small improvements
- Employ a collaborative management style
- Break complex projects into a series of simpler tasks
- Model the qualities you expect

SELF-ASSESSMENT EXERCISE Coaching Questionnaire⁶

| | | |
|--|---|---|
| For each of the following statements, circle either True (T) or False (F). | | |
| AN EFFECTIVE COACH SHOULD: | | |
| 1. Tell employees the right way to do a job. | T | F |
| 2. Suspend judgement and evaluation. | T | F |
| 3. Be a role model. | T | F |
| 4. Provide long-term career planning. | T | F |
| 5. Use a collaborative style. | T | F |
| 6. Apply active listening. | T | F |
| 7. Respect an employee's individuality. | T | F |
| 8. Focus on getting each employee's performance up to a minimum standard. | T | F |
| 9. Dismiss mistakes. | T | F |
| 10. Delegate responsibility for coaching outcomes to the employee. | T | F |

Scoring Key and Interpretation:

Give yourself one point for each correct answer. 1 F; 2 T; 3 T; 4 F; 5 T; 6 T; 7 T; 8 F; 9F; and 10 F. Scores of eight or above indicate you have quite a bit of valid knowledge about coaching.

Resolving Conflicts

Every organization experiences conflict, it is a healthy, normal part of daily interactions. However, many times conflict is unnecessary, or can escalate if not handled appropriately. In some cases, conflict can cause irreversible damage to people, relationships, and the organization. Successful conflict resolution requires awareness, planning and preparation.

An important component of handling conflict within an organization is to ensure a positive corporate culture and ensure guiding principles and values are communicated and modeled. An environment where employees treat each other with respect and trust is critical in minimizing conflict. This expectation can also be established through general standards of performance in a performance management process. Staff should be encouraged to deal with conflict directly and avoid gossip or inappropriately including those who are not directly involved in the issue.

Self-awareness about conflict styles can equip managers and employees to handle conflict situations. Unnecessary conflict can be avoided by encouraging staff to identify their own needs and concerns and determine priority issues. Finally, cultivating an awareness of others can also mitigate potential conflict situations, and set the stage for effective collaboration and dispute

⁶ Robbins, Stephen P and Hunsaker, Phillip L. Training in InterPersonal Skills: Tips for Managing People at Work. Prentice Hall. 1996.

resolution. This can be done by considering the context of the situation, actively listening to others, being aware of others' conflict management styles and working hard to understand and empathize with the other party's perceptions and feelings.

In situations of heightened conflict, successful resolution requires planning and preparation. As a manager you should ensure you have gathered relevant facts and consulted with each party involved to ascertain the source of the conflict. After working to understand a conflict and the various styles of the people involved you must decide which conflict management technique is most appropriate. The following strategies, when combined with open, honest and candid communication are effective means of conflict resolution for various situations.

- **Avoidance** or delay should be used when conflict is trivial, when emotions are high and time is needed to cool off. This is an extremely important point to remember. When an employee is emotional and adrenaline is high that person may not be thinking clearly. A good strategy is to schedule a meeting to discuss the issue/event if emotions are very high.
- **Accommodation** is compromising your needs and concerns for the other person. This is used when issues under dispute do not hold significant importance to you.
- **Forcing** the issues is an attempt to satisfy your needs at the expense of the other party. Forcing works when you need a quick resolution, on important issues where unpopular actions must be taken. Management must take caution not to offend nor disrespect staff.
- **Compromise** is when each party gives up something of value. This process is most commonly used in management, labour negotiations, and other formal situations.
- **Collaboration** is the ultimate win-win situation. This occurs when all parties to the conflict seek to satisfy their interests. Used when time pressures are minimal and when all parties seriously want a win-win solution.

