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Improving Efficiency—Maximizing Human and Physical Resources

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How to Improve Your MFI's Efficiency Through Process Mapping

An Exclusive Interview With Practitioners Who Have Done Process Mapping

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Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the micro-enterprise field. The SEEP PLP, a competitively run grants program, 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 office of Microenterprise Development 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 ten Learning Products—as well as an overview outlining the PLP process and its results—to share with the microfinance and microenterprise field that are explained in more detail below. All of these publications are available on-line at <http://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 organizational 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, which used the tool to make significant changes to their core operations, and a technical note that compiles interviews 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 they need to address 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 for credit operations to branch offices. “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 by the PLP 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 to 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: Advice on Designing and Implementing 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.”

PLP colleagues from India 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 ten Learning Products reflect both the range of institutions and issues explored during this PLP and the consensus that emerged regarding what is needed to efficiently utilize 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

Participants in the SEEP PLP in “Improving Efficiency—Maximizing Human and Physical Resources”

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Box 1. Process Mapping Contributes to Performance Improvements

Process mapping helped Pro Mujer Nicaragua (PMN) and MI-BOSPO (MI-B) to achieve the following results:

- Increased loan officer caseload for group lending products from 493 to 538 (PMN) and from 413 to 457 (MI-B);
- Reduced the number of days to disburse new group loans from 7 to 4 days (PMN) and from 16 to 9 days (MI-B);
- Lowered operating cost ratio from 42% to 35% (PMN);
- Lowered cost per loan disbursed from USD 22 to USD 18 (PMN) and from USD 122 to USD 106 (MI-B).

If you are interested in increasing the caseload of loan officers, reducing the number of days needed to disburse loans, or lowering operating cost ratios, process mapping may be the right tool for you (please see box 1 above). MI-BOSPO and Pro Mujer Nicaragua are two of eight institutions that participated in the USAID-funded SEEP Practitioner Learning Program (PLP) in “Improving Efficiency—Maximizing Human and Physical Resources.” This PLP was designed to investigate and promote practices resulting in significant efficiency gains for microfinance institutions (MFIs), long considered a central challenge of the microfinance sector. One of the most important analytical tools applied by the participating organizations was process mapping.

Process mapping was used to help diagnose inefficiencies in key processes at Pro Mujer Nicaragua and at MI-BOSPO, to help build consensus on necessary changes and to implement and communicate those changes across the organization. Process mapping involves a significant investment of time and energy from the MFI in order to have high impact results. However, all of the MFIs in this PLP that used process mapping emphasized that the upfront investment was paid back many times over by the information, analysis and ongoing savings in time and money that resulted from using the tool.

“Depending on an institution’s needs and capacities, the overall scale of a process mapping project may vary. In some cases very specific objectives may limit analysis to only a select number of activities. Solutions to problems may be found through incremental changes to processes, such as the re-ordering of tasks or elimination of redundant steps. In other cases, process analysis may lead the organization to consider much larger scale initiatives linked to broader strategic goals.”¹

The extremely beneficial results from using the process mapping tool are evident through the experiences of both MI-BOSPO and Pro Mujer Nicaragua.

What is process mapping, exactly?

A process map is a flow chart—a visual representation of a process that shows what activities are performed, where, by whom, in what sequence, and over what period of time.² Figure 2 is an example of MI-BOSPO’s process map for new client loan applications. According to Gloria Ruiz, Executive Director of Pro Mujer Nicaragua, “It is a graphic representation of all the steps in a particular activity, including the actions, people, responsibilities, and the time it takes to complete the activity.”³ Process mapping is undertaken for a variety of reasons:

- To determine whether there are bottlenecks in key processes that lead to inefficiencies;
- To determine the causes of a problem and to identify how best to address it;
- To provide a critical assessment of what really happens within key processes of an institution;
- To meet regulatory or industry standards, such as ISO certification.⁴

In other words, process mapping enables an MFI to analyze, document, redesign and improve the way it functions.⁵

1. Sharon D’Onofrio, “From Process Analysis to Organizational Redesign: A Case Study of MI-BOSPO’s Experience with Process Mapping,” The SEEP Network, February 2007.

