

Microfinance Bulletin

Mozambique Microfinance Facility

Human Resource Management for Microfinance Institutions

Over the last few years, leaders in the microfinance industry have begun to recognize the significant impact that effective management of human resources can have on the success of MFIs. In fact, initiatives aimed at raising awareness and strengthening Human Resource Management (HRM) have increased in the past few years. A few examples include: the HRM course at the Boulder Microfinance Training Program (in its 3rd year); a HRM training module offered through the Microfinance Centre in Poland; a SEEP Practitioner Learning Program on HRM in MFIs; a HRM Toolkit developed by MEDA for MicroSave in Kenya; and a HR course at the School of Applied Microfinance in Kenya.

It is no surprise that microfinance is turning its attention to human resources. Staffing is a large part of an institution's budget, and it only makes sense that MFIs are ensuring, not assuming, that people throughout their



organization are being managed well. Significant consideration within the industry is given to the financial issues of microfinance operations. Finance is essential; but it is only a tool in the hands of people. Human resource tools and systems are critical in finding, training, managing, motivating, and developing a team of staff who will effectively carry out the organization's mission.

Within Mozambique, the microfinance industry faces some unique HR challenges. Mozambique is one of the 10 poorest countries in the world, and faces high unemployment, illiteracy and the ever-increasing burden of HIV/AIDS. These and other socio-economic factors combine to create a large,

unskilled labour force struggling to adapt in a changing environment. Mozambique Microfinance Facility (MMF) has played a key role in introducing HR tools and systems adapted to these challenges in Mozambique. Together with MEDA, MMF commissioned research on the Human Resource practices of ten different MFIs in Mozambique. The study was completed in 2003, and is available in English and Portuguese from MMF¹ This background, combined with MEDA's experience training MFIs around the world in human resource management provides MMF with a unique understanding of human resource management within Mozambique.