General Conflict Management Skills

In *The Essential People Skills: How to Assert Yourself, Listen to Others, and Resolve Conflict*, Dale Carnegie highlights the critical actions required to effectively manage conflict. These are summarized as follows:

- Effective stress management
- Ability to stand your ground without alienating others
- Foster an environment of equal and mutual respect
- Learn to interact with all personality types
- Develop mutual trust
- Deliver negative feedback tactfully and respectfully
- Learn to ask the right questions instead of burdening yourself with having to learn everything
- Lead by example
- Recognize what motivates you and how to motivate others
- Develop positive solutions that meet the critical needs of the involved parties

Overall, effective conflict management depends on patience, understanding and empathy. Emotions and threats should not influence conflict management. A manager's one-on-one relationship with each employee can lay the groundwork for smooth functioning in the work environment and can minimize conflict among staff. Managers can facilitate effective problem

solving through modeling and practicing good communication skills when an employee presents a conflict situation

If an employee comes to you as a manager to discuss a conflict with a fellow employee, encourage the employee to approach the individual about the conflict directly. Before intervening in the situation, the manager should ensure this step has been tried first. If the conflict cannot be resolved at this level, then a meeting with both parties present is recommended. The following steps outline a productive conflict resolution process:

- Maintain the self-esteem of the employee to prevent emotions from dominating discussions.
- Don't attack the person. Best results are created when you focus on the problem, not the person.
- Don't assume an offence has been committed. This shows a lack of confidence in your employee.
- Ask for the employee's opinion and suggestions, cultivating staff ability to analyse and problem solve.
- Allow the employee adequate time to think through the problem and to come up with solutions. This strategy demonstrates delegation and ownership.
- Help the employee to develop a suitable action program; this will put a solution into practice.
- Always set a specific follow-up date to ensure actions are carried out.

Many MFIs have a policy on handling grievances. Managers should ensure that they are following these policies. Human Resources should also be included in the process particularly when the conflict involves sensitive issues such as fraud, sexual harassment, or concerns about an employee's direct supervisor.

Resolving Conflicts Questionnaire⁷

| Indicate how often you do the following when you differ with someone. WHEN I DIFFER WITH SOMEONE: | | | |
|--|--------------------------|--------------------------|--------------------------|
| | Usually | Sometimes | Seldom |
| 1. I explore our differences, not backing down but not imposing my view either. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. I disagree openly, then invite more discussion about our differences. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I look for a mutually satisfactory solution. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Rather than let the other person make a decision without my input, I make sure I am heard and also that I hear the other out. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I agree to a middle ground rather than look for a completely satisfying solution. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I admit I am half wrong rather than explore our differences. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. I have a reputation for meeting a person halfway. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. I expect to get out about half of what I really want to say. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. I give in totally rather than try to change another's opinion. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. I put aside any controversial aspects of an issue. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. I agree early on, rather than argue about a point. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. I give in as soon as the other party gets emotional about an issue. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. I try to win the other person over. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. I work to come out victorious, no matter what. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. I never back away from a good argument. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. I would rather win than end up compromising. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Scoring Key and Interpretation:

Total your choices as follows: Give yourself 5 points for "Usually"; 3 points for "Sometimes"; and 1 point for "Seldom". Then total them for each set statements, grouped as follows:

Set A: items 13-16 Set C: items 5-8

Set B: items 9-12 Set D: items 1-4

Treat each set separately:

A score of 17 or above on any set is considered high;

Scores of 8 to 16 are moderate;

Scores of 7 or less are considered low.

Sets A, B, C, and D represent different conflict-resolution strategies:

A= Forcing/domination. I win, you lose.

B= Accommodation. I lose, you win.

⁷ Source: Von der Embse, Thomas J. *Supervision: Managerial Skills for a New Era*. 1987

C= Compromise. Both win some, lose some.

D= Collaboration. I win, you win.

Everyone has a basic or underlying conflict-handling style. Your scores indicate the strategies you rely upon most.

Team Building

Working teams are more than just a group of employees. Teams share a common purpose and operate on the belief that collective efforts have better results than individual efforts. Ownership and responsibility for performance results of these collective efforts are shared among all members of the team – where each individual often has a specific role to play. Managers who are able to identify themselves as team leaders, not just managers are often most successful. Many of the leadership qualities outlined in Section 1 characterize effective team leaders.

Characteristics of Effective Teams

Generally, teams with the following characteristics are most effective⁸.