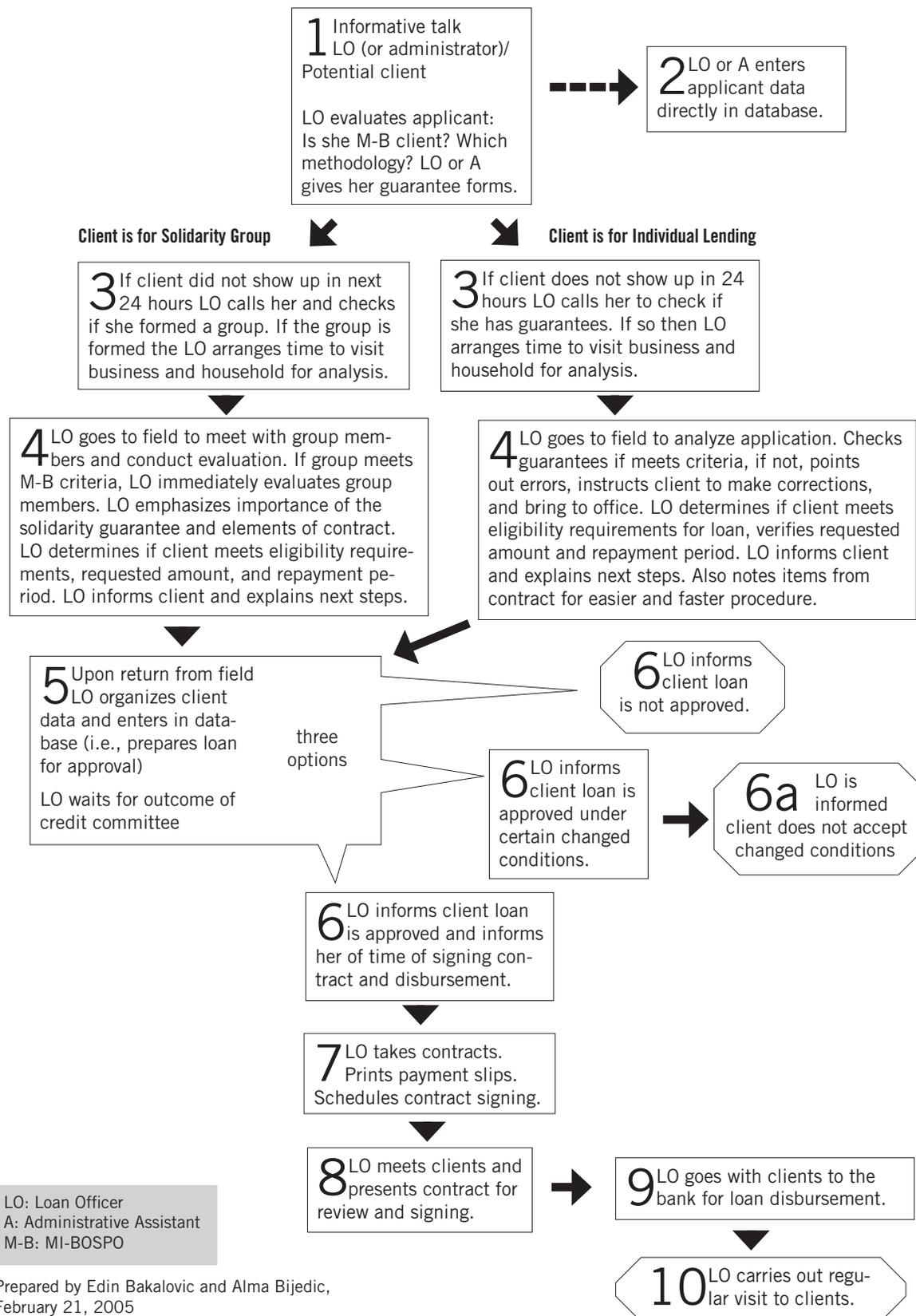
2. Sharon D’Onofrio, “The Use of Process Mapping in Microfinance: A Case Study of Pro Mujer Nicaragua, The SEEP Network and USAID, Washington, DC: February 2007.

