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FSD Reviews

TACKLING THE GROWTH CHALLENGE: WORKING WITH MFIs IN KENYA AND TANZANIA

EXECUTIVE SUMMARY

Small to mid-sized microfinance institutions (MFIs) in Kenya and Tanzania face multiple challenges to growth. These include the lack of clear and actionable strategic plans, the need for strategic leadership development, and a range of operational issues. In an effort to help MFIs overcome these barriers, Unitus and FSD partnered in 2009 to create the Africa Microfinance Growth Centre (AMGC).

The AMGC was an innovative 14-month leadership development programme designed to help early-stage MFIs overcome barriers to growth by strengthening the capacity of their CEOs with respect to strategy and leadership, and by providing training to staff in key operational areas. This first-of-its-kind continuous and integrated programme was designed to help MFIs achieve accelerated growth, with the ultimate goal of providing life-changing financial services to larger numbers of low-income families, particularly in rural and underserved areas of Kenya and Tanzania.

After a rigorous selection process, the programme was launched in July 2009 with 11 MFIs and 16 regular participants from Kenya and Tanzania.

The programme's integrated design included both training and support elements. While providing training to the CEOs was crucial to building their strategic leadership capacity, management teams also required training to equip them with the knowledge and skills to better handle day-to-day situations and create a smoother operating organisation. The support elements were designed to provide long-term assistance, giving CEOs a resource network to help them work through obstacles and share successes.

The primary objective of the AMGC was to facilitate the accelerated growth of MFIs in order to provide financial services to significantly more low-income families.

There were four indicators selected to measure progress toward this objective with specific quantitative benchmarks during the programme cycle (see page 8 in report). Thus far, collectively, the participating MFIs have not delivered on the aggressive growth targets established at the outset; however, this may have less to do with the efficacy of the programme or the leadership potential of the CEOs, and more to do with an overly optimistic initial expectation as to the speed at which change would occur. Programme facilitators expect that over time, substantial growth in client numbers will be achieved by many of the organizations in the programme.

As individuals, the programme participants were excellent learners and demonstrated tremendous personal and professional development over the 14-month span of the AMGC. Programme facilitators were amazed at the personal transformation observed as these strong managers developed into strategic leaders, gaining confidence and clarity on their roles throughout the programme. These positive outcomes will undoubtedly have a long-term impact on participants.

In order to reach scale in providing large numbers of low-income families with a complete set of financial services, MFIs must achieve a fully regulated status, requiring streamlined and efficient operations, sophisticated leadership, and clear ownership structure. While great strides have been made by the participants of the programme, issues related to governance, ownership structure, and operations continue to prove challenging to the implementation of lessons learned from the AMGC. These are problems faced by many small MFIs in Kenya and Tanzania, demonstrating that work needs to continue around strengthening operational performance and implementing best practices of governance. Programmes like the AMGC are important to providing the necessary training and support to help early-stage MFIs achieve accelerated growth and impact significantly more lives.

The following tables outline aspects of the leadership programme and some of the key lessons learned during the course of the 14-month programme.

Table 1: The AMGC leadership development programme

	Programme components
Training elements	
Leadership and growth workshops	The leadership and growth workshops focused on helping CEOs become strategic leaders, and included six two-to four-day workshops.
Strategic planning	A three-day strategic planning session was held on-site at each MFI and involved the participation of management teams, field staff, and select board members.
Communication training	The communication training was comprised of two workshops aimed at helping CEOs effectively communicate with and manage their staff and other stakeholders.
Functional training	These workshops were directed toward the management teams, and focused on addressing some of the operational challenges of running an MFI.
Support elements	
Peer network	The peer network created a platform allowing CEOs to engage each other in discussions and continuously learn from one another. This element also included a web portal where participants were able to exchange ideas and information.
Mentorship programme	The mentorship programme matched successful business leaders with MFI CEOs to provide a strategic ally and thought partner.
Relationship management	Each MFI was matched with a Unitus relationship manager to serve as their primary contact within the AMGC.

