

**ShoreCap Exchange** (“Exchange”) is a **ShoreBank** sponsored capacity building company that works to strengthen small business banks and microfinance institutions (MFIs) in developing countries. It provides a range of capacity building support to its partner banks and runs a growing knowledge exchange program. A non-profit, Exchange works in tandem with other partners, including two ShoreBank Corporation affiliates: **ShoreCap International (SCI)**, which invests equity in regulated financial institutions that serve small business and microentrepreneurs, and **ShoreBank International (SBI)**, which provides financial consulting services to emerging economies worldwide, including some of Exchange’s clients. For a more detailed overview of our activities, please see our website at [www.shorecapexchange.org](http://www.shorecapexchange.org).



## **Exchange-News – April 2009**

### **Quarterly Update from Exchange’s President**

Exchange held a very successful peer forum this month, focusing on the challenges for branch managers in our partner institutions. Thirty-one branch and senior managers from ten microfinance and small business banks in nine different countries joined us in India to share experiences, tools, and strategies. We are grateful to ABN AMRO Foundation for their special efforts in helping us plan this. One of the key takeaways from the Forum was an individualized Action Plan with a project that each branch manager has undertaken to go back and implement at their bank. We are also exploring ways to disseminate this training further within our partner institutions.

At the beginning of the last quarter, we hosted two phone forums—one which focused on Human Resources and one on lending. The HR phone forum discussed tools and practices in succession planning. The lending forum discussed challenges and responses to the global financial crisis.

ShoreCap Exchange continued to engage in active onsite and offsite support with its partner institutions during the first quarter of 2009. Areas of focus included strengthening credit methodologies, developing compliance and internal audit, refining IT strategies and bolstering operations including branch operations at partner institutions in Afghanistan, Bangladesh, The Gambia, Kenya, Nigeria, Pakistan, and Rwanda.

We are delighted to report the completion of the study of the poverty outreach of lending to small businesses sponsored by the Ford Foundation. The research team surveyed 1,047 small business customers and their 7,068 employees at BRAC Afghanistan Bank using a simple poverty scorecard to determine household poverty rates. The study provides the first snapshot of the skill levels, gender and wages by sector in these very small businesses. The study shows how to devise a small business meta-scorecard that estimates the poverty rate among the small business employees based on the firm-level attributes, a technique that improves the ability of lenders to track poverty outreach among small business employees. Final results will be published more broadly in the coming months.

As usual, we welcome your feedback on this newsletter.

Yours truly,

*Lynn*

## ***Branch Managers Forum***

### ***Effective Branch Management: The Key to Growth***

*This article summarizes key reflections from the in-person forum held by ShoreCap Exchange in Chennai, India over March 29 – April 2.*

The Spring Branch Managers Forum was held on March 29 through April 2, 2009, in Chennai and focused on 'Effective Branch Management: the Key to Growth.' Thirty-one branch managers and senior managers representing ten different institutions and nine countries participated.

The program opened with attendees discussing their institutional branch models and debating the advantages and challenges inherent in each structure. Subsequent sessions dealt with credit and portfolio quality, branch infrastructure and approaches to deposit mobilization. The partner institutions found that although they had significantly different regulations and banking infrastructure, the challenges they faced were oftentimes very similar.

While many of the partner institutions are experiencing growth, they are also trying to cope with fallout from the current global financial crisis. This affects banking particularly in the areas of collecting payments. Some of the major challenges that our attendees brainstormed around included communication and reporting (b/w HO and branches); developing and motivating the branch staff, building a strong customer and service base, enhancing portfolio management practices and taking proactive measures to improve overall branch performance.

In advance of the Forum, participants were asked to reflect on a plan of action with tangible and practical implementation steps for their financial institutions – both measures they could undertake on their own accord and those with which Exchange could be of further help. Specific plans that attendees developed at the Forum while working with individual experts included key areas of branch effectiveness and performance, such as reducing the number of portfolio-at-risk (PAR) accounts by 4%; creating a robust performance evaluation system with qualitative and quantitative objectives; increasing market share by 5% supported by strong customer service; plans to open one new branch and one new spoke (using the 'hub and spoke' model) within 6 months; reducing loss of staff due to attrition and securing staff needed for new branch openings; and the development and implementation of a risk management program at the branch level.