Size –Small teams with ten or less members creates ease in fostering collective objectives, goals, cooperation and communication. If your working group is large, consider organizing employees into smaller teams. Most MFI branches have less than 10 employees and the Branch Unit provides an excellent environment for creating an effective team.

Complementary Skills - Teams should share common goals; however, team members should not share the same skill sets. Teams are most effective when members hold skills that complement and fill the skill deficiencies in their teammates.

“I believe in smaller teams, up to 8 people as there is much more space for people’s potential to get released and captured with the right facilitation, with the attitude and of demonstrating through example.”

- Nejira Nalic, Executive Director, MI-BOSPO

Common Purpose - A shared vision is critical to an effective team. Allocating significant time and effort to discussions and planning unites a team and eliminates any ambiguity and conflict.

Specific Goals - Specific, Measurable, Achievable, Realistic and Time-bound (SMART) goals ensures all team members understand their role in the team, are working toward the same objectives and are able to realize the benefits of their work.

Common Approach – Where possible, team members should carry equal workloads, agree on methodology and delivery, and hold complementary schedules.

Mutual Accountability – Both individual and group accountability is evident in successful teams. By sharing responsibility and ownership, all members hold an interest in the outcomes of their work. Managers/team leaders must ensure employees clearly understand individual and collective responsibilities.

Trust - In order to share responsibility and communicate openly, team members must trust each other and believe in the common vision. Trust is best developed through honesty, integrity and

⁸ Robbins, Stephen P. Training in InterPersonal Skills, 3rd Ed. 2003.

dependability of its members. Managers foster trust by leading by example, delegating and communicating openly.

Encouragement – Finally, team members must be able to motivate each other, learn from each other, and support each other when discouraged. Managers can encourage by sharing successes, providing regular (individual) performance appraisals, ensuring availability of resources and delivering praise and feedback. Celebrate successes often. Encourage from your heart. There are numerous ways to celebrate successes of team – small or large accomplishments. Be creative! Create a fun and enjoyable work environment. Examples include: public recognition, bonuses, pins, hats, T-shirts, taking the team for lunch, etc.

SELF-ASSESSMENT EXERCISE

Understanding Team Effectiveness

| | | |
|--|-------|---|
| Circle either True or False for each question about the nature of teams: | | |
| True | False | 1. Groups produce synergy that creates performance that is greater than the sum of the individual inputs. |
| True | False | 2. The best teams tend to be small. |
| True | False | 3. A team will perform effectively if all members have technical expertise. |
| True | False | 4. High-performing teams have a common purpose. |
| True | False | 5. Successful teams translate their vision into measurable performance goals. |
| True | False | 6. Team members must contribute equally in sharing the workload. |
| True | False | 7. Successful teams encourage social loafing by freeloaders. |
| True | False | 8. If trust is lacking, team members are unable to depend on each other. |
| True | False | 9. Teams should begin by setting individual goals, not group goals. |
| True | False | 10. Members should share the blame when the team fails. |

Scoring Key and Interpretation:

You have an excellent understanding of basic team building concepts if you answered as follows:

True: numbers 1,2,4,5,6,8,9,10

False: numbers 3,7

Where Do We Go From Here?

The Staff Management Training Manual is designed for first time staff managers. Hopefully you are better equipped in the areas of decision making, empowering, listening and feedback, coaching, resolving conflict, self awareness and building teams. In addition we hope that you understand the importance of implementing an effective Performance Management Process with your staff.

Becoming an effective staff manager takes time, dedication and practice. You must approach this important job with the highest level of integrity and honesty. Staff Management is not easy and will require continual development and learning. *Annex 5: Improving Your Skills – Enabling Others to Act* offers a few suggestions and tips from Kouszes and Posner, on how to improve your supervisory skills.

Remember....

One of your most important tasks is helping your staff be successful.

Annex 1: Preparing Performance For Management Meetings

Please use the following reminders to ensure that the performance management meetings with your staff will be effective.