Table 2: Lessons from the AMGC leadership development programme

Continuity and integrated nature of project	The programme's continuity and integrated nature allowed participants to apply what they learned between sessions, as well as commit to and be held accountable for action. The 14-month time-frame also contributed to the establishment of trusting and leveraged relationships among the CEO participants, and with their relationship managers and mentors.
Selecting the right MFIs	Selection of appropriate MFIs for participation was a critical element to the positive impact of the programme. The selection team was able to identify growth-oriented organisations focused on poverty alleviation in underserved areas with a basic level of operational functionality. The team also carefully screened and selected CEOs who were committed to the growth of their organisation and who were willing to freely exchange ideas with their colleagues. The latter was an extremely important factor in the success of the peer group and workshops due to their collaborative nature. The result of this selection was 100% attendance from each MFI at every workshop, and CEOs who were communicative and took initiative in implementing change.
The value of more than one participant	During many of the workshops, two participants from each MFI were encouraged to participate. This proved to be extremely beneficial. Having two participants from each MFI promoted quality learning through collaboration and brainstorming. It also created shared responsibility in implementation. Having two active participants would also help mitigate the risk of a participating MFI dropping out of the programme, if the CEO were to leave.
Benefit of on-site inclusive strategic planning	The collaborative strategic planning sessions, led by Unitus, were vital to creating solid, actionable plans to guide the growth of the MFI. The on-site and inclusive nature of these sessions established ownership and buy-in among MFI staff and Board members. The structure of the programme reinforced the importance of executing the plans by incorporating continuous follow-up on the progress each MFI was making in implementing their strategies. This ensured that the strategic plans were actively being followed and progress was being made. Participating MFIs will likely continue to use these plans to guide their growth even after the completion of the programme.
Lasting impact of peer network	Many of the CEOs were based in rural and isolated areas with often no one to turn to for professional guidance. As they were all leading similar institutions facing similar challenges, the CEOs placed a high value on the peer network and truly benefitted from the advice and counsel of their peers. These CEOs are now connected through the programme, have each other to turn to and are able to learn from each other. This rich social and professional network has already proven it will far outlast the programme itself.
Transformative effect of communication tools	The communication training was added to the programme in response to an identified need. The training provided transformative communication tools and the feedback from participants was overwhelmingly positive. These tools have helped participants address key issues in their organisations and CEOs have requested this training for their staff.
Mixed value of mentoring component	While the mentoring programme has provided value, its impact was inconsistent across participants. Overall, mentors were highly committed to the programme and to their MFI CEOs; however, they sometimes struggled with how to provide the most value and support. Some mentoring relationships were very good and others seemed to be a bit more forced. Participants and mentors were matched by Unitus versus a more natural matching process. This was likely a factor in creating the mixed results.
Weak board governance continues to hinder growth	Many of the participating MFIs began as nonprofit programmes and are now endeavouring to take steps to becoming fully regulated deposit-taking institutions. However, in order to do so, they must meet stringent regulatory requirements, which include an evaluation of the qualifications of the Board of Directors and management teams. Unfortunately, the Boards of many participating MFIs are not comprised of members that have the appropriate knowledge and experience to meet regulatory standards. Additionally, the Board of Directors for many MFIs were not following best practices with respect to governance. These challenges posed significant obstacles to the implementation of the lessons of the AMGC and the organisation's ability to grow.

1. BACKGROUND

1.1 THE MFI LANDSCAPE IN EAST AFRICA

The microfinance landscape in Kenya and Tanzania is very different from that of countries such as India and Bangladesh, which have seen tremendous growth in their MFI sectors. Microfinance in East Africa has not grown to the extent seen in many other countries for several reasons. One of the challenges that MFIs in East Africa face is a lack of population density. In other words, much of the population lives in rural, sometimes remote, areas of the country. This creates a logistical challenge in reaching large numbers of clients efficiently and makes it more difficult for MFIs to reach scale.

MFI penetration is still extremely low outside of cities in Kenya, and for both rural and urban areas of Tanzania. In both countries, the majority of people living in rural areas have absolutely no access to formal financial services. For MFIs to achieve maximum impact in these underserved areas, they need to be able to provide a complete set of financial services to a large number of clients. To do this, they need to reach scale and become a fully regulated financial institution. Among other things, this means MFIs need to have a streamlined and efficient operations system, an appropriate governance structure, and a highly qualified Board of Directors and management team. Combined with overcoming the logistical obstacles that exist with serving primarily rural populations, this is no small feat for MFIs operating in Kenya and Tanzania. MFIs endeavoring to become regulated and reach scale will require strong strategic leadership and an actionable strategic plan to guide them through the myriad of challenges associated with rapid growth.

1.2 UNITUS RECRUITS KEY PARTNERS

Unitus recognized an opportunity for growth in the East Africa microfinance sector and was able to match the skills, abilities, and experience of Unitus team members with the needs that had been identified to catalyse growth in this region. The experience and commitment of Financial Sector Deepening Kenya (FSD) to working within the financial industry in order to increase access to financial services for low-income families made them an ideal partner in this endeavor. In 2009, Unitus partnered with FSD and recruited Tim Atterton, an expert in small business growth, to begin designing a holistic programme focused on addressing some of the key barriers to MFI growth.

Tim Atterton was recruited to the team for his unique experience in accelerating the growth of small businesses. Through his longstanding relationship with Durham Business School in the United Kingdom, Tim was able to utilise the Durham small business growth model as a basis for the programme design. This model was designed specifically to assist small and less formal organisations make the shift to strategic enterprises with the capacity for accelerated growth. For this reason, it was very applicable to the needs and challenges of MFIs in East Africa, many of which began as nonprofit entities and would require a significant strategic shift in order to continue to grow. Tim served as the lead trainer for the leadership and growth workshops.

