Putting Client Assessment to Work

Technical Note

The Road to Client Assessment: Travel Tips

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The SEEP NETWORK

USAID FROM THE AMERICAN PEOPLE

ABOUT SEEP:

SEEP is an international network of institutional and individual members committed to reducing poverty through the power of enterprise. Its over 70 institutional members are active in 139 countries and reach over 25 million microentrepreneurs and their families. SEEP promotes professional standards of practice in microfinance and enterprise development, conducts capacity building activities for its members and other practitioners, creates and disseminates publications for application in the field, and serves as a center for collaboration on a broad range of sector-related issues.

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About the Authors

As a result of the SEEP PLP "Putting Client Assessment to Work" the participants deliberated on final learning products and pooled their experiences to collectively contribute to this entertaining and meaningful guide for MFI managers "The Road to Client Assessment: Travel Tips." Though the experiences and contributions presented are collective, the Principal Authors are Bobbi Gray and Christian Loupéda, both with Freedom From Hunger.

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Acknowledgements

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Acronyms

ACLAM	*Action Contre La Misère* (Haiti) (French) Action Against Misery
ASA	Activists for Social Alternatives (India)
AIMS	Assessing the Impact of Microfinance Systems
CA	Client Assessment
CARD	Center for Agriculture and Rural Development (Philippines)
CEO	Chief Executive Officer
CRECER	*Credito con Educación Rural* (Spanish) Credit with Rural Education
FOCCAS	Foundation for Credit and Community Assistance (Uganda)
FFH	Freedom From Hunger (Davis, CA)
MDF-Kamurj	Microenterprise Development Fund Kamurj (Armenia)
MFC/CEE/NIS	Microfinance Center for Central & Eastern Europe and the Newly Independent States
MFI	Microfinance Institution
PLP	Practitioner Learning Program
PRA	Participatory Rapid Appraisal
Pro Mujer	"Programs for Women" (Spanish)
RCPB	Réseau des Caisses Populaires in Burkina-Faso "Network of Credit Unions" (French)
SPSS	Statistical Package for Social Sciences
SEEP	Small Enterprise Education and Promotion Network
ULO	*"Unidades Locales Operativas"* (Spanish) Local Operations Units
URWEGO	*"Ladder to Success"* in Kinyarwanda language
USAID	United States Agency for International Development

Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the micro-enterprise 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 objective of "Putting Client Assessment to Work," conducted from September 2002 through January 2005, was to encourage experiments in client assessment strategies, tools, and technologies.

During this SEEP PLP grantees focused on three major categories of client assessment: market research, client monitoring, and impact assessment. Market research refers to the systematic gathering, recording, analyzing, and applying of market intelligence collected from an institution's clients or potential clients. Client monitoring looks at client well-being at various levels such as, business performance, income levels, and the ability to send children to school. Impact assessment tends to be more complicated than market research or client monitoring. It takes client monitoring a step further and attributes social outcomes to program participation.

As a result of their grants, the practitioners who participated in the SEEP PLP "Putting Client Assessment to Work" have improved their understanding of clients and markets as well as implemented changes in their operations, systems, and strategies to encourage innovation within their organizations.

This SEEP PLP focused on overarching questions of client assessment that were common to the various participant organizations. The participants themselves defined a specific learning agenda on the topic and during a face-to-face start-up workshop, developed learning questions and accompanying action plans. Participants then implemented the action plans in their respective countries and wrote periodic reports on their progress. The participants, the facilitators of "Putting Client Assessment to Work," SEEP Network staff, and other experts shared information electronically over a SEEP Network web-based workspace and via listserv discussions throughout the duration of this initiative.

A second, or mid-term, workshop in September 2003 helped the team consolidate the learning process, extrapolate preliminary lessons learned, and identify new learning questions. As a result of the mid-term workshop, a rigorous and prolific listserve discussion was organized on the topic of research design—a challenge that was identified by all participants. Participants continued to submit periodic reports and shared lessons learned with each other after the mid-term workshop. Several organizations conducted "Peer to Peer" exchange visits with one another. In addition, during the grant period, facilitators and resource panelists were dispatched to visit participants' sites to support meaningful dialogue and provide technical assistance. Finally, a closing workshop in January 2005 more concretely began the documentation process of capturing what participants had learned throughout this initiative.

The SEEP PLP "Putting Client Assessment to Work" was uniquely positioned to make crucial contributions to the microfinance industry on client assessment. As a result, it has provided source data to both The SEEP Network and ImpAct. The experience of the six MFIs that participated in this PLP program demonstrated that client assessment does make a difference. If carefully planned and implemented well, it enhances an MFI's ability to achieve financial sustainability (by ensuring better-quality services) and helps maintain its social mission. The following are examples of some of the activities performed by participants:

- **Activists for Social Alternatives (ASA), India** designed and implemented a comprehensive client assessment strategy and cost-effective tools that strengthened its understanding of clients and markets.

- **Freedom From Hunger, USA** in partnership with *Action Contre La Misère,[1] (ACLAM), Haiti* and *Crédito con Educación Rural [2] (CRECER), Bolivia* improved its responsiveness to clients in conflict and disaster

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1. Action Contre La Misère is "Action Against Misery" in French

2. Credito con Educación Rural is "Credit with Rural Education" in Spanish

zones, improved client retention, and reduced interest rates. ACLAM and CRECER then institutionalized their client assessment mechanisms by integrating them into their regular management systems.

- **URWEGO Community Banking,[3] Rwanda** refined its initial action plan and provided managers with meaningful marketing and client impact data drawn from an integrated, cost-effective client assessment system. Eventually, URWEGO created a cross-departmental client assessment team that increased staff acceptance of the system.