- Remember the importance of this meeting. Do not treat it lightly.
- Schedule the meeting in advance: both manager and staff person should be well prepared.
- Review the employee's file: performance objectives, job description, notes from previous sessions, etc.
- Put together any supporting data on the employee's performance.
- Make written notes:
 - Performance assessment
 - Issues regarding performance
 - Proposals for improving performance
- Ask the employee to prepare written notes on their performance to bring to the meeting.

Suggested Outline for the Meeting:

1. Review objectives, expected results, and previous agreements.
2. Assess progress/performance.
3. Highlight successes.
4. Identify performance gaps and related issues.
5. Analyze reasons for such gaps.
6. Brainstorm possible actions: make a decision or ask the employee to prepare written suggestions at a later date.
7. Critique any new performance proposals; decide or ask for revision.
8. Develop/adjust performance plan.
9. Schedule next meeting.
10. Write and copy meeting notes.

Annex 2: Performance Appraisal Form

Name: _____

Manager: _____ For Fiscal Year: _____

SECTION 1: Review of Performance Objectives

Objectives agreed to last year and modified throughout the year as required.

RATING SCALE

5 = Exceptional performance, consistently exceeding standards

4 = Good performance, area of strength, often exceeds standards

3 = Satisfactory performance, meets standards

2 = Weak performance, strengthening needed, often not meeting standards

1 = Unacceptable performance, consistently not meeting standards

| Performance Objectives (Job Tasks and Standards) | Results and Comments | Rating (1 to 5) |
|---|----------------------|--------------------|
| 1. | | |
| 2. | | |
| 3. | | |

| Performance Objectives (Job Tasks and Standards) | Results and Comments | Rating (1 to 5) |
|---|-----------------------------|----------------------------|
| 4. | | |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |

SECTION 2: General Standards of Performance

If it is helpful, use the numerical rating, 1 to 5, as defined in Section 1.

2.1 Values

- Attuned to corporate values

2.2 Interpersonal Skills and Communications

- Interacts effectively with all levels of staff
- Open and straightforward in dealing with others
- Demonstrates a positive attitude, team player

2.3 Initiative and Problem Solving Ability

- Assumes responsibility without being asked, resourceful
- Identifies ways to constructively deal with problems, creative

2.4 Professionalism

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

SECTION 3: Development Plan

To address performance areas where rating is below “met standard” or to define a plan for career growth etc.

The following actions/objectives have been agreed to:

SECTION 4: Employee Comments (Optional)

Employee’s Signature

Date

Manager’s Signature

Date

Annex 3: Guide to Creating a Personal Development Plan

[THE MFI] is committed to creating a continuous learning culture within the organization. Staff are a crucial component to realizing the mission of [THE MFI]. We depend on a highly trained, adaptable and effective work force to meet challenges as well as our objectives. For this reason, training and development initiatives are driven from strategic plans and designed to work toward meeting the overall goals and mandate of [THE MFI].

[THE MFI] emphasizes the development of staff as integral to the effective functioning of the organization. Staff development can take on many forms, for example:

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

The first step in creating a development plan is to identify your development areas. To do this you need to review:

- Your job description;
- Your position requirements (that is, the skills and knowledge you need to be successful in your role);
- Your competencies (where applicable); and
- Your most recent performance review.

Think about the areas which have the highest impact on your ability to achieve your performance objectives, and then select up to three development objectives. Make notes on development areas and what you could do to improve your performance. Determine how the resources available through [THE MFI] can help address your development needs and objectives. Consider the learning activities and courses you have already completed and identify other programs which address your development needs. Don't forget to consider and identify other training experiences as part of your plan.

Once you've identified your development objectives and the action plans to help you reach your goals, then review your plan with your manager for his/her input. Your manager may verify your action plans, suggest alternative action plans, and help you set target dates for completion.

You can use the plan throughout the year to chart your progress as learning activities are completed, and review your progress relative to your development objectives, particularly at mid-year and year-end performance reviews. The following chart will help you track your personal development goals.