Through discussions with partners, it became apparent that the core of the intervention should focus on building leadership capacity and addressing specific operational challenges. In the Spring of 2009, the Africa Microfinance Growth Centre (AMGC) was launched.

> ***"The programme*** *was based on the premise that growing MFIs share the characteristics of growth oriented SMEs (small and medium enterprises) in that they struggle to move away from the constraints of day-to-day operational management and adopt an essential strategic orientation."*
> – Tim Atterton Lead Trainer, Leadership and Growth Workshops.

2. OVERVIEW

2.1 TYPICAL PROBLEMS FACED BY MFIs

While low population density poses unique challenges, another more tactical challenge to growing MFIs in East Africa is strategic leadership capacity. Many MFI CEOs are strong operational managers, but lack the skills and training necessary to be strategic leaders. While many have the desire to be more strategic, both the CEOs and their management teams often lack sufficient resources and training to surpass everyday operational challenges and take the next step in strategic development. For these institutions to overcome challenges, grow and reach scale in serving low-income families, they require strong strategic leadership.

Recently, regulatory authorities in Kenya and Tanzania passed legislation allowing MFIs to become licensed, regulated, deposit-taking institutions. Most of the MFIs participating in the AMGC are either in the process of this transformation or plan to undertake it in the next few years. The regulatory requirements to make this transition and to maintain a license as a deposit-taking institution are very stringent and include continuous evaluation of the qualifications of management and the Board of Directors. As most participating MFIs began as nonprofit organisations or nonprofit programmes, this transformation represents a major shift from a relatively informal type of organisational structure, to a highly regulated institution and trustee of public deposits. This requires restructuring the MFI and moving to a commercialized model in order to gain access to capital. For this reason, it is essential that both the management teams and Board of Directors evolve accordingly and have the appropriate expertise.

> ***"We drew upon best** practice in SME development programmes to design the leadership and growth workshops and provide a strong conceptual base for MFI learning and development."*
>
> – Tim Atterton Lead Trainer, Leadership and Growth Workshops.

Unfortunately, many MFIs are inadvertently limited by ties to their originating nonprofit organisations, particularly with respect to ownership structure and appropriate governance. For example, many MFIs that were formed as nonprofits have a Board of Directors made up of community members who may have been serving since the organisation originated, in some cases over a decade ago. While these Board members are committed to the organisation, they may not have the appropriate knowledge and/or experience to govern a regulated, commercial financial institution. This results in a significant obstacle to the growth for the MFI.

MFIs also experience challenges related to operations. The success of an organisation is very dependent on the team of people working to ensure its progress. However, because of their small size, MFIs are typically not able to pay as well as other institutions, so hiring and motivating competent staff for these difficult jobs becomes an additional challenge. Finally, operations are often outdated and not streamlined or standardized, resulting in inefficiency and higher risk.

The AMGC was designed to directly address these issues by strengthening the capacity of a select group of dedicated CEOs of MFIs and providing supportive training to staff members in order to address and improve operational performance.

2.2 PROGRAMME GOALS AND COMPONENTS

The AMGC was a highly innovative leadership development programme designed to help early-stage MFIs overcome barriers to growth by strengthening the capacity of their CEOs with respect to strategy and leadership, and by providing training to management teams in key operational areas. This pioneering programme was one of the first to apply a for-profit leadership development model to social enterprises in Kenya and Tanzania. It was designed to accelerate the growth of MFIs with the ultimate goal of providing life-changing financial services to more families who need it, particularly in rural and underserved areas. The AMGC had three big-picture goals as outcomes of the project:

- Improve the ability of small MFIs to grow rapidly.
- Increase access to financial products for low-income and rural families.
- Demonstrate that MFIs in East Africa can grow to achieve scale in untapped markets.

> ***Characteristics of MFI participants***
>
> - *20,000 - Average clients served.*
> - *$190 - Average outstanding loan balance.*
> - *80% - Approximate percentage of rural clients served.*
> - *Diverse operating models.*
> - *Relatively strong, entrepreneurial CEOs*

The programme components included both training and support elements implemented over a 14-month period.

Training elements:

- Leadership and growth workshops.
- On-site strategic planning workshops.
- Communication training.
- Functional training.

Support elements:

- Peer network.
- Mentorship programme.
- Relationship management.