- **PRO MUJER,[4] Bolivia and Peru,** developed a specific focus on client assessment and research within their institutions, incorporated client response data into their respective management information systems, and strengthened the demand-driven nature of their services. Their client assessment efforts evolved from an externally driven impact assessment to an in-house capacity to conduct market research.

Microfinance Centre for Central and Eastern Europe and Newly Independent States (MFC/CEE/NIS), Poland, worked in partnership with the Microenterprise Development Fund (MDF-Kamurj), Armenia, to jointly develop and implement a client tracking system and a new rural product, as well as increase regional knowledge about client assessment.

Table 1. Participants in the PLP in Putting Client Assessment to Work Initiative

Action Contre La Misère, **Haïti (ACLAM)**
Christon Domond

Activists for Social Alternatives, India (ASA)
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Pro Mujer, **Bolivia**
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Comar F. Siles

Pro Mujer, **Peru**
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Juana Coya Ticona
Naldi Delgado
Edith Vasquez Morales

Microfinance Center for Central & Eastern Europe and the Newly Independent States, Poland (MFC/CEE/NIS)
Michal Matul
Katya Pawuluk
Dorota Szubert

URWEGO Community Banking, Rwanda (*Ladder to Success* **in Kinyarwanda language)**
Donat Nyilinkindi
Willy Nzisabira

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3. URWEGO is "Ladder to Success" in Kinyarwanda language

4. Pro Mujer is "Programs for Women" in Spanish.

5. Pro Mujer Nicaragua was not an official grantee of the PLP "Putting Client Assessment to Work" but was included in the PLP for Efficiency. Cosmar Siles of Pro Mujer Nicaragua hosted and participated with the PLP for CA during the final workshop in Managua in January 2005 contributing greatly to this learning product.

Introduction: Road Trip!

Undertaking client assessment is like taking a road trip. It is a process by which an organization sets out on a lasting journey, learning from and about its customers so as to understand their needs and expectations. Initially, the travel is bumpy—often the case when someone learns how to drive. Typically, it begins with periodic excursions to learn about the client environment. With time, the institution develops a checklist that makes the next trip easier to plan and undertake.

A well thought-out road trip is one in which the following elements are clearly determined:
- destination (rationale of client assessment)
- itinerary (client assessment objectives)
- passengers (who should be involved)
- cost (human and financial resources required by the client assessment process)
- the mode of transport (the type of client assessment)

In addition, the trip should plan to:
- acquire needed supplies (assess human resources)
- take the trip (look at the research design and implementation)
- write a travelogue (report the results)
- send postcards (communicate changes to staff and clients)
- review the snapshots periodically to relive the experience (review the client assessment system)

Learning to do client assessment takes time. The purposes of such assessments are many and will be influenced by both internal and external factors. By changing the way a Microfinance Institution (MFI) works with clients, assessments can help an organization improve both its financial and social bottom line (see box 1).

The purpose of this paper is to provide a client assessment checklist for MFIs that outlines:

- necessary preparations for conducting and institutionalizing client assessment activities
- which stakeholders should be involved in the process
- the financial implications of conducting client assessment
- potential trade-offs and pitfalls of the process that need to be recognized up-front

Essentially, the paper provides a roadmap for client assessment that can guide an MFI as it thinks through the opportunities offered by client assessment and prepares to undertake the process. Case studies from MFIs around the world are used to illustrate how the process works in practice.

Section 1. Destination: Client Assessment Rationale

Client assessment means different things to different people. Is it market research conducted for the purpose of developing new products? Is it client satisfaction research? Does it include understanding why someone is not a client or why a client has discontinued program membership? The answer to all these questions is "yes." To understand what differentiates these processes, we begin by considering three major categories of client assessment: market research, client monitoring, and impact assessment.

Market Research

Market research refers to the systematic gathering, recording, analyzing, and applying of market intelligence collected from an institution's clients or potential clients. Market research can reveal key information about clients, including the services and products that they need or want, whether or not an MFI's products and delivery methods are appropriate for them, what they like or dislike about existing product and service offerings (i.e., client satisfaction), and how they use these products and services.

Market research can help an organization better understand the context in which it operates (i.e., competition, key market trends, available products). It makes the organization more responsive to trends in the external environ-

ment and gives it an opportunity to make strategic decisions about those trends. Organizations that conduct market research are more likely to be proactive in adapting their products and services to market demand, rather than simply reacting to changes in market conditions.

Market research includes product development, product delivery, and customer service strategies. It can also play a significant role in identifying clients, understanding their wants and needs, and understanding why they leave an institution. If such research is used to assess the poverty level of incoming and current clients, certain poverty assessment tools can also lend themselves to market research.

Client Monitoring

MFIs typically have a social mission and a corresponding set of assumptions about expected client outcomes. Client monitoring involves the routine collection of client data to allow an MFI to determine whether observed outcomes are consistent with the MFI's social mission. It differs from market research in that it does not initially seek to adapt or create a product or service (although client monitoring may identify the need to conduct market research).

Client monitoring differs from impact assessment in that it does not attribute observed outcomes to program participation. Rather, client monitoring looks at client well-being at various levels such as, business performance, income levels, and the ability to send children to school.

Impact Assessment

Impact assessment tends to be more complicated than client monitoring or market research. Data collected from client monitoring is done on a routine basis, while data collected by market research is done a more periodic basis. Each, however, requires short, quick studies. Client monitoring and market research are consequently most often conducted by an MFI itself.

In contrast, impact assessment tries to take client monitoring a step further by attributing social outcomes to program participation. This process usually requires fairly large quantitative studies that use standardized surveys and control groups, producing data with high levels of statistical significance. Donors, investors, and Board members are most likely to request impact assessments for "proof" of causality. These assessments are intensive and quite expensive; they often require help from external consultants and research teams.[6]

Depending on the rationale for client assessments, an MFI will integrate assessment activities into its regular systems, meaning that the systems will be tailored to serve client assessment needs on a regular basis. For example, if an organization integrates market research into its regular systems, it can conduct market research in a more efficient and cost-effective manner (e.g., all travel preparation issues will be thought out and addressed in advance).