Personal Development Plan

| Development Objectives (up to 3 objectives are recommended) | Action Items (i.e. training required, workshops, on the job assignments, coaching, resources materials) | Target date for completion | Comments/notes |
|---|---|-----------------------------------|-----------------------|
| | | | |

Annex 4: Analyzing Performance Problems

Generally, most performance problems are the result of one of these four main causes:

1. Obstacles are preventing the desired behavior
2. Performing the desired behavior is punished.
3. Performing alternate/undesirable behavior is rewarded.
4. It simply doesn't matter if the behavior is performed.

Lack of skill or instruction is not always the root cause when employees do not meet job expectations. For this reason, it is very important to examine why the employee is not meeting appropriate targets. Once you have determined the reason for poor performance, you will be able to make the necessary changes to help your staff reach their targets through desirable performance.

The following statements indicate that an employee is missing performance targets for reasons other than lack of skill:

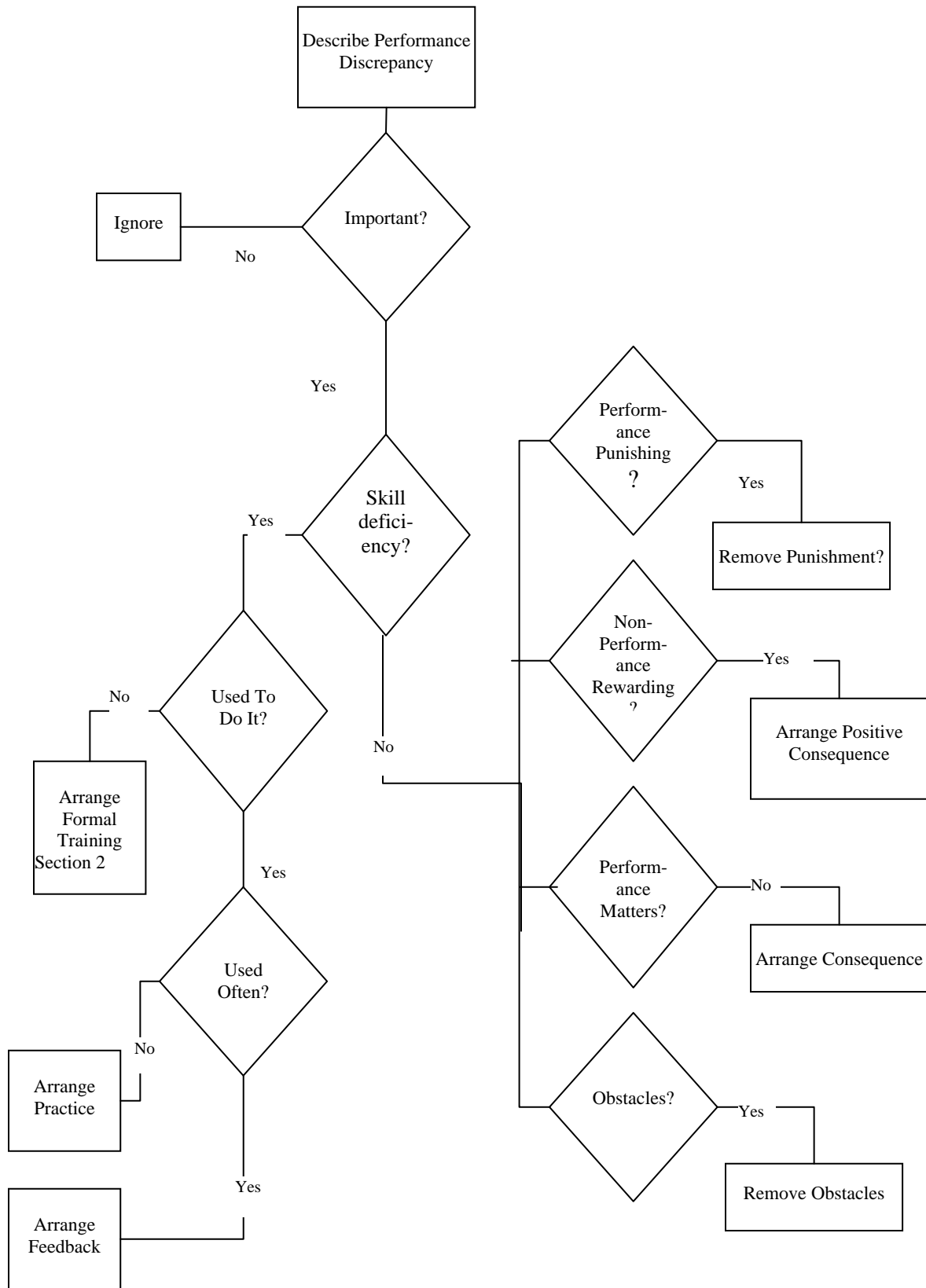
- "She just isn't motivated."
- "He just doesn't want to do it."
- "She simply doesn't care."
- "He's too lazy to do it."
- "She doesn't have the right attitude."
- "She's too busy to do it."
- "He's not allowed to do it."
- "That isn't her job."

