



**Dear Friends,**

Warm greetings in these tumultuous times. Despite the economic turmoil, most of our partner banks in emerging and development economies remain resilient. Most banks are focusing, correctly, on getting back to basics and strengthening their fundamentals. Liquidity is tight in most markets, debt is scarce and portfolio quality has deteriorated slightly alongside slower growth, in part due to funding constraints. But the work in developmental finance continues, and we continue to see the need for capacity building and peer learning approaches to cope with today's financial situation.

Over the past quarter, ShoreCap Exchange focused its capacity building efforts with partner institutions in the areas of credit, internal audit, risk management, operations, IT, treasury and asset liability management. On the Knowledge Exchange (KEN) and peer learning front, we have held several forums of interest lately. Our most recent in-person forum was in Chennai, India in March 2009 to train branch managers. This quarter we co-hosted an executive course for bank managers in Kenya, in partnership with ASFA. Additionally, we have held an HR forum this quarter that focused on staff development. Our next in-person learning workshop will be in partnership with CCL in August 2009, also in India, and it will focus on the senior management teams for our partners.

While the pace of our capital and grant raising has slowed slightly, due to the economic environment, we still anticipate reaching our year-end goals of up to \$100 million in equity and \$20 million in grant funding with our sister investment company. These funds will be used to invest in and strengthen up to nineteen microfinance financial institutions (MFIs) and small business banks in Africa and Asia. Consistent with our organizational mission, these financial institutions target underserved entrepreneurs.

Alongside these investments, we at ShoreCap Exchange continue to work hard on building institutional strengths and enhancing human capital and performance management. We are delighted to report that in the first five years of our Capital Plus model, our fifteen partner banks and MFIs grew at average rates of over 50% per year. Today, these institutions collectively serve more than one million micro and small businesses in their local markets. We look forward to helping our partner banks grow and deepening our impact on the small business community in the years to come.

As usual, we welcome your feedback on this newsletter.

Yours truly,

*Lynn*

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**African SME Finance Academy Workshop**

This May, Exchange and ShoreBank International partnered with the Africa SME Finance Academy (ASFA) to provide a training workshop in Kenya. This fits with SCE's focus to grow regional collaborations to increase peer learning opportunities for bankers in Asia and Africa. The week-long training focused on developing strategic and business management for small business finance providers.

**Our Partners**

[BRAC Afghanistan Bank](#)

[BRAC Bank Ltd.](#)

*Bangladesh*

[Bhartiya Samruddhi Finance Ltd.](#)

## Banker-to-Banker HR Forum

### *Building Alliances: Leveraging your position in Human Resources*

No one in Human Resources can get the work done alone. Most of what HR professionals envision for their organizations and most of their assigned responsibilities require cooperation, support, expertise, input and authority held by others, both internal and external. To be successful, HR professionals need to know how to leverage their positions by building alliances and influencing others.

#### *What are alliances?*

Alliances are relationships formed with people you need to have "on your side." Allies may be people you like, people you agree with or people who agree with you most of the time, but not necessarily. You build some alliances because you need something from your allies or can help them, and they need something from you or can help you. The primary characteristic of an alliance is give and take - allies contribute and allies receive value, although what is contributed and what is received do not have to be the same.

#### *Why should you form alliances?*

You need the buy-in and follow through of the majority of line managers to carry out all the aspects of performance management, to contribute data relevant to Human Resources, and to implement or enforce policies. For example, HR sets up, coordinates, and monitors the performance review process, but performance reviews are only conducted when managers support the system. You need the advocacy, role modeling and enforcement provided by the institution's leadership to support those same performance management and HR systems and policies. When senior leaders hold managers accountable for completing development plans, they are supporting a key HR function. You need sounding boards, advisors, information sources, and people who will give candid feedback to keep your HR department in touch with the organization's needs and strategic changes. A colleague in accounting can alert you to a training need; an Advisory Board can fill you in on branch-level disciplinary issues; and the COO can help you align HR strategy with the bank's growth plans.

#### *Examples of key alliances*

- Build an alliance with the CEO and members of the senior management team. Make sure that the HR department contributes in visible ways towards their goals and aspirations, and ask them for their commitment and support of both routine performance management activities and special HR initiatives.
- Build alliances with individual line managers and with a cross-sectional group of them in the form of an Advisory Council or HR Committee. Give them attention and respond to their needs related to managing people and achieving business unit results, and ask them to give advice, provide input, serve as sounding boards, and speak up as champions for HR causes.
- Build an alliance with your immediate boss and with your direct reports or team members, since you need one another to get the work done, have adequate resources, and produce results.