Based on years of work in HR for the microfinance industry,

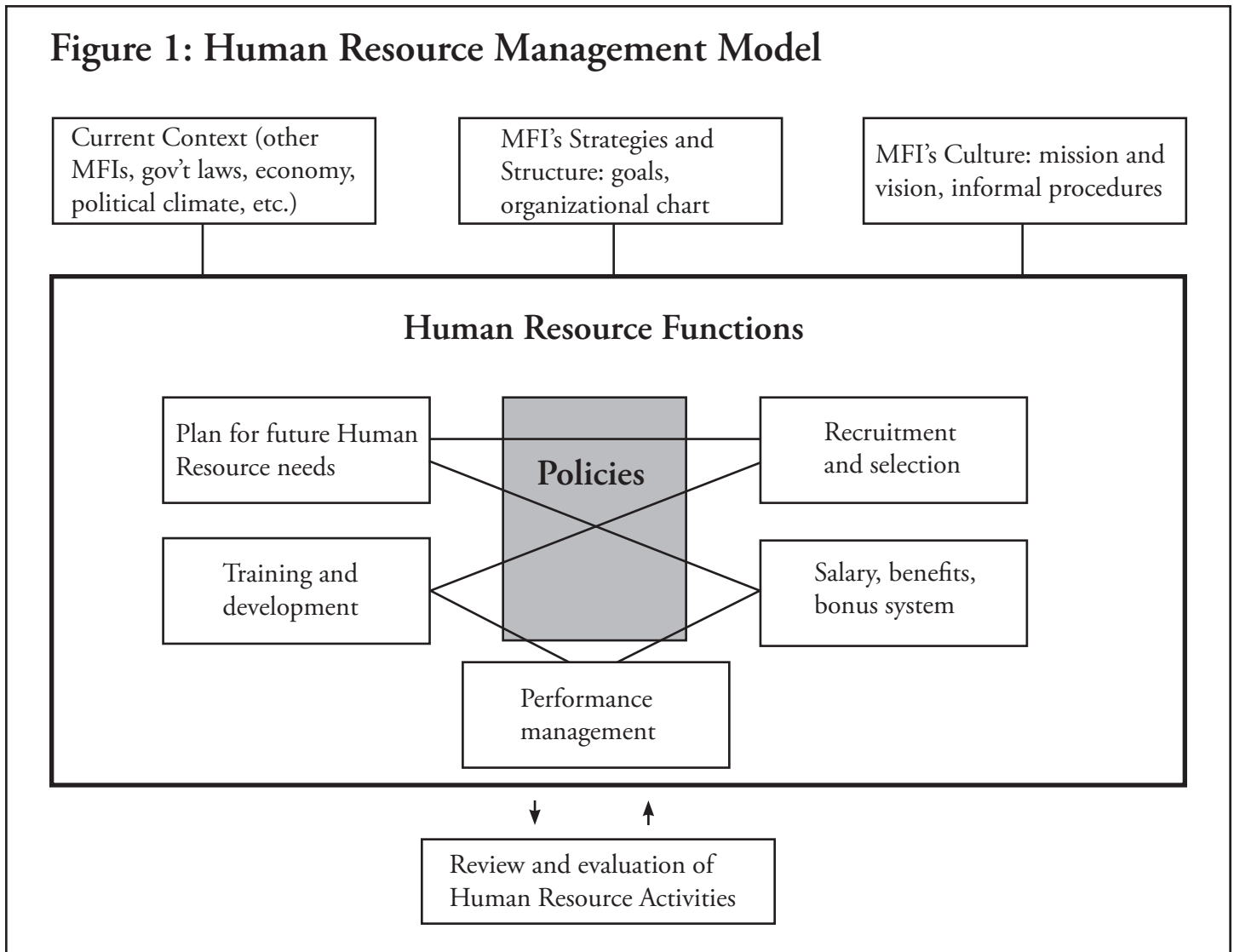


The Mozambique Microfinance Facility (MMF) is a program of the Canadian International Development Agency (CIDA), and implemented by Mennonite Economic Development Associates (MEDA) and Development Partnerships (DevPar).

This Microfinance Bulletin is published by the MMF. Bulletins are published from time to time on issues of relevance to the microfinance sector in the Republic of Mozambique. The bulletins have no official status and are produced solely for the purpose of sharing information and stimulating dialogue.

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Figure 1: Human Resource Management Model



MEDA has developed a model of Human Resource Management for MFIs (Figure 1)². This model describes six key HR activities within the context of microfinance:

- Recruitment and Selection;
- Salary, Incentives, and Benefits;
- Performance Management;
- Training and Development;
- Human Resource Planning; and
- Human Resource Policies.

These responsibilities must be influenced by the MFI's ex-

ternal operating environment, as well as internal strategies, goals, mission and institutional culture. Each of the six HR functions plays an important role in the effective operations of an MFI. This issue of the MF bulletin, will highlight an area that is an ongoing challenge for many MFIs in Mozambique: Recruitment and Selection.

Recruitment and Selection

Based on the research conducted by MEDA and MMF in 2003, and our current work, it seems the greatest challenge facing the microfinance

industry in Mozambique, is recruiting and retaining staff. With a limited pool of qualified candidates, and increasing competition in the field of microfinance, it is extremely difficult to find and keep good employees. However, hiring the wrong person can be very costly. It is very costly to replace one employee, including severance, potential legal fees, expenses to hire and train the replacement. This does not take into consideration the indirect costs of lost productivity,

management time, and lower morale which always accompany a wrong hire. Particularly in a challenging environment like Mozambique, it is imperative to invest the time upfront in a recruitment and selection process like the one outline in

Figure 2: Recruitment and Selection Process⁴

1. Establish a Search Committee
2. Define Needs: Task and Person
3. Source Candidates
4. Review Resumes
5. Interview
6. Test
7. Check References
8. Make a Decision

Figure 2 to significantly improve the chances of making a good hire.

Most MFIs included in the survey did not have a formal recruitment and selection process, and frequently experimented with various methods to find good candidates. For an MFI that does a lot of recruiting, it is easy to become sloppy and not spend adequate time on recruitment. However, planning the recruitment process and diligence in following the steps is one of the most influential factors in successful hiring, and can help to address the challenges of recruiting from an unskilled pool of labour.