What are solutions to poor performance?

1. Obstacles are preventing the desired behavior.
Remove the obstacles!
2. Performing the desired behavior is punished.
Remove the punishment and arrange rewards.
3. Performing an alternate behavior is rewarded.
Remove the rewards and arrange consequences.
4. It simply doesn't matter if the behavior performed.
Make performance matter – arrange for consequences for non-performance and rewards for performance!

Before concluding that staff who do not meet job expectations need training to improve, it is worthwhile to analyze the situation. You may save valuable dollars on training courses and find ways to create a work environment that encourages the success of all your staff. The following chart is a process to help you determine the root cause of poor job performance.

Tool to Analyze Performance Problems



These key questions will help you to work through the Tool to Analyze Performance Problems displayed above. Consider your employee who is not meeting job expectations. As the manager, use these questions to help you determine why that employee is not performing.

A. The employee is not doing what they should be doing.

1. What is the performance discrepancy?

- Why do I think there is a training need?
- What is the difference between what the employee does and what should be done?
- What is the event that causes me to say that things aren't right?

2. Is it important?

- Why am I dissatisfied?
- Why is the discrepancy important (What is its cost)?
- What would happen if I left the discrepancy alone?
- Could doing something to resolve the discrepancy have any worthwhile result?

3. Is it a skill deficiency?

- Could the person do it if really required to do it?
- Could the person do it if his or her life depended on it?
- Are the person's present skills adequate for the desired performance?

B. Yes, it is a skill deficiency.

4. Could they do it in the past?

- Did the person once know how to perform as desired?
- Has the person forgotten how to do what I want done?

5. Is the skill used often?

- How often is the skill or performance used?
- Is there regular feedback on performance?
- Exactly how does the person find out how well he or she is doing?

6. Is there a simpler solution?

- Can I change the job by providing some kind of job aid?
- Can I store the needed information some way (in written instructions, checklists) other than in someone's head?
- Can I show rather than train?

7. Do they have what it takes?

- Could the person learn the job (is the individual trainable)?
- Does this person have the physical and mental potential to perform as desired?
- Is this person overqualified for the job?

C. It is not a skill deficiency.

8. Is desired performance punishing?

- What is the consequence of performing as desired?
- Is it punishing to perform as expected?
- Does the person perceive desired performances as being geared to penalties?
- Would the person's world become a little dimmer if the desired performance were attained?

9. Is nonperformance rewarding?

- What is the result of doing it the present way instead of my way?
- What does the person get out of the present performance in the way of reward, prestige, status?
- Does the person get more attention for misbehaving than for behaving?
- What supports (rewards) the present way of doing things? (Am I inadvertently rewarding irrelevant behavior while overlooking the crucial behaviors?)
- Is this person lazy? therefore performance is less tiring and less worrisome?

10. Does performing really matter to them?

- Does performing as desired matter to the performer?
- Is there a favourable outcome for performing?
- Is there an undesirable outcome for not performing?
- Is there a source of satisfaction for performing?
- Can the person take pride in this performance as an individual or as a member of a group?
- Does the job satisfy personal needs?