Section 2. Determining Your Itinerary: Client Assessment Objectives

When planning a trip, you normally do not pack your suitcase first and then decide where you are going. You decide where you want to go first, what you want to do while you are there, and then pack your suitcase. Preparing for client assessment is a similar process. You have to know what your end goals are before you decide how to collect and analyze data. You also have to know how you will use the information, for example, by determining what information is crucial for decision making and what information would simply be nice to have. It is important to ensure that the research methodologies and processes selected by an MFI match its organizational culture and institutional capacity.[7]

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6. Due to the complexity of impact assessments, this paper does not directly address how to conduct this type of client assessment. Rather, it focuses on those aspects of client assessment that an MFI can manage by itself (e.g., client monitoring and market research).

7. To conduct a participatory client assessment process, for example, an MFI must have a participatory organizational structure.

What are the client assessment objectives?

When designing a research plan for client assessment, an organization must first clearly define the purpose of the assessment. Is its objective to have satisfied clients? To understand whether client incomes are increasing? To learn which services and products are appropriate and needed by clients? Objectives determine both what the organization wishes to understand about its clients and what needs to be measured.

For the purposes of the PLP client assessment initiative, the following primary objectives were selected:

- identifying potential and existing clients
- understanding client wants and needs
- tracking changes in client status (financial and non-financial) over time
- understanding client exit

All objectives should be focused and clear (see box 3). Once they are well defined, an MFI can determine the type of activities that it will undertake.

Some organizations have so many objectives that client assessment becomes an overly expensive burden. Experience has shown that it is better to start small and increase client assessment activities over time than to measure and assess everything at the same time.

URWEGO Community Banking (Rwanda) wanted to demonstrate that its services were making a difference in its clients' lives. Additionally, it wanted to understand
- client poverty levels
- client dropout levels and the reasons why clients drop out
- client satisfaction levels
- the level of program outreach and why certain clients join URWEGO over other MFIs

None of these objectives were too ambitious in and of themselves, but taken together, they were overwhelming. An organization can have a robust set of objectives, but that does not mean that it must address all of them at once. URWEGO also involved all of its employees in the client assessment process, only to find that this choice was not efficient.

Through peer and mentor learning, URWEGO reduced its initial list of objectives to
- measuring client satisfaction
- measuring client exit
- product and service development based on market research

Experience taught URWEGO that it was more important to be focused and collect information that was necessary and manageable. PLP workshops helped it to focus on those objectives that were most important, build the capacity to analyze existing information, and develop employee skills in various client assessment tools before it jumped too far ahead of itself. The MFI concluded that it was better to fully develop certain key objectives well than work poorly to fulfil too many objectives.

Who defines client assessment objectives?

It is normally expected that senior managers will define an MFI's client assessment objectives because the information collected by an assessment is used to make management decisions. However, other stakeholders may have a different agenda for client assessments. For example:

- The Board of Directors may seek to measure the social performance of the organization. Investors may wish to know whether the organization is meeting the product/service needs of clients.

- These objectives may not be initially identified by an MFI's managers, but may later become priorities because key stakeholders and decision makers need the information for decisions in their own sphere of responsibility.

Section 3. Selecting the Passengers: Who Should Be Involved?

Appropriate departments and staff of an MFI should be involved in the client assessment process, either directly or indirectly. Not all staff need to get in the car. Some will take the trip; others just need to be aware of the destination, itinerary, and the mode of transport. Staff roles in the process depend both on their respective functions within the organization and their interest in using the results of an assessment. One danger is to involve too many people, preventing the organization from moving forward with its client assessment agenda (see box 5).

Section 4. Getting the Passengers on Board: Organizational Buy-In for the Trip

While not all staff should directly participate in client assessment activities, several key individuals and departments are crucial to the process.

The Chief Executive Officer

The CEO sets an MFI's level of commitment to the client assessment process. A CEO who believes in the purpose and benefits of client assessment must communicate its importance throughout the organization (see box 6).

Board of Directors

The Board uses client assessment information to evaluate an MFI's social mission and strategic goals, determine whether the organization is achieving its mission, and ensure that decisions made by the organization are consistent with this mission and are having expected impacts on clients. As a result, the Board often sets an organization's commitment to being a client-focused organization.

Senior managers

Senior managers (i.e., senior officers in finance, operations, and administration) provide the leadership and guidance to implement decisions based on client assessment data. Finance and administrative officers, for example, are interested in using this data to monitor an MFI's loan processing performance, as well as weaknesses in overall client financial performance. Client assessment data informs them of the reasons behind repayment or loan default trends. Operations managers may need client assessment data to measure the growth potential of an MFI's operating zones in order to design expansion strategies.

Mid-level managers

Mid-level operational managers include branch managers and people who directly supervise front-line staff. They are most often in charge of the implementation and monitoring of new products, services, and initiatives, and are thus responsible for informing upper management when larger, strategic decisions are needed. Mid-level managers use the initial data generated by client assessment to define various options for senior management. In this regard, mid-level managers may be involved in both the design of data collection tools and initial data analysis. In small organizations, they may also be involved in data collection.

Research and marketing officers

Marketing officers must understand what clients need and want and find ways to meet those needs. Research staff tends to have a broader agenda, such as understanding both the demand and supply dimensions of delivering microfinance products and services. Because both groups of staff tend to be involved in organizational research and marketing, they play a crucial role in client assessment. Often, these departments and their staff are responsible for the actual design of market research studies, the coordination of all client assessment efforts, and, sometimes, actual data collection. These departments are also users of data collected by others. While many larger organizations have research and marketing departments, smaller ones do not. The first client assessment initiative can thus be an impetus to establish such a functional unit within an MFI (see box 7).