Exchange will remain very engaged in supporting the implementation of action plans by attendees at the Forum.

## ***Banker-to-Banker Peer Learning Forum***

### ***Organizational Culture & Human Capital***

Introduction: At the Branch Management Forum, while no session focused specifically on organizational culture, many of our human capital (and several other) discussions brought out issues relating to organizational cultures prevalent at each of our partner banks. Culture is defined as “the set of shared attitudes, values, goals, and practices that characterizes an institution, organization or group and “organizational culture” consists of the shared attitudes, values, goals and practices of a particular organization. Individuals “learn” culture through their experiences with other people, groups, and the organization as a whole. Every organization has a culture, whether it gives it attention or not, and every person living in or visiting that culture is affected by it. A strong culture, intentionally established and maintained, and conducive to the wellbeing of the employees is a fundamental and

powerful mechanism for achieving the organization's desired results.

A culture is defined as "strong" when staff made decisions and take action in alignment with organizational values (Wikipedia). Strong cultures may take many forms, but they are consistent and congruent, benefiting their members and operating with outstanding execution and only minor adjustments. Conversely, in a weak culture, there is less consistency and congruence and little alignment with organizational values, and control must be exercised through extensive procedures and bureaucracy.

Employee Handbook	Bulletin boards	Uniforms, hats, t-shirts
Induction materials	Photographs, art work	Banners, posters
Company newsletter	Audio communications	Stationery, business cards
Annual Report	Emails	Company events
Marketing materials, ads	Company videos	Training
Job postings	Announcements, memos	Logo
Policy manuals	Website	Meetings

What is your organization's culture? Culture Checklist: A quick tool

- Vision and mission: what the organization is, what it's doing, why, and how it wants to make a difference
- Written policies and regulations: what people may and may not do, the consequences of following or breaking the rules
- Posted statements of organizational values, principles: what the organization says is important
- Strategic and operational plans, budgets, annual reports: where the organization puts attention, effort - growth, profitability, shareholders, community responsibility, social change, employees
- The "unspoken" rules
- What senior leaders talk about, how they talk about it
- Tone and choice of language for policies and regulations
- Language and tone used about work, customers, leaders, employees, the community, other stakeholders
- How people treat each other in daily interactions, in sensitive discussions
- Celebrating success and special events
- Traditions, rituals, symbols, stories and "legends"
- Socializing and having fun
- Incentives and bonuses, awards and promotions, special trainings or work opportunities
- Level of dialogue and debate encouraged or permitted
- How conflict is handled

- How feedback is given
- Blame and defensiveness or problem-solving and learning
- Follow through and enforcement
- Behavior toward outsiders
- Which “communities” are recognized and sustained
- Workplace – layout, décor, cleanliness, order, safety, security
- Use of technology
- Dress and appearance of employees and leaders
- Attitudes towards time, quality, performance, risk, responsibility, initiative

Role of the HR Professional: Human Resource professionals play an important part in establishing, maintaining or changing organizational culture. However, as Burman and Evans (2008) point out, affecting culture is a leadership activity, not a process, not a management routine, not a check box on a set of annual goals. *HR professionals must exercise leadership, and they must also take all possible steps to encourage the leadership team members to do their part; it would be futile and foolish for an HR professional to agree to “work on” the organizational culture alone.*

Furthermore, HR professionals are immersed in their organization’s culture and may not be able to detect its features and its impact. Sometimes the role of the HR department in affecting culture is to bring in appropriate outside resources.

#### Steps for setting up/ changing a culture

Based on Cummings and Worley (2005) and Kotter (1995)

This is a long-term project requiring commitment, stamina, and a solid grasp of change management competencies. Once the activities of a step begin, they need to be sustained throughout the culture change initiative and are never fully discontinued.