3. Interview with Gloria Ruiz, Executive Director, Pro Mujer Nicaragua, in Hyderabad, India, January 23–27, 2006.

4. Caitlin Baron, “SEEP PLP: Maximizing Efficiency of Human and Physical Resources, Introduction to Process Mapping,” PowerPoint Presentation, The SEEP 2004 Annual General Meeting, October 28, 2004.

5. Sharon D’Onofrio, “The Use of Process Mapping in Microfinance: A Case Study of Pro Mujer Nicaragua, The SEEP Network and USAID, Washington, DC: February 2007.

Figure 1. Sample Process Map
New Client Loan Application Process—Revised Process



An Exclusive Interview With Practitioners Who Have Done Process Mapping

Gloria Ruiz, Executive Director of Pro Mujer Nicaragua, and Nejira Nalic, Executive Director of MI-BOSPO in Bosnia, share their experiences in drawing and analyzing process maps of their MFIs. Additional comments are provided by Neisa Vasquez Sandoval, Operations and Development Manager from Pro Mujer Bolivia and Marlene Chura, Service Manager from Pro Mujer Peru, who both helped make and analyze process maps for their institutions.



Nejira Nalic
Executive Director
MI-BOSPO



Gloria Ruiz
Executive Director
Pro Mujer Nicaragua



Neisa Vasquez
Operations and
Development Manager
Pro Mujer Bolivia



Marlene Chura
Service Manager
Pro Mujer Peru

What were you trying to achieve by doing process mapping at your organization?

Nejira Nalic, Executive Director, MI-BOSPO

“MI-BOSPO was confronting a slight cost disadvantage relative to competitors because we access a relatively larger portion of our financing from commercial banks and have a higher cost of funds than many other institutions in Bosnia. In order to stay competitive, we knew we had to lower our operating costs. We needed to become more efficient, and were not sure how to do so since we did not have specific problems in mind. We started by focusing on the operational issues of assessing, approving, and disbursing each of our three loan products. We wanted to improve our credit processes and ensure that our clients’ needs and the organization’s strategy and capacity were aligned.”

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

“We knew we had a problem. We have constant communication with clients and staff through consultative groups, and these groups informed us that client meetings were too long. Also, due to too much paperwork, loan officers were often late to group meetings, making clients unhappy. We wanted to improve our institution by fixing these problems.”

Who in your organization needed to be involved?

Nejira Nalic, Executive Director, MI-BOSPO

“In Bosnia, the people involved in process mapping were the following individuals: two regional managers, our chief accountant, our credit manager, our finance manager, our human resource manager, a hired consultant, and me, the executive director.”

Do you recommend hiring a consultant when undertaking process mapping?

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

“While it can be done without a consultant, I highly recommend you use one! Pro Mujer Nicaragua did not use an external consultant, but if I were to do it again, I would definitely use one. The operations managers mapped the credit process, but it would have been much easier if a consultant had done it because the consultant would have had more time and more experience in gathering information and drawing maps. During the beginning, a consultant would

have been especially helpful. Regardless of whether or not an external consultant is used, your staff will have to be involved in order to create ownership and produce long term results.”

Nejira Nalic, Executive Director, MI-BOSPO

“Having a consultant was helpful for analyzing the maps during the end of the process. Also, I think having trainings on how to gather information was extremely important. MI-BOSPO attended two trainings, each four hours long, led by an external consultant prior to collecting the information and drawing the maps. Each pair drew a map and presented it to the other pairs and the consultant. Although we had a consultant helping us, the human resource manager actually directed the process mapping project and was key to moving the activity forward. The consultant helped us most with the analysis. Proper selection of a well experienced consultant in this area is crucial.”