Front-line staff

Front-line staff members (i.e., loan officers and/or field agents) function as a thermometer of client satisfaction. These staff members have the most interaction with microfinance clients and can play a significant role in client assessment, including assistance with the design of market research and data collection. They have usually gained the trust of clients and are therefore able to ensure client interaction with the larger organization. They can also sometimes be a useful direct source of information to complement or triangulate client feedback.

Front-line staff responsibilities do not stop at research design and data collection. They can also usefully contribute to data analysis and implementation of decisions based on this analysis. Their involvement in client assessment gives them a way to structure information from the field so that branch managers can hear and respect it. Without the buy-in of front-line staff and their intimate knowledge of clients, assessment initiatives will fail to reflect the reality of clients' lives. The case study from the Center for Agriculture and Rural Development (CARD) in the Philippines (see box 8) demonstrates this point.

The Client

Client assessment is not simply a process of extracting information from the client to make organizational decisions. It's about engaging the client in a long-term conversation. Managers should make sure that clients are at least aware of the objectives and activities of client assessment. There is no doubt about client involvement in the "road trip." However, an MFI has to balance the degree to which clients actively participate in the process. Client involvement can range from simply providing information about their own wants and needs to contributing to decision making or the design of new products or services, based on assessment results (see box 9).

To successfully involve clients in the assessment process, MFIs need to consider the length of time that clients have used its services, their knowledge of competitive services, and their understanding of sustainability (i.e., that the MFI must cover its operating costs and may not respond to all their wants and needs). The latter point is linked to managing client expectations, an issue that should be addressed right from the beginning of the process through clear and frank communication. It is essential that people collecting data from clients set clear expectations when they are in the field to avoid causing disappointment or confusion at a later time.

Box 9.   Caution: Bump in the Road! Client Expectations

Engaging the client in the assessment process requires great care. Once engaged, clients freely give information because they feel important, respected, and valued. However, if an organization is neither willing nor in a position to make changes based on client feedback, clients may become disappointed, disillusioned, and possibly leave the institution—taking their business to the competition. It is therefore important to manage client expectations. Let them know how the information they provide will be or has been used. Remember, this is a conversation with the client, not a monologue.

Box 10.   Involving the Client

Based on its commitment to microfinance clients, ASA (India) formed advisory boards of community members so that the MFI could receive regular feedback on how its products and services were being received and determine which products and services were still needed.

FOCCAS Uganda has a yearly meeting where representatives from its credit associations are invited to participate in a discussion with MFI staff about products, services, successes, and failures. The meeting provides an opportunity for clients to meet and interact with FOCCAS staff beyond their own field officer. The information gained during these meetings helps the organization maintain a close relationship with its clients and make informed decisions about services.

The **Réseau des Caisses Populaires (RCPB) in Burkina-Faso** institutionalized the use of "feedback groups" who participate in the analysis of client assessment data. Once the RCPB collects and analyzes client data, it presents preliminary findings to a group of clients to get their feedback. This process is a less formal means of involving the client than those used by FOCCAS or ASA, but is an alternative mechanism that an MFI can use to involve clients beyond data collection.

Pro Mujer Nicaragua has created client "consulting groups" in each of its departments. The groups consist of 10–15 experienced clients who know the institution and their fellow clients well and have displayed leadership qualities. Membership in the group remains constant for one year. The groups consult with MFI staff once per quarter to provide feedback on products, services, and policies, and to inform PMN about the competition.

Because the consulting groups have continuity over a year's time, they see the results of their suggestions and are able to communicate the resulting product or service changes made by the MFI to fellow community association members. PMN works with these groups using MicroSave market research tools, such as the life-cycle and product attributes ranking tools. In addition to feedback, the consulting groups promote PMN in their communities. Finally, PMN has an additional consulting group made up of internal clients: PMN field staff.

Section 5. Cost of the Trip: Is it Worth It?

The CEO who champions client assessment must budget for this function and make the necessary funds available to the MFI to conduct assessment activities. He or she must see the financial and human resource costs of client assessment as investments in the organization's future. (Because the overall objective is to increase an organization's bottom line, client assessment should indeed be seen as an investment.) An organization that does not conduct client assessment has no way of knowing whether its clients are satisfied with its services, whether the services are adequate to client needs, or whether its products (and/or services) have any impact on clients. Many of these clients will leave and when they do, the organization will not have a mechanism to help it understand why. Client assessment is such a mechanism, one that also promotes client retention, which is vital for keeping costs low.

Client assessment also puts MFIs in a better position to attract clients and become or remain sustainable, generating profits that can be reinvested in client assessment. The assessment process should make the MFI both more competitive and more profitable, and thus able to attract investors (not just donors).

Most MFIs engaged in client assessment tend to seek external funding to cover the investment costs of the process. This trend raises the issue of the sustainability of client assessment at the MFI level. External donor funds currently play a significant role in helping MFIs engage in client assessment; once the MFI sees the value of client assessment, it is expected that they will gradually devote resources to it. Table 2 below shows the role that external funding from the SEEP PLP played in MDF-Kamurj's (Armenia) client assessment work, comparing activities that were carried out with this SEEP PLP's funding and those that would have been conducted regardless of donor support.