Due to the lack of a skilled work force in Mozambique, MFIs are frustrated with not finding candidates with the required qualifications. This shifts the selection process to the identification of applicants who show potential to learn and who fit with the institutional culture. It can be a struggle to identify personal qualities in candidates that indicate a capacity to learn and a commitment to the organization's mission and values. It is much more difficult to determine a person's willingness and capacity to learn than to judge existing skills.

One method commonly used in the wider microfinance community to overcome this challenge is a training program as part of the recruitment process to evaluate candidates. This strategy varies in length and structure, but it is designed to expose the applicants to the work requirements and

give the MFI an opportunity to observe the candidate in a work setting. Many MFIs have used a variation of this method with success. An excerpt from this process is provided as an example in Figure 3.

Another benefit of an "on-the-job" experience during the recruitment process is to give the applicant an opportunity to determine if this is a job they want to do. Although candidates may not have many employment options, they still have the choice to accept the job or not. Accurately informing the applicant about the full job details, your institutional culture, training opportunities, working conditions, and performance expectations, is the one of the first steps toward better retention.

Recruitment and identification of good candidates should not be undertaken only when employee resigns or a new job is created. The impact of HIV/AIDS has created a situation where many MFIs are coping with increased absenteeism and staff departures. Productivity may decrease due to staff needing extra time-off for personal illness, or to

Figure 3: Hire "Microfinance" People: Get the Right People to Do the Right Job

An excerpt from: "The People Part" by Sue Gibson⁵

Step Three: Interview them in the market. Announce to the group [of candidates] that you are going to a pre-selected market (do not mention this until now) and that you want them to interview potential clients in the field to see how they interact with the clients. More than likely, a person or two will drop out immediately: the self-selection aspect works quickly! In the market, divide them in pairs, and ask them to introduce themselves as your representatives conducting market research in lending programs for very small businesses. The team leader, with assistance, should follow candidates around to see how comfortable they are in the market and how clients react to them. Being timid about approaching clients and/or looking at their watches are telling signs that they would rather be elsewhere.



care for sick family members. This puts additional pressure on staff who need to cover the workload of missing employees. AIDS-related death among the population aged 15 – 49 is reducing the available labour pool which put additional strain on MFIs.

Many MFIs are responding by overstaffing, cross-training staff, and continually looking for good candidates. MFIs should always be on the lookout for potential candidates.

A good strategy is to find an opportunity for an excellent candidate even if no job vacancy exists. This will reduce the strain of unexpected departures, increasing staff absences, and allow for better staff and succession planning.

The way forward

Once you have spent the time and effort to identify candidates who have the capacity to learn, a good attitude, and fit with your institutional culture, it is important to remember

that making a good hire is only the very beginning of tapping into the full potential of your staff. Most skill acquisition is built through one-on-one coaching and mentoring that comes from the proper time and attention paid to staff performance management. As one of the six functions of human resource management, staff performance management is one of the most difficult areas to master, but could arguably have the greatest pay-off for the success of the MFI.

Many MFIs in Mozambique are beginning to link their operational performance is-

ues to human resource management deficiencies, and recognize the importance of formalizing systems to address weaknesses. Through diligent attention to a comprehensive recruitment process, the MFI can be better able to find the candidates who will contribute to the success of their operations. This is only one of the HR tools available to MFIs to navigate the changing tides of expansion, commercialization, and mergers that exist in the current microfinance industry.



With strong, well functioning human resource systems and tools, the MFI will be poised for growth, ready to manage

the challenges of an evolving environment, and responsive to the needs of clients.

Endnotes

- ¹ *Organizational Development Study of Ten Microfinance Institutions in Mozambique* by Melissa Eldemire Prepared for MEDA and MMF, May 2003.
- ² *Human Resource Management Course*, by Kim Pityn and Jennifer Helmuth, MEDA, 2003.
- ³ *Human Resource Management Course*, by Kim Pityn and Jennifer Helmuth, MEDA, 2003.
- ⁴ *The People Part: Common Sense Advice in Motivating Microfinance Clients and Staff*, by Sue Gibson. Published by Catholic Relief Services, 2000.