- **Step 1:** Talk it up. Articulate a clear vision of strategy and values; outline behaviors required to implement them. Repeat often, at many different occasions, in many different formats.
- **Step 2:** Start at the top. Commitment and direction must come from top leadership; everyone needs to see and hear their engagement.
- **Step 3:** Walk the talk. Leaders must take actions to demonstrate and communicate desired cultural values. They must model the behaviors articulated in Step 1. Modeling should include new values and behaviors and pre-existing ones to be retained.
- **Step 4:** Structure must fit culture. Make changes in organizational structures to support the culture. This step takes time – be patient. Involve many people; give them time to adjust to changes.
- **Step 5:** Select for culture fit. As new practices are put in place, change recruiting and selection criteria so new employees fit the new culture and are flexible enough to adapt to ongoing changes. Change expectations and performance criteria and let go of people who no longer fit the changed culture and cannot adapt. Do not allow anyone to poison the culture.
- **Step 6:** Maintain commitment to changed values. Changes in culture change what is considered ethical, legal and appropriate. Provide ample briefings, training, ongoing sensitization to new values and expected behaviors.

## ***Lender's Corner***

*This column by ShoreCap Exchange credit expert, Richard Turner, focuses on lending lessons and challenges, and compliments the Banker-to-Banker Forum.*

In this installment of Lenders Corner, we hope we won't try your patience by revisiting an old but never-more-timely topic: handling loan delinquencies, particularly when they're on the rise.

On the one hand, an increase in delinquencies can frustrate us into inaction if we think of the job as having to 'reinvent the wheel' and re-underwrite each account that's become past due. On the other, small businesses, like people, are each of them unique, and-- unfortunately-- no one has yet discovered a foolproof method of resolving their problems by means of an algorithm or one-size-fits-all formula.

We would offer the following thoughts; they're born of several decades working with SME and micro portfolios in a variety of international and domestic U.S. venues. There's both a 'philosophical' and an operational component to them. We'll consider the philosophical portion today, and take a look at some operating techniques next time.

Particularly in an adverse economic environment such as the one the entire world's been experiencing for the last 15 months, we would recommend approaching any upsurge in delinquency with a few fundamental assumptions. We'd counsel caution in deviating from their spirit-- their form can be adapted to fit different cultures-- certainly while economic turmoil continues. The most important of these would be:

- Don't make a final decision on restructuring, liquidating, or another course without 'running the numbers.' At a minimum calculate the business's breakeven point, repayment ability, and working capital adequacy as they stand at present.
- As a subtext, don't use gross margins or selling, general, and administrative expenses (including owner's salary or withdrawals) more optimistic than recent actual performance. In fact, to be safe, pick a point lower in the historical range.
- Identify the business' market as cyclical; stable and slowly-growing; stagnant; or rapid-growth. Don't assume a rebound in sales more optimistic than at best the mid-point of historical rebounds from recessionary troughs.
- List the owner's management strengths and weaknesses. Classify which will be most beneficial and most burdensome when the economy turns around. But, be brutally and relentlessly realistic, never assuming management can change its spots during periods of economic stress. In fact, our experience has taught the dolorous lesson that more often than not, such times exacerbate management weaknesses and mute or blunt management strengths.

Then, we can construct a simple matrix with variables on the above points for helping us determine how to handle our delinquencies. Try creating such a matrix yourself, and we'll talk more about them next edition of Lender's Corner!

## ***Featured Event***

*Africa SME Finance Academy: The Premier SME Banking School for Africa*

Africa SME Finance Academy (ASFA), along with ShoreCap Exchange and ShoreBank International, is presenting a week-long training for small and medium enterprise (SME) Finance. ASFA focuses on delivering quality, strategic, and technical knowledge and skills for SME bankers and financiers. Over May 25-29, 2009, the AFSA will hold two training courses at the Whitesands Hotel in Mombasa, Kenya:

- **Relationship Officers' Course:** This course is designed specifically for account relationship officers in SME departments who interact directly with SMEs in order to understand their financial needs to be able to lend profitably.
- **Executive Level Course:** This 1 week training course is tailored to target top-level decision-makers of SME lending institutions who are charged with driving strategy in a changing business landscape.

Registration ends on May 6, 2009. The events are sponsored by FrontFin Media and partner with ShoreCap Exchange and ShoreBank International. For more information, or to register for this event, please contact ASFA at [www.africasmefinance.org](http://www.africasmefinance.org); email [info@africasmefinance.org](mailto:info@africasmefinance.org), or tel: +254 20 272 0086. You may also download the [brochure here](#).