Table 2. Budgetary Comparisons for Client Assessment (MDF-Kamurj, Armenia)

	Activities funded by donor (SEEP PLP in Putting Client Assessment to Work)			Activities carried out even if no donor funding was available		
	Scale	Time	Cost	Scale	Time	Cost
1. Institutional analysis						
Client satisfaction survey	300 respondents	20	$3,000	-------	-------	-------
Staff satisfaction survey	60 staff	5 days	n/a	-------	-------	-------
2. New product development for rural areas						
Feasibility study	12 communities in two regions	5 days	$1,200	6 communities in two regions	3 days	$800
Exploratory market research	18 communities in three regions	10 days	$9,310	6 communities in two regions	5 days	$2,500
Qualitative testing of the new product concept	6 communities in three regions	3 days	$312	-------	-------	-------
Product pilot test	800 loans in 5 regions totaling $300,000	One year		120 loans in 2 regions totaling $48,000	One year	
Quantitative market survey in the middle of new product pilot testing	360 respondents in 25 communities	6 days	$8,600	120 respondents in 12 communities	4 days	$1,200
Client satisfaction survey	303 respondents in three regions		$3,000	120 respondents in two regions	10 days	$800
TOTAL			**$22,422**			**$5,300**

The table shows that in the absence of donor funding, MDF-Kamurj would still conduct some client assessment activities, but on a smaller scale. The investment costs of assessments are thus not out of reach for a small MFI, especially

if an organization gradually engages in client assessment. What matters is the relative budget amount that an organization is ready to devote to client assessment activities. These activities do not have to involve extensive data collection and therefore do not necessarily require large financial resources. Rather, an organization will collect and analyze a certain amount of data, based on available resources.

Section 6. Choosing the Best Car for the Trip: Selecting Appropriate Research Tools

Once we know the destination (market research, client monitoring, or impact assessment), itinerary (research objectives), cost (required human and financial resources) and people involved in the trip, we need to determine what mode of transport to use (research tools, or client assessment techniques). The basic choice is between AIMS-SEEP tools[8] or Participatory Rapid Assessment (PRA) tools.[9] The examples cited in this paper pertain particularly to market research. Table 3 provides a matrix of objectives and techniques that can be used to meet various market research objectives.

Which questions need to be answered?

Once the key objectives are defined and the type of client assessment technique is selected, it is important to translate the objectives into questions. Each objective may have more than one question that needs answering. For example, for client satisfaction, two or more questions could be posed: To what extent are clients satisfied with the MFIs current products and services? To what extent are clients satisfied with their relationship with the field officer and the organizational staff? Once the questions have been defined, it is easier to determine what answers will prompt the MFI to make decisions. The process of determining questions also helps clarify how data will be collected.

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8. The Small Enterprise Education and Promotion (SEEP) Network is an association of more than sixty U.S. and Canadian NGOs that work with hundreds of local organizations throughout the world on microenterprise development. The SEEP Network engages in research, documentation, and training activities aimed at improving member practice. Other partners in the Assessing the Impact of Microfinance Services (AIMS) Project were Management Systems International, Harvard University, and the University of Missouri. The AIMS SEEP tools were developed and tested by and for microfinance practitioners with the support of USAID. For more information go to: www.microfinancegateway.com.

9. Participatory Rapid Appraisal (PRA) techniques used in client assessment include practical qualitative methodologies, such as focus group discussions, seasonality studies, life-cycles profiles, attribute ranking, among others. For specific information from MicroSave go to: http://www.microfinancegateway.com/content/article/detail/1739, www.microsave.org

Table 3. Market Research Matrix

Objectives	TECHNIQUES	
	AIMS-SEEP Tools	PRA Tools (most commonly used)
Identifying clients	Exit survey Focus group discussion to assess client satisfaction	Relative preference ranking Interview on loan and savings use Seasonality Life cycle Financial sector trend analysis Financial landscape
Assessing needs and wants	Household impact survey Focus group discussion to assess client satisfaction	Seasonality calendar Ranking tools Life-cycle analysis Time series of asset acquisition and ownership Time series of crises
Client satisfaction	Focus group discussion for client assessment Exit survey Interview on loan and savings use Client empowerment assessment	Ranking tools Venn Chapati Diagram*
Client retention	Focus group discussion for client assessment Exit survey Interview on loan and services	Product attribute ranking Financial landscape
Poverty assessment	Client empowerment assessment	Time series of crises Time series of asset acquisition and ownership

* A Venn/Chapati Diagram is a participatory rapid appraisal tool that is designed to get an understanding of the formal and informal organizations with which the participants deal and the perceived relative importance of these organizations. They are also used to understand more about the social capital accumulated by participants.

Section 7. Who's Going to Drive? Assessing Human Resources

- An MFI should consider the following questions when putting together a client assessment team:
- Who will supervise the process?
- Who will make decisions based on the findings?
- How many and what kind of staff should be involved, and on which aspects of client assessment should they be involved?
- Do team members have the skills to perform the work? Should any part of the process be outsourced?

Who will supervise the process?

Supervision of the client assessment process is critical because it ensures quality data and relevant analysis, which are important for well-informed decision making. Supervision also applies to the implementation of the decisions that are made based on assessment findings (see box 12).

A client assessment system that becomes embedded in an MFI's routine operations will require a fair degree of supervision. Managers should therefore consider a supervisory mechanism from the very beginning of the process. Usually, the responsibility for supervision is given to the unit or team in charge of preparing and executing data collection activities. Alternatively, this responsibility can fall to upper management.

Who will make decisions?

Although it may seem premature to consider decisions before information has even been collected, it is critical to know what and how decisions will be made based on that data. These decisions will be directly linked to the objective of the client assessment process. Accordingly, an MFI must be sure that its objectives and the questions used to collect information will provide the data that it needs.

Along with identifying the types of decisions that need to be made, an MFI must determine who will make the decisions. The identity of the decision maker will depend on the institution's policies and its degree of operational decentralization. Some types of information require only a field officer to make a decision, for example, regarding complaints about the field officer coming late to weekly, bi-weekly, or monthly meetings or having insufficient chairs at credit association meetings. In such cases, only the field officer and perhaps his or her supervisor need to be involved. Such information may not need to climb the ladder to upper management. A field officer should thus make changes at the field level. Client satisfaction information, however, must be aggregated for management decisions such as changing weekly meetings to biweekly meetings.