Neisa Vasquez, Operations and Development Manager, Pro Mujer Bolivia

“Pro Mujer Bolivia had a consultant to help gather information, along with our own staff. It is helpful to have someone look at the situation with another viewpoint. Being from the outside they provide another perspective. Although we used a consultant for analyzing the results, Pro Mujer Bolivia developed the final, improved, and most efficient maps and made the final decisions.”

Marlene Chura, Service Manager, Pro Mujer Peru

“Whether it is a consultant or not, having a leader is very important, especially if you are a large organization.”

How did you gather information for drawing the maps?

Nejira Nalic, Executive Director, MI-BOSPO

“First we communicated the process mapping idea to everyone by sending a letter to each of the four branches, informing them about the process mapping activity and the goal of improving the organization’s efficiency. A team consisting of two regional managers, the chief accountant, the credit manager, the finance manager, the human resource manager, the hired consultant, and I divided into pairs and visited field offices to gather information. Prior to gathering information, a consultant from Women’s World Banking provided trainings for the team on how to gather information and do process mapping. Each pair had a process mapping team leader. One person from each pair wrote down exactly what was happening in the field. For instance, the chief accountant and I were a pair, and I interviewed the staff while the chief accountant took notes.

While gathering information we were like journalists interviewing and shadowing the field staff, which set a good tone, adding humor to the activity and keeping everyone motivated. When we were in the field, everyone was doing such a good job of acting like a journalist that at one point a regional manager was asking the question, “When you need to go to the Regional Manager for approval, how long does it take?” Then he realized he was talking about himself and could have said, “When you need to come to me, how long does it take for me to approve your requests?”

We conducted interviews in addition to making observations. First we interviewed the loan officers and then we went with an officer to visit a client and observe the loan officer’s interaction with the client. The chief accountant and I shadowed the loan officer during four house visits, or for a total of four clients. We were particularly rigorous about time and used a stopwatch to time the loan officer entering data back at the branch office. Shadowing a loan officer was important because we were able to review the application process and could ask the loan officer specific questions regarding their next steps with a particular client. MI-BOSPO has an open culture so we knew that the loan officers would speak their minds freely.”

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

“We were afraid people would claim they were following the manual, even if they really weren’t, if they saw the executive director. Thus, instead of collecting information like MI-BOSPO, we had focus group discussions with the credit officers in the field, and supervisors and managers in the branches. We tried to make people feel comfortable enough to talk freely by having branch managers lead the focus groups.”

Marlene Chura, Service Manager, Pro Mujer Peru

“At Pro Mujer Peru, we held a workshop with the operations personnel from various levels: credit officers, branch managers, and regional supervisors. During this workshop we worked in groups to gather information and draw maps.”

Neisa Vasquez, Operations and Development Manager, Pro Mujer Bolivia

“Four credit officials, four branch managers, two health staff in the field, and a hired consultant gathered the information.”

Do you recommend organizations map what is actually happening in the field, or map what is in their manuals? How many maps did you make?

Gloria Ruiz, Executive Director , Pro Mujer Nicaragua

“Early on we discovered there was a lot of variation in processes across the institution. If we had mapped what we were doing, we would have had 100 maps. Thus, we decided to make a ‘base map’ according to processes in the manual. Although we knew what was going on in the field was very different than the manual, we created the first draft of the credit process map according to the manual. Pro Mujer Nicaragua divided the mapping into stages, first mapping the credit process and then the accounting process. The three staff members who wrote the credit manuals drew the first maps. Then, one designated map leader met with the chief accountant to draw the second map, including the accounting process.

Nejira Nalic, Executive Director, MI-BOSPO

First Mi-BOSPO mapped each loan product according to the manual. After shadowing field officers and doing interviews, the information gathering team developed a total of three maps, one for each loan product. A consultative group that included a manager, supervisor, and loan officer from each of the four branches (a total of twelve people), discussed whether the processes agreed or disagreed with the manual-based map. After the discussion, the consultative group created a reality map. Not everyone makes so many maps!

Are there tools that would help making maps easier?