#### ***Featured Article***

##### ***A New Effort to Boost Small Business in Emerging Markets: ANDE***

Many of Exchange's partner financial institutions are focused on small business finance provision in their local markets. Similarly, a number of other economic development organizations are focusing on the next tier up from microfinance—small but growing companies. The theory is that if these outfits get their hands on capital, they'll hire employees and the economic growth snowball will start rolling. The latest effort to get the ball rolling is the Aspen Network of Development Entrepreneurs (ANDE). It's an offshoot of the Aspen Institute, has about 35 members and heavyweight funders, and plans on investing \$750 in the next five years.

Read the full article in [BusinessWeek here](#).

#### ***Partner News***

##### ***ShoreBank Creates Gobar Alliance on Banking and Values; Bank's President Receives Award***

ShoreBank Corporation and other banks joined together to form a new alliance called The Global Alliance for Banking on Values in response to the global financial crisis. The alliance was launched in the Netherlands in March and includes SCE partners BRAC Bank in Bangladesh and XacBank in Mongolia, along with the United Nations. [Details here](#).

##### ***Plantersbank Hosts Senior Chinese Delegation***

A senior mission of bankers from Hangzhou, China visited Plantersbank Head Office as part of the Asian Development Bank (ADB)-sponsored study tour of financial institutions. The Chinese delegation was interested in the structure, regulations, and corporate governance practices of the bank. To read the complete article, please [click here](#).

##### ***Reliance Financial Services Hosts Leadership and Business Networking Conference***

Reliance Financial Services, a Gambian financial institution focused on underserved markets and a part of Exchange's, joined with Rotterdam School of Management in late January to convene a one-day leadership and business networking event in Kololi. The event brought together professionals from diverse sectors of the Gambian economy to share tools and experiences on banking in the current economic crisis. Read the details [here](#).

##### ***BRAC Bank Awarded for Publications, Sponsors Workshop for Professional Women***

BRAC Bank Limited was recently awarded the ICAB National Award from the Institute of Chartered Accountants in Bangladesh for one of the best published accounts and reports for the year 2007. You

can view a recent version of their [publications here](#), and read more about the [award here](#). The bank also recently sponsored a workshop to help women know their rights and be more confident in a professional environment; the full article is [here](#).

### ***Publications and Tools***

Exchanging Views are papers incorporating tools and strategies for capacity building. Exchange Notes are short briefs that go in-depth into one aspect of a relevant issue and make strategic recommendations.

### **New and Upcoming Publications**

In every issue of Exchange-News, we'll give you a sneak peak at the exciting publications and tools we are developing or have recently published. Keep an eye on our [website](#) for the posting of these articles.

### **Upcoming: Performance Management Handbook**

ShoreCap Exchange is finalizing a resource aimed at helping business managers and HR managers enhance performance within their organizations through improved approaches, strategies and tools for people management practices. The handbook has picked out important areas where lessons can be shared such as succession planning, smart recruitment strategies, career growth and development.

### **Upcoming: Risk Management Notes**

This series of briefs is rooted in the operational risk management sessions held at the Risk Mitigation Strategies for Fast-growing Banks Forum held by Exchange in South Africa in June 2007. The series will focus on developing quick lessons to identify, measure and manage key risks in operational areas that participants encounter within their own institutions. Some of the subjects to be covered include payment systems, mobile phone banking, anti-money laundering (AML) practices, branch rollout and savings mobilization.

### **New: Exchanging Views Series #6, June, 2008: Winning Strategies for Successful Small Business Lending**

This issue of the Exchanging Views discusses successful strategies and techniques adopted by small business lending institutions. Based off visits to study the practices and experiences of some established global players, the publication discusses some of the issues faced and the strategies adopted by these institutions. The strategies form part of a broader and comprehensive framework that covers important and crucial aspects of small business lending. The lessons learned by these smart practitioners demonstrate that, with a well-grounded, thorough and comprehensive understanding of market characteristics, small business lending can be a reliable and profitable business. Please watch our website for this upcoming publication.

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rollout risks, anti-money laundering (AML) practices and new branch rollout.