How many staff members should be involved in client assessment?

An MFI manager must assess the scope of client assessment to determine the number of staff that will be involved, as well as how much time this staff should devote to assessment activities. Clearly, this determination will vary according to the size of the organization, its resource capacity, and its experience with client assessment. All too often, misjudgment of personnel needs places excessive demands on an institution. When the process works, the long-term benefits for an institution can be significant. URWEGO's experience in Rwanda demonstrates how various levels of an MFI are involved in client assessment (see box 13).

Who will collect the data?

Depending on the internal capacity of the organization to collect data and the data collection skills needed, an organization must decide who should collect client assessment data. If it is a standard piece of information on the loan application (e.g., "how many employees do you have?"), a field officer can collect the data. This is a routine part of the application and doesn't require a high level of objectivity. If, however, field officers are tasked to collect client satisfaction data, it may be very important to find a way to avoid bias. In this case, field officers could be required to perform client satisfaction surveys with a colleague's clients instead of their own. If an organization undertakes a large survey, it may need to seek an external consultant to conduct the survey.

Who will analyze the data?

Once the data has been collected, an organization must then determine who is in the best position to analyze it. Is it something that the marketing team can immediately analyze, or does it require a team of staff members from various departments? Data gathered from focus group discussions, for example, often requires a team of people to interpret the data and make recommendations.

Do team members have the skills for analysis?

Prior to engaging in client assessment, an organization must either have the capacity to analyze assessment data in-house or build it, either internally or externally (through the use of consultants). Does staff have the skills needed to process data collected via different techniques (e.g., surveys, focus group discussions, Participatory Rapid Assessment tools)? Do they know how to translate research findings into various decision options? Do they have data analysis skills in such software packages such as Microsoft Excel, Access, or SPSS?

It is obvious that only few people within an MFI can fulfill all of these requirements, especially in small organizations. Based on the type of data that needs to be analyzed, an analysis team should be appointed. It is best if the data analysis team to a large extent matches the data collection team so that the context of the data is taken into account during analysis. Organizations that have a marketing or a research unit usually assign data analysis responsibilities to that unit. This is not the case, however, of small organizations, at least those with no prior significant experience with client assessment. MDF Kamurj in Armenia, for example, had to create a marketing unit during the assessment process. Such organizational changes should be considered an additional cost of client assessment.

Should the organization seek external advisors?

Up to this point, most of the discussion has centered on the implications of client assessment for all parts of an organization. In some cases, however, an organization may choose to involve external consultants in client assessment activities to help build its organizational capacity. The decision to rely on external consultants or internal resources is important because it requires an organization to recognize the balance between its internal capacities and the need for external resources.

For the sake of efficiency or time, an institution may decide to handle only some parts of the process and outsource the rest. The challenge is to determine which parts of the process to outsource.

Box 14.   Caution: Bump in the Road! External Consultants

One risk of engaging an external consultant to assist an MFI to conduct client assessments is that he or she may neither be fully familiar nor identify with institutional objectives. It is important to understand that an external advisor can actually subvert the design of a client assessment. Moreover, he or she will not readily understand the institution's available resources and staff capacity. While well intentioned, consultants bring their own view and research bias to projects. It is therefore very important to make sure that a consultant's orientation matches that of the institution.

Key questions for an organization considering the use of external consultants:

- When is an external advisor advantageous (a facilitator can push the process forward internally on a timely basis)?
- To what extent will the MFI build organizational capacity by using an external consultant?
- Has the institution taken its client assessment objectives into consideration when choosing the consultant?
- Will he or she fit its institutional culture and work well within its context?
- Does the external advisor understand the institutional context?
- Will the external consultant bring an academic or a business approach to the process? (See box 15.)

Box 15.   Using External Consultants

Pro Mujer started the client assessment process with an external consultant who provided technical assistance for the study design and development of data collection tools, processes, and methodology. However, the consultant had an academic, impact-study orientation, rather than a business and marketing orientation. Since Pro Mujer was hoping to develop methods that staff could employ to quickly and efficiently obtain feedback from clients to improve its products, the research tools developed by the consultant did not meet their needs. (They required too great a level of precision, time, and capacity.)

Pro Mujer wanted to first gather general feedback from its clients to identify problem areas and possibilities, and then use additional tools to obtain more specific information. However, the impact research design collected the same information at specific time intervals. After one year of implementing the consultant's model, the MFI modified the entire assessment process, including its objectives and instruments, to adjust them to its institutional reality.

Section 8. Taking the Trip: Research Design and Implementation

After defining objectives and examining the internal capacity for research, an MFI is ready to embark on a client assessment journey. The following section outlines the various steps of the client assessment process, including defining indicators and tools, collecting data, and analyzing the results.

What indicators will be used?

If an organization will be collecting quantitative data, the objectives and key questions must be operationalized into SMART (specific, measurable, attainable, relevant, and time-bound) indicators.

How will data be collected?

What tools are available to collect data on the indicators? Will the organization use focus group discussions, key informant interviews, surveys, observation checklists, etc.? Do staff or external consultants have the skills to use the appropriate instruments? Does a new research tool need to be designed or does a tool already exist?

It is important that the tools used match the institution's objectives and are specific to what is being measured. Unnecessary questions or steps should be avoided, even if the information would be nice to have. If an organization designs its own tools, it needs to pay close attention to the questions it asks. An MFI should also pilot test any custom tool prior to conducting an assessment to permit time for necessary revisions.

Some institutions devote a lot of effort to collecting data that they don't have the capacity to use. This practice is total waste of time and energy. The scope of data collection is therefore key. This scope will be conditioned by a clear objective and research questions, a clear research and data collection plan, and an honest consideration of existing data

analysis capacity within the institution. The MFI should also decide on the precision of data to be collected and its complexity, based on its objectives. Key questions to consider are:

- Does the institution need all the data that it will collect?
- Does the institution need the intended level of data detail to address its objectives?