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

“Visio is a software program that is designed for creating flow charts. It does not cost much. Actually, we made our maps using Microsoft Word. Making the actual maps using Microsoft Word was extremely difficult and practically killed me! I would definitely recommend using some sort of software program.”

Once you made your maps, how did you analyze them?

Nejira Nalic, Executive Director, MI-BOSPO

“The culture of MI-BOSPO encourages improvement, so we were confident we would learn from the loan officers whether or not the manual was working. The process mapping team leaders and the branch managers analyzed the manual-based and reality maps, discussing where the reality map differed from the manual and which method was more efficient than the other. After comparing the manual-based map with the reality map, they created a map with proposed changes.

The maps alone do not provide the answers to whether something is efficient or not. When analyzing the maps, managers needed to be challenged to use information about their institution or the competition. For example, when we compared the number of days it took for us to make a loan disbursement with that of our competitors, we realized we were not doing so badly after all. However, we knew we could improve. We did improve and are now able to use this to our advantage over our competitors.

When we analyzed our map on group lending, we were surprised it took 15 days for a loan disbursement to be made. We thought about how we could make the process more efficient. In order for the group to get a loan, they had to come to the office to meet with the loan officer four times: the application process (two visits), approval, and signing of the loan. We reduced the number of times to three. We realized the client never really participated in the approval process and did not need to be present for this. We did not reduce it to two times because the loan officers insisted that clients come to the office to sign the loan document since this ceremony made them feel a part of the organization and reinforced the importance of their contract.

The consultant helped us a great deal in analyzing our maps since it is often easier for an outsider to ask more questions or look at a process more objectively. We argued as a team some and needed someone to facilitate our discussion, ensuring we made the best decisions in the end.

We decided upon three categories to help analyze the process maps: 1. Processes to be fixed or made more efficient 2. Processes that would not change 3. Processes in which there was little difference between the manual-based map and the reality map. Then, we divided the solutions into short, medium, and long-term fixes. The consultant recorded the processes for each of the three categories, creating a very operational document.

While analyzing the processes and creating the document we evaluated the time it took to do each step. Individual steps did not actually take long. We realized that the delay was having a single centralized credit committee. Thus, we didn't eliminate steps. In order to be more efficient we created a growth plan that focused on decentralizing many of the processes, such as the loan approval process.”

Neisa Vasquez, Operations and Development Manager, Pro Mujer Bolivia

“In order to analyze the information a consultative group was formed that included a leader and a representative from each field office, as well as two credit officers, two branch managers, one accountant, one systems person, one doctor, one nurse, one business trainer, one regional director, our operations manager, our finance manager, and our marketing manager. The consultative group made the initial analysis of the gathered information. Then only the managers and executive director met to further analyze the data and decide which changes would be made.”

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

“Everyone analyzed the maps together and then the senior managers made the final decisions. For instance, our training manual says a credit officer should visit the potential client's business during the second or third day of a client's application process. While urban credit officers made the visit on the second or third day, rural credit officers visited a potential client's business on the first day of a client's application process. The rationale for visiting a client's business sooner in rural areas was because in low population-density areas it is crucial to know if a potential client meets the necessary criteria quickly since there are not others to replace a client in the group as easily. In the end, it was decided that credit officials would visit clients' businesses on the first day of the application process in both urban and rural areas.

We knew that some processes weren't working well before we started the analysis process. As we suspected, some processes took too long. This was due to a weakness or inefficiency in the process. When we mapped the processes, we noted the time it took to do an activity, which made it easier to analyze why the process took so long. For example, to disburse a loan, a credit officer visits the client and has to obtain four documents with different signatures on each document, which takes time. If we could streamline the process and require only one document, it would be a much shorter process. In analyzing the maps we also became aware of problems we did not even know existed, and we began to recognize and understand the cause of many problems. We realized a lot of problems were due to human resources. One way to solve many of our problems was by improving the training and orientation program of the credit officers.”

How were the decided upon changes implemented?