11. Are there obstacles to performing?

- What prevents this person from performing?
- Does the person know what is expected and when?
- Are there conflicting demands on this person's time?
- Does the person lack the authority, the time, or the tools?

- Are there restrictive policies, such as a “right way of doing it,” or a “way we’ve always done it” that ought to be changed?
- Can I reduce interference by improving the lighting, changing colours, increasing comfort, modifying the work position, and/or reducing visual or auditory distractions?
- Can I reduce distractions from the job such as phone calls or “brush fires,” (demands of less important but more immediate problems)?

D. What should I do now?

12. Which solution is best?

- Have all the potential solutions been identified?
- Does each solution address itself to one or more problems identified during the analysis (such as skill deficiency, absence of potential, incorrect rewards, punishing consequences, distracting obstacles)?
- What is the cost of each potential solution?
- Have the intangible (immeasurable) costs been assessed?
- Which solution is most practical, feasible, and economical?
- Which solution will add most value (solve the largest part of the problem for the least effort)?
- Which remedy is likely to give us the most results for the least effort?
- Which solutions are we best equipped to try?
- Which remedy interests us most? (Or, on the other side of the coin, which remedy is most visible to those who must be pleased?)⁹

⁹ Adapted from Mager, Robert F., Pipe, Peter, *Analyzing Performance Problems*, 1984.

Annex 5: Improving Your Skills – Enabling Others to Act

Leaders foster collaboration and build spirited teams. They actively involve others. Leaders understand that mutual respect is what sustains extraordinary efforts; they strive to create an atmosphere of trust and human dignity. They strengthen others, making each person feel capable and powerful.

Following are some suggestions on how to improve in enabling others to Act. Put a check mark next to each one that could work for you. Below each idea you choose, write a brief note about a specific action you could take to implement that idea in your situation. Feel free to add your own ideas.

Learning by Doing

-Find ways to increase interactions among people who need to work more effectively together. Teamwork and trust can only be built when people interact informally as well as formally. Establish easily accessible, common meeting areas that encourage people to interact. Put the coffee pot in a location between groups that should talk with each other. Ask people from other parts of the organization to attend your regular staff meetings. Schedule a lunch for two groups that don't spend much time face to face.

-Treat *every* job as a project. Instead of looking at a job as a linear series of tasks, think of it as a project involving people from a variety of functions. Ask yourself which people should be involved. Call them together at the beginning.

-For the next two weeks, commit to replacing the word I with "we". As a leader you can't do the job alone; extraordinary things are accomplished as a result of group efforts, not individual efforts. "We" is an inclusive word that signals a commitment to teamwork and sharing. Use it liberally.

-Never use the word "subordinate". Use "associate" or "team member."

-Volunteer to be the chairperson of a professional, civic, or industry association. Working with volunteers will teach you collaborative skills and give you opportunities to use them.

-Assign important tasks to others. For example, if a presentation to a key customer is coming up, ask a promising young staff member to prepare the presentation and deliver it. Coach and support.

-Assign nonroutine work to people who often do routine work. Routine work breeds a sense of being powerless, whereas nonroutine work fosters a sense of doing something important.

-Ask coworkers for their opinions and viewpoints. Share problems with them.

-Make sure that everyone in your organization or unit receives at least forty hours of job-related training each year.

-Hang out at the coffee machine first thing in the morning. You'll encounter several of your associates. Engage in conversations about how things are going in their lives outside work.

-Wander around the plant or office daily. Make sure to stop at everyone's work area and just say "hi".

-Keep your door open all of the time, except when you must discuss an extremely private personnel matter. Closed doors send a signal that you don't want to interact with others; they breed distrust and suspicion.

-Admit your mistakes. Say "I don't know". Show that you're willing to change your mind when someone comes up with a better idea.

-Substantially increase people's signature authority. When people are entrusted to spend the organization's money responsibly, they feel more in control of their own work lives.

-On a weekly basis, share information about how your unit is doing in terms of meeting its goals. People want to know how things are going. This information makes them feel more powerful.

-Ask for volunteers. When you give people a choice about being a part of what's happening, they're much more likely to be committed to a project.