Failing to ask these questions results not only in the collection of unnecessary data, but also in staff perceptions that client assessment activities are burdensome and time consuming.

Box 16. Caution: Bump in the Road! Data Precision

The level of precision of data collection must be well thought out before launching any client assessment activity. Failing to consider the issue of data precision needed may lead an organization to collect irrelevant data, too much data, or not enough data to conduct analysis. All these situations can also generate unexpected costs. The level of detail needed for an assessment will impact the design of the data collection tools and help the organization collect adequate data.

Who will be included in data collection (sampling)?

Will the client assessment take a periodic sample of clients representative of the entire organization or survey just one branch? Will it collect data on every loan application form or immediately upon each client exit? An organization must identify the trade-offs of this decision. Sampling clients may be more time- and resource-efficient, but this method requires a plan and implementation schedule. Collecting information on a loan application provides consistent data, but may lengthen the time an organization must spend with each client.

It may be appropriate to have an advisor or outside consultant advise the organization on various existing data collection techniques and help it identify those that are most appropriate for collecting data for its particular objectives.

How often will data be collected?

The type of client assessment undertaken by an organization will directly affect the frequency of data collection. Certain data may be used for routine monitoring. It may thus be something collected every day or at the end of each loan cycle. In the case of impact assessments, it may make sense to collect data only once every year or two. It is important to determine when and how often data will be collected, based on an organization s needs, objectives, and resources. Will staff be able to immediately analyze the data? Many organizations have the tendency to collect information too frequently. It is recommended that an institution identify the minimum frequency of data collection and stick with that. The organization should not overburden its staff.

How will the data be analyzed?

An organization needs to plan how it will analyze the data it collects. If it collects qualitative data, how will the various dialogues be harmonized to create a clear message? Will this information be combined with data collected through routine monitoring? If quantitative data is collected by means of a survey, does the organization have a plan for tabulating survey responses and conducting various "tests" by using SPSS or Excel? If the data is routine client monitoring information, will it be stored in electronic format so that charts, graphs, and reports can be generated? If the data is not accessible electronically, will it periodically be compiled for purposes of analysis?

Although data analysis initially appears to be an obvious step, many MFIs are weak in this functional area and the process is often overlooked. Data analysis compiles individual pieces of data into information that can be used by the organization to make decisions. In a sense, data are like individual ingredients of a cake. They aren't interesting alone, but when combined and blended, they are more exciting, useful, and easier to consume.

This step must not be overlooked. If it isn't completely addressed, an organization can defeat the purpose of data collection and client assessment can become a wasteful exercise. An organization therefore needs appropriate data analysis skills, including, perhaps, statistical analysis.

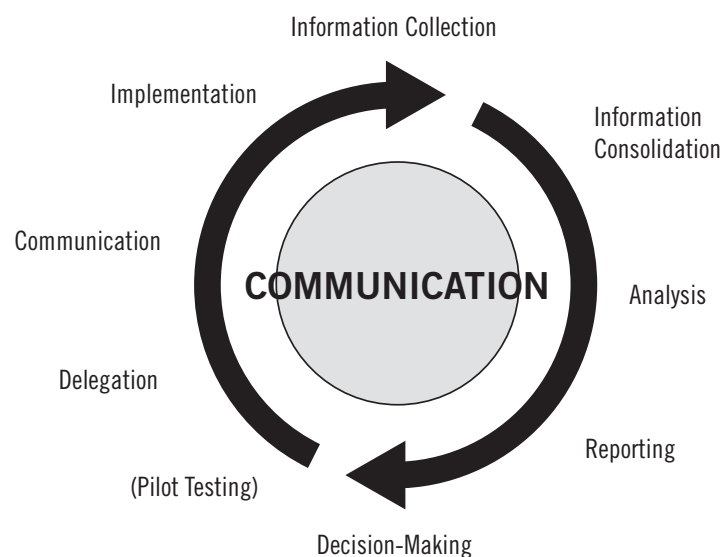# Section 9. Writing the Travelogue: Reporting on the Data

Once the data is analyzed, how will it be reported for purposes of making decisions? Is it something that will simply be reported at a staff meeting or is it a formal document that goes to upper management? Identifying where information is needed will often define how the information should be reported. As mentioned earlier, the road to client assessment involves different categories of passengers with different interests and levels of involvement; each category will be interested in a different part of a client assessment report.

Integrating the reporting process into an organization's client assessment system will help ensure that the data collected leads to organizational changes, as well as improvements in the delivery, variety, and quality of products and services. As demonstrated by the various case studies cited in this paper, client assessment is not about implementing many tools to fulfill many objectives. It is about integrating key objectives and processes and ensuring that they are carried out consistently.

Section 10. Sending Postcards: Communicating Changes to Staff and Clients

Once an organization has determined to take action based on client assessment findings, it is critical that it communicate any changes in the organization, its policies, products, or services to clients and staff. Clear articulation of these changes is imperative to complete the feedback loop. The feedback loop is a continuous process starting with data collection and continuing through use of the data to make and implement responsive decisions.[10]

Figure 1.   The Feedback Loop

All too often, however, the step of "reporting back" is skipped. MFIs do so at their own peril. Failing to communicate changes to staff and clients risks making them feel the entire assessment process was a waste of their time. They will

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10. "The Feedback Loop—A Process for Enhancing Responsiveness to Clients—Or, what do we do with all this client data?" Michael J. McCord, Senior Technical Advisor/MicroSave-Africa. 17 April 2002. Version 6.0. For more information go to www.microsave.org.

conclude that the MFI is constantly collecting information from them, but not using it. Again, the feedback loop is critical for managing the expectations of key stakeholders.