Nejira Nalic, Executive Director, MI-BOSPO

“Process mapping unfolded a lot of problems, and although our short, medium, and long-term fixes were very logical, they were still difficult to implement. Change is hard. For MI-BOSPO, the easiest changes to implement were the long-term fixes, such as our strategic plan, because they involved a small group of people. The short-term fixes involved more people and were therefore a little harder to implement. In other words, it is hard to change old habits. However, I must say that the strategic planning was an exciting yet challenging task. With the help of a strong process mapping leader who said, “Fight or be defeated!” we became motivated and now have a great, competitive strategy. Our champion encouraged us and made us feel it was possible to implement our new ideas. The strategic plan was documented in written form and included the new changes in our lending methodology.

In disseminating the new information and changes that would be put into place, our process mapping leader, the human resource manager, made sure that people saw the connection between the process changes and the results we were striving to achieve through these changes.

Oftentimes there is resistance to change. For instance, there is guilt in not recognizing or solving the problem beforehand. Having to make changes to the way things have been done for years is difficult. I would highly recommend investing in good communication with all levels of the organization, and don't be surprised when there is resistance. Some people may leave because they are unwilling to make the changes requested and some will leave because the organization needs them to leave. No matter what, continue communicating with people and provide a space for people

to understand the changes. It is essential to explain over and over again why changes are being made. Undoubtedly, your strongest staff members, those who fit your organizational culture, will stay. They will adapt with and grow with the institution. Thankfully, in MI-BOSPO's experience no one left the organization during the implementation stage."

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

"Since we had a consultative process throughout the activity, people realized why changes were going to be made. Unlike MI-BOSPO, for us short-term fixes were easiest to implement. The biggest complaint was the length of time it took to complete the process mapping analysis. Implementing the changes themselves was not a problem. We trained the branch managers first and then they trained their staff. One supervisor oversaw each branch, ensuring they were implementing the new processes correctly. In addition, we used a yes/no checklist to make sure the right steps were being followed. The best way to implement a change is when people can clearly see why it's being done. The institution, not just the executive director, needs to craft this message well."

How much time did process mapping and implementing subsequent changes take you and how much did it cost?

Nejira Nalic, Executive Director, MI-BOSPO

"A few weeks before the mapping activity took place, the process mapping leader spent time with the Women's World Banking consultant to properly plan out what needed to be done. Then, most of the work was done in one intense week, which included two days of training followed by four days of gathering information, drawing and analyzing maps. The implementation of the changes to be made took more time. The long-term fixes were ultimately implemented several months later."

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

"Imagine how much it would have cost us **not** to have done process mapping. If you want to improve any product or service, you have to begin with a very good understanding of the existing process from beginning to end. While process mapping does not need to be a major process in and of itself, it does require an investment of institutional time and resources. However, the payback for your time invested in process mapping is multi-faceted."

How effective has the process mapping experience been for your organization?

Gloria Ruiz, Executive Director, Pro Mujer Nicaragua

"When Pro Mujer Nicaragua started to do process mapping we didn't think it would improve our efficiency in disbursing loans as much as it did. Our goal was to reduce the number of days it took to disburse a loan from 15 to 3 days. We surpassed this goal and now make loan disbursements the same day! (Please see box 1)."

Where can more information be found about the process mapping experiences of MI-BOSPO and Pro Mujer Nicaragua, as well as other materials on process mapping?

Pam Champagne; Lynn Pikholtz; Ramesh S. Arunachalam; and Caitlin Baron; et. al, "A Toolkit For Process Mapping for MFIs," MicroSave and Women's World Banking, May 2006, available on-line at: <http://www.microsave.org>

Sharon D'Onofrio, "From Process Analysis to Organizational Redesign: A Case Study of MI-BOSPO's Experience with Process Mapping," The SEEP Network and USAID, February 2007, available on-line at: www.seepnetwork.org

Sharon D'Onofrio, "The Use of Process Mapping in Microfinance: A Case Study of Pro Mujer Nicaragua," The SEEP Network and USAID, February 2007, available on-line at: www.seepnetwork.org