-Publicize the work of team members. Shine the spotlight on at least one person each day. At your next staff meeting, tell a story about someone who truly exemplified what teamwork is all about.

Consider what else you can do to enhance people's sense of contribution and self-worth? What else can you do to make people feel more in control of their own lives? How can you develop cooperative relationships with your team members or with colleagues in other units? What else can you do to make yourself more accessible and open to others? Remember that the most important gift you can give to your employees is the time you spend with them.

Learning from Others

-Hire a professional group facilitator to run several of your meetings and carefully observe how he or she conducts them. Try being a facilitator instead of a manager of meetings.

-Hire a personal coach to help you improve in a specific leadership practice or a specific sport. Pay attention to this person's approaches and techniques and then try some of them.

-Interview the coach of a professional or amateur athletic team in your area. Ask how you might apply the coach's methods in your organization.

-Choose someone in your organization who's known as an exceptional "people person." Accompany and observe this person for a few hours. Ask for tips on how you can do better.

-Periodically trade places with employees and do their jobs. This is a terrific way to develop empathy and understanding, which contribute to trust.

Learning in the Classroom or on Your Own

-Read a book from the recommended list.

-Take a course in team building.

- Take a course in listening skills
- Take a course on how to run group meetings.
- Take a course on consulting skill.
- Get on the Internet and join a chat room.
- Try out some groupware, such as Lotus Notes or Novell GroupWise.
- Study a social movement (e.g., civil rights or women's suffrage) and find out how proponents encouraged others to become involved.

Annex 6: Case Study: Entrepreneurs Bank of Zambia - Analyzing a Performance Gap

EBZ's success in Lusaka inspired EBZ to establish satellite offices in the rural communities surrounding Lusaka. Unlike Lusaka, which focuses on urban lending, these new branches focus primarily on agricultural production and other rural commerce.

Chiko is an experienced Credit Officer and has worked in the urban Lusaka branch for four years. She is bright and has developed a very strong portfolio with the top repayment in the branch. She is strict with her clients on repayment, and over time had won the respect of the business people in her area. She was also very wise in making assessments, and had exercised good judgment in business and character assessment.

In the past year, the Lusaka branch expanded to set up a satellite office in a more rural area about an hour from the Lusaka branch office. This satellite office will concentrate on agricultural lending, a difference from the urban businesses in the Lusaka branch.

Due to Chiko's strong performance and seniority, she was promoted to the new satellite office as the Senior Credit Officer. Moses, the Branch Manager in the Lusaka branch recommended this promotion because Chiko was very outgoing and team-oriented in the Lusaka branch. Moses thought Chiko would be an excellent role model for the new credit officers in the rural satellite office. With her strong performance in the urban environment, Moses and Chiko decided that her performance objectives would include growing her portfolio to a standard size in the first six months of her transfer.

It is now three months into her new job, and Chiko's performance is problematic. She was a promoting client according to her plan, but she had an increasing number of clients whose loans were not paying on time. When Moses visited the satellite office, he noticed that Chiko was not her usual bubbly self; she seemed agitated and was not interacting well with the other Credit Officers. Moses asked Chiko how she was liking working in the satellite office as she responded: "It's so different from the Lusaka branch!"

Moses has come to you as the HR Manager asking for your advice on how to handle this situation with Chiko. She was a star performer prior to her promotion. As you reflect on the situation and in reviewing Hand out:

- What are 3 possible reasons for Chiko's poor performance in the last 3 months?
- What suggestion would you give Moses to address each of these 3 possibilities?

Note: this case study is a fictional account of current issues facing a typical African microfinance institution.

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Other Suggested Readings:

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iEmployee: On-Demand Workforce Management Solutions.
http://www.iemployee.com/mkt/Human_Resource_Information_System.htm 2004.
Provides information and benefits of incorporating a HRI system in your organization.

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The following website provides links information and demonstrations of many HRI systems:
<http://www.hr-software.net/pages/206.htm>

MicroSave Toolkits can be downloaded, free-of-charge, from the following website:
www.microsave.org/toolkits.asp.