### **Previous Publications and Tools**

*If you are interested in obtaining a copy of any of the following publications or tools, please click on the hyperlinked title.*

**[Exchanging Views Series #1, April 2005: Reflections & Learnings on Risk Management](#)**

**[Exchanging Views Series #2, June 2005: Technical Assistance Delivery to Small Business Banks and MFIs](#)**

**[Exchanging Views Series #3, July 2005: Staff Retention Strategies](#)**

**[Exchanging Views Series #4, June 2006: Compensation as a Retention Strategy](#)**

**[Exchanging Views Series #5: Building Win-Win Investor-Investee Relationships](#)**

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**[Exchange Note #1, October 2005: Cultural Transformation of an Organization](#)**

**[Exchange Note #2, May 2006: Peer Advisory Boards](#)**

**[Exchange Note #3: Leading Change Management](#)**

**[Exchange Note #4: Addressing Board Challenges](#)**

### **Exchange ToolKits**

**[Exchange CD #1, Risk Management Forum](#)**

*CD-ROM with learnings from our Risk Management Forum. The CD contains tools to address such topics as credit, operations, institutional and product risk management, as well as summaries and power points of the presentations.*

**[Exchange CD #2, Small Business Lending Forum](#)**

*CD-ROM with learnings from our Small Business Lending Forum. Our Small Business Lending Forum CD provides training material and exercises as well as power points and summaries of the sessions.*

**[Exchange CD #3, Individual Lender Training for Managers and Officers](#)**

*This CD toolkit compiles the lessons, power points and exercises that were presented at the Individual Lender Training that Exchange presented jointly with MicroSave in Kampala, Uganda.*

**[Exchange CD #4, Risk Mitigation Strategies Forum](#)**

This CD has been created from the tools and templates shared during our 3-day Forum on Risk Mitigation Strategies for Fast-Growing Banks held in June 2007 in South Africa. It includes the presentations from the Forum, publications and tools developed and shared by the speakers. Resources on comprehensive risk management, credit and operations, and technology and alternate delivery channels are included on the CD. Tools are provided for several risk issues related to growth – whether it be developing new products such as savings or building new branches.

**Exchange CD #5, Leveraging Human Capital Forum**

This CD has been created from the tools and templates shared during our 3-day Forum on Leveraging Human Capital for Performance and Growth held in May 2008 in Luxembourg. It includes the presentations from the Forum, publications and tools developed and shared by the speakers. Resources on various aspects of human capital management such as recruitment, retention, performance management and team-building are included on the CD.

**Exchange CD #6, Effective Branch Management**

This CD has been created from the tools and templates shared during our 4-day Forum on Effective Branch Management Leveraging Human Capital for Performance and Growth held in May 2008 in Luxembourg. It includes the presentations from the Forum, publications and tools developed and shared by the speakers. Resources on various aspects of human capital management such as recruitment, retention, performance management and team-building are included on the CD.

<i>Exchange Long-Term Partner Institutions</i>	
<i>Partner Institution</i>	<i>Country</i>
<b><u>BRAC Bank</u></b>	Bangladesh
<b><u>K-Rep Bank</u></b>	Kenya
<b><u>Bhartiya Samruddhi Finance Limited</u></b>	India
<b><u>Sathapana Limited</u></b>	Cambodia
<b><u>InecoBank</u></b>	Armenia
<b><u>XacBank</u></b>	Mongolia
<b><u>Eskhata Bank</u></b>	Tajikistan
<b><u>Planters Development Bank</u></b>	Philippines
<b><u>BRAC Afghanistan Bank</u></b>	Afghanistan
<b><u>Reliance Financial Services</u></b>	The Gambia
<b><u>Commercial Microfinance</u></b>	Uganda
<b><u>MIC Microfinance Bank</u></b>	Nigeria
<b><u>Kashf Microfinance Bank</u></b>	Pakistan
<b><u>CogéBanque</u></b>	Rwanda

We welcome your feedback, which can be directed to Lynn Pikholtz ([lpikholtz@shorecapexchange.org](mailto:lpikholtz@shorecapexchange.org)) or Urmi Sengupta ([usengupta@shorecapexchange.org](mailto:usengupta@shorecapexchange.org)).

If you received this message from a friend, you can sign up for a dedicated copy at: [info@shorecapexchange.org](mailto:info@shorecapexchange.org).

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