Box 17.   Communicating Changes and Opportunities

Pro Mujer Nicaragua uses client advisory groups as the principle vehicle for relaying information discussed in its personnel advisory group to all clients and their communities, as well as other networks in the fields of health and community development. These channels report back to clients on changes and opportunities that have resulted from client assessment activities, letting them know that their input is valued and contributes to service improvements and the MFI's institutional development.

Section 11.   Looking at the Snapshots: Reviewing your Client Assessment Plan

Once an organization has implemented a research plan, it must periodically revisit the design of this plan and evaluate whether or not it continues to serve the needs of clients and the organization itself. It must go back through its trip report, review the pictures and notes taken along the way, and determine whether to simply continue in the same manner or make adjustments. One way to do so is to set up a feedback loop that allows the organization to collect relevant data, analyze it, translate it into institutional decisions, implement the decisions, and monitor the results.

An MFI manager willing to engage in client assessment work will want to implement such a process, even if it is a challenge to do so (see Box 18). It is worth the effort to create such a system, however, since the benefits inevitably outweigh the costs and will lead to more effective service delivery.

Box 18.   Client Assessment Challenges at ASA

Analysis. ASA (India) found data analysis to be one of the most challenging tasks of client assessment. The institution currently lacks the human resources to carry out ongoing analysis. For the time being, the MFI is analyzing data using SPSS, Excel, and Word. Three staff members have been trained and guided by the Principal Researcher to analyze both quantitative and qualitative data. ASA has learned that analysis of quantitative and qualitative data requires different procedures and skills. For data analysis to be more effective, it is imperative that ASA develop specific criteria to guide
the analysis. These criteria should be developed during the research design phase, prior to data collection, and be based on the priorities and decision-making needs of the MFI.

Decision making. During the presentation of results, the core management staff discussed possible actions that could be adopted. Yet many decisions or actions recommended by the results were unfeasible for the MFI to implement. Whenever action was feasible, the management staff discussed alternatives and delegated specific staff to follow through on the task.

Delegation. Decisions were delegated to respective managers when the client assessment results and decisions were discussed in a group. The current system of delegating tasks should, however, become more streamlined and systematic so that accountability can be better monitored and evaluated.

Communication. ASA found that the process of communication needed to become more systematic. In its past experience, the MFI was so caught up in data collection and analysis that it hardly had any energy left to communicate the results and recommended actions. However, the organization did present the results and discussed their implications at three major events:

• annual staff meeting (in which all staff participated)
• all management staff meetings, including meetings attended by staff who were involved in data collection
• International Women's Day celebration (attended by all members)

Section 12. Memorable Moments: Improvements to Operations

Along the road to client assessment, most organizations encounter a few bumps and challenges; however, they also experience memorable moments that make the assessment process successful and exciting:

Improved staff morale. A client-focused organization generates indirect benefits such as improved staff morale and productivity. Because staff listen to clients and have the opportunity to make adjustments, either to products or service delivery, they are able to create a bridge between the client and the organization. As staff become responsive to client needs, they become more confident in the services that the organization provides. Management begins to value input from frontline staff, which builds their confidence because they feel management listens to them. This process can lead to more sustainable services and a more financially self-sufficient organization because field staff is an MFI's best available marketing tool.

Improved efficiency. Integrating client assessment into an MFI's current operations helps identify key delivery issues. When an organization talks to and engages clients in client assessment, it can often detect deficiencies in products and services. By understanding exactly where a "breakdown" in delivery or a service occurs, an organization can reorganize its processes to optimize its time and resources, increasing efficiency and reducing costs (see box 19).

Box 19. Improving the Loan Disbursement Process

At Pro Mujer Nicaragua, client feedback indicated that the MFI took too long to disburse repeat loans. Based on this information, the MFI analyzed its credit authorization and disbursement processes using process mapping techniques and detected the root of the problem. By carefully listening to its clients, PMN was able to challenge institutional assumptions about how long it takes to disburse a subsequent loan and reduce the average application to disbursement period from 6 days to 24 hours.

Achieving financial sustainability. All MFIs work to achieve financial sustainability. There are direct and indirect ways to achieve this goal. Client assessment work allows MFIs to increase clientele outreach by adapting its services to client needs better, increasing revenues by diversifying products and clientele, and retaining customers over the long-run. Although there are costs involved with a client assessment, the benefits that an organization can gain from the process typically overshadow these costs (see box 20).

Box 20. Why Client Assessment Is Important to ASA

ASA's experience in India demonstrates that client assessment leads to significant benefits in three specific areas:

1. Improved financial performance. Using client assessment data ASA
• identified areas in need of improvement
• expanded outreach through improved client satisfaction
• introduced new products and services
• increased efficiency and productivity

2. Strengthened competitiveness. A better understanding of its clients better enabled ASA to
• improve its marketing
• maintain client loyalty and satisfaction

3. Improved social performance. Client assessment data provides information on who ASA is reaching and the difference its services and products are making in the lives of its clients.

Section 13. Planning the Next Trip: Would You Go Again?

Client assessment places the needs and wants of the client at the forefront of an institution's operations. Wherever the client goes, the organization should follow (i.e., by following the client's wants and needs). It should be recognized that the assessment process isn't necessarily easy in the beginning. It requires an organization to change the way its conducts its daily operations, from training staff to creating new departments (or teams) and recognizing what information is needed and to whom this information needs to go for decisions to be made.

There are also potential bumps in the road (e.g., problems with using external consultants, the precision of data collected, etc.) that must be given proper attention at the very beginning of the process, before they become real pitfalls. Client assessment can be a very exciting journey, but as with any trip, proper preparation makes the journey smoother.

It should be reassuring that MFIs around the globe are joining the journey towards client assessment and recognizing the process as a critical element of survival in an increasingly competitive environment. Those MFIs that listen best to their clients will attract and retain clients while meeting their financial and social performance goals.