#### *Tips for building successful alliances*

- Make sure there is an ongoing mutual exchange; don't let alliances become one-sided, with one ally always giving and the other always taking.
- Give your allies regular attention; do not take them for granted or get out of touch.
- Choose allies thoughtfully, making sure to include people with opinions different from yours, people who "have your back," and people with connections or influence with others whom you need to connect to or influence.

*India*

[Commercial Microfinance Limited](#)

*Uganda*

[Coge Bank](#)

*Rwanda*

[Eskhata Bank](#)

*Tajikistan*

[Ineco Bank](#)

*Armenia*

[Kashf Microfinance Bank](#)

*Pakistan*

[K-Rep Bank](#)

*Kenya*

[MIC Microfinance Bank](#)

*Nigeria*

[Plantersbank](#)

*Philippines*

[Reliance Financial Services](#)

*The Gambia*

[Sathapana Ltd.](#)

*Cambodia*

[XacBank](#)

*Mongolia*

## Publications

*Click to Access Any of the Resources Below!*

[Exchanging Views Series](#)

[Reflections & Learnings on Risk Management \(April 2005\)](#)

[Technical Assistance Delivery to Small Business Banks and](#)

### *Building alliances: Principles of effective influence*

As you build alliances, you will need to use influencing skills to persuade your allies to see your perspective on an issue, take actions that you need taken, allocate resources you need, and make decisions in favor of your proposals.

A boss may order employees to stay late to close the accounts, but she will get more cooperation and fewer complaints if she explains what has happened, why she needs their help, and why the task needs to be finished that evening. An HR Director cannot demand a budget increase from the Executive Committee, but he can make a business case linked to one or more major strategic initiatives and demonstrate a cost savings, a quality improvement, or a revenue gain.

The first principle of effective influence is to figure out how the goal you want to achieve is also genuinely in the interest of the person or group you want to influence. Will the new benefit package make the bank a more attractive employer, improving the quality of recruits? Will the addition of a trainer shorten the time in which new hires become fully productive or strengthen credit officers' monitoring and collection practices? You can only sell something to others if they can see the benefit to themselves or their organization.

The second principle of effective influence is to interact and communicate with other people in the ways that they find convincing. You will need to study the people you want to influence to discover what works to affect their thinking and decisions, and you will have to adapt your own natural style. The four styles described below are based on studies done by several European and North American psychologists, subsequently validated in a number of other cultures.

- Does the person tend to decide and act quickly? Is he direct, bold, competitive and results-oriented? Can she be demanding, impatient with details and delays, sometimes even aggressive? Then present your proposal in firm, concise, action-oriented terms, like headlines, with short statements of the benefits. Emphasize results, the "bottom line." Ask for the person's opinion, and give direct answers to questions.
- Is the person sociable, a persuasive talker, preferring to talk in person than to telephone or email? Does she like new, innovative ideas or products? Keep your presentation lively, engaging, and even fun. Engage the person in dialogue and use her own words to continue your presentation. Give testimonials, drop names or connect your idea to interesting, prestigious people or organizations.
- Is the person somewhat reserved, traditional and slower to make changes? Is he less of an innovator? Does he need to be sure all avenues have been explored and the proposal is the best alternative? Emphasize the soundness and security of your initiative. Provide details and have all the supporting information in writing, for the person to review while he thinks about what you're proposing. Communicate in a low-key, more reserved manner, allowing the other person time to think. Keep your explanations simple.
- Does the person examine suggestions thoroughly and critically? Is she more likely to say no initially? Does she dislike change and innovation, wanting solid proof and avoiding risk? Make the presentation in a setting and a manner that are most likely to generate trust. Provide background information, examples of similar initiatives that have succeeded, and research data. Only use testimonial statements that are stated in a direct, factual way. Show all the steps you will take to avoid risk.

If you're not sure about the best approach to influence the individual, observe someone else who is successful at persuading that person, or ask a colleague who knows the person better. If you have been unsuccessful in influencing the person in the past, ask someone who knows her what you could do differently that would be more persuasive. In some cases, you can even ask the person you want to influence what he needs to

[MFIs \(June 2005\)](#)

[Staff Retention Strategies \(July 2005\)](#)

[Compensation as a Retention Strategy \(June 2006\)](#)

[Building Win-Win Investor-Investee Relationships \(June 2007\)](#)

[Winning Strategies for Successful Small Business Lending \(June 2008\)](#)

### **Exchange Notes**

[Cultural Transformation of a Bank](#)

[Peer Advisory Boards](#)

[Leading Change Management](#)

[Addressing Board Challenges](#)

### **Toolkits**

*Click to Access the Complete Toolkits Below!*

[Branch Managers Forum](#)

[Leveraging Human Capital Forum](#)

[Risk Mitigation Strategies Forum](#)

[Individual Lender Training for Managers and Officers](#)

[Small Business Lending Forum](#)

[Risk Management Forum](#)

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see and hear to be convinced that an idea is worth supporting.

The HR professionals who build a number of important and sustained alliances and take care to match their influencing techniques to the people they want to persuade will be trusted advisors to their superiors, peers and employees. They will more often turn their visions into actions and achieve their goals, and they will become known as effective and influential leaders.

## 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. This quarter's topic is "Coping with Surges in Loan Delinquencies."*

In the last issue, we mentioned constructing a matrix for coping with a sudden surge in loan delinquencies. We summarized a few assumptions underpinning any such attempt. Picture these assumptions as three circles which overlap, but not wholly, and whose importance and position relative to each other will likely change during the life of a loan. These three circles represent the overall market or industry, to which we suggested applying stratification; the mathematical calculations we outlined; and management.

In the management category we would include three specific factors: management's flexibility and adaptability; its ability to execute; and whether any personal resources are readily available to cover shortfalls. The latter applies especially to microlending situations, although it's not exclusive to micro.

Some lenders find it useful to assign weights to these broad categories of market, 'mathematics,' and management. With a caution against over-elaboration-- the scheme should be as workable as possible-- modest experimentation with weights is probably worthwhile. We might suggest trying initially a 40% weight for market, 35% for mathematics, and 25% for management factors.

The idea then is to create a very simplified risk spectrum. It must be stressed that this is experiential, not scientific. Towards one end of the spectrum would be loans in the portfolio with markets both cyclical and stagnant; poor numerics (below breakeven, inability to attain 1.0 debt service coverage for the next several months given conservative assumptions, apparently inadequate working capital); and a young company with inexperienced management with weaknesses particularly in the areas of flexibility and execution. Such a loan should probably be placed on the problem asset list; in these times of turmoil, even if current, it should be considered for inclusion in Special Mention.

More challenging is determining how to view those loans that fall in the middle of the spectrum, whose market, albeit with little pricing power and tighter trade terms may nonetheless be on a slow rise, for instance, but whose tight debt service coverage at present is offset by some industry history and capable and experienced management. It's not too early to estimate future borrowing needs of these potentially viable customers, but don't be in a rush, and don't forget their working capital position may be eroding.

In troubled times, markets have some tendency to acquire certain commodity-like characteristics, which heightens the importance of cost containment, increasing productivity, innovation, and new ways of accessing the market. Inflexible management with a history of poor execution is often unable to pull this off. Judgments on management are difficult, but quality of management is often the decisive variable.

## Partner News

### *Recent News on Exchange's SCE Partners*

#### [SME Field Growing in Bangladesh](#)

*The Daily Star, Bangladesh*

Loans to small and medium enterprises (SMEs) increased by 140 percent in just one year between March 2008 and March 2009, Bangladesh Bank (BB) data shows. **AEA Muhaimen, managing director of BRAC Bank** that lends on an average 8,000 SME customers a month, reinforced the market perception of growth with their numbers. He said: "Earlier, banks have failed to brand SME. Now they are coming up realising that the sector is the engine of growth." [Read the complete article here.](#)

#### [Plantersbank Hosts SME Finance Briefing for Association of Development Finance Institutions in Asia and the Pacific \(ADFIAP\)](#)

**Plantersbank** hosted an SME finance briefing for twenty-six senior-level bankers from Bhutan, India, Malaysia, Fiji, Palau, Samoa and the Philippines as part of the study program of the Association of Development Finance Institutions in Asia and the Pacific (ADFIAP). Participants were especially interested in Plantersbank's market-driven, privately-managed approach, which is one of two successful SME development banking models presented during the week-long International Seminar-Workshop on Key Performance Indicators for Financial Institutions. [Read the complete article here.](#)

### **About Us**

[ShoreCap Exchange](#) ("Exchange") is a [ShoreBank](#)-sponsored capacity building non-profit organization 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).