The programme was designed to be multi-tiered. While training for the CEOs was crucial to creating strategic leaders, management teams also required training to equip them with the knowledge and tools to better handle day-to-day situations and create a smoother operating organisation. The communication training, and leadership and growth workshops targeted CEOs and their second-in-command to help strengthen their leadership skills, while functional training was held for line managers to build their capacity around operational issues. The strategic planning sessions for each MFI were inclusive of the CEOs, their management teams and field staff, as well as select Board members, in an effort to achieve wide-spread buy-in and ownership of the plan. The support elements were designed to provide long-term assistance, giving CEOs a resource network to help them work through obstacles and share successes.

2.3 MFI PARTNER SELECTION

An extensive screening process was implemented in the selection of MFIs for participation in the programme. A system of applications, personal interviews, and reference checks was carried out in order to select the stand-out organisations and leaders with respect to strategic leadership potential, ability to affect growth, openness to learning and sharing, and mindset toward commercialization. The selection team also looked for potential participants that were able to maintain a balance between the social mission of providing innovative financial services for the poor and the desire to be sustainable and profitable, as well as those who had a solid track record of achievement. Particular attention was also given to MFIs attempting to reach underserved rural populations. This rigorous process was implemented in order to ensure that the participants selected had the best chance for growth as a result of this programme.

At the end of this process, 12 MFIs and 17 participants were selected. Of these, 11 MFIs and 16 participants completed the AMGC programme.

Participating MFIs	
Kenyan	*Tanzanian*
Adok Timo	*Mbinga*
BIMAS	*MuCoBa*
KEEF	*Tujijenge Microfinance*
KFS	*Tujijenge Tanzania*
PAWDEP	*YOSEFO*
Yehu Microfinance	

3. PROGRAMME DESIGN

The components of the AMGC programme were designed to be holistic in addressing the various needs of 11 early-stage MFIs in Kenya and Tanzania over a 14-month period. The programme logic hypothesized that by addressing strategic leadership and key functional issues, significant barriers to growth would be drastically reduced. This would allow MFIs to expand their operations and accomplish the goal of providing financial services to larger numbers of underserved, low-income families. Following is a more in-depth look at each of the programme components.

3.1 LEADERSHIP AND GROWTH WORKSHOPS

The leadership and growth workshops focused on helping CEOs shift from being day-to-day managers, to being strategic leaders who drive change and growth. The programme included six workshops, each lasting between two and four days. Each workshop focused on a different aspect of strategic development and required the CEOs to complete assignments within their respective organisations before the next training. Because of the amount of time between each workshop, usually one or two months, CEOs were able to absorb the material and begin to make subsequent changes in their organisations before the next workshop. At each succeeding workshop, facilitators followed up with participants regarding their action items and CEOs were given the opportunity to discuss how things were going at their organisation before moving into the next workshop topic. The continuity of the workshops, along with the consistent follow-up and support from both programme staff and other CEOs significantly contributed to the learning process.

3.2 STRATEGIC PLANNING

The majority of the participating MFIs had strategic plans before they entered the programme. However, these plans were often voluminous and very difficult to break down into actionable pieces. With many competing priorities and no actionable plan, it was difficult to focus on the right strategic initiatives. To achieve their mission, MFIs needed to turn high-level ideas into concrete goals, strategic initiatives, and action plans. For this reason the AMGC allocated a significant amount of time to work with each MFI individually in developing a solid, actionable plan, and provided simple tools for tracking and reporting on progress.

A three-day strategic planning session was held on-site at each MFI and involved the participation of management teams, field staff, and select Board members to collaboratively craft a plan that the entire institution could own and achieve. Participants were required to report on progress in reaching their stated goals at each of the leadership and growth workshops. In the final workshop, a full day was dedicated to checking on progress and teaching participants how to facilitate formal strategic planning check-in sessions with their team and Board of Directors. The facilitators recommended conducting these check-in sessions to review and discuss progress and assumptions, and to make alterations to strategic plans as necessary, keeping them relevant and useful.

Leadership and growth workshops

1. *Scene setting and change management.*
2. *Strategy and leadership.*
3. *MFI strategies, removing obstacles, and team building.*
4. *Strategy implementation, competitive advantage, and communication skills.*
5. *Leading change and blockage removal.*
6. *Checking in, innovation and creativity, and celebrating success.*

3.3 COMMUNICATION TRAINING

The communication training was comprised of two workshops. The first workshop provided structured training on how to engage in productive discussions regarding performance and hold people accountable for their work. The second provided a step-by-step process for identifying and effectively addressing the performance gaps that stand in the way of organisational success. These workshops were aimed at helping CEOs effectively communicate with and manage their staff. As mentioned, the success of small MFIs is heavily dependent on the integrity of staff and quality of their work. In order to successfully manage a financial institution, a CEO must be able to communicate effectively with their team and address issues of performance with staff members. These workshops provided a vital methodology for handling communication and conflict.

3.4 FUNCTIONAL TRAINING

In order to address some of the operational issues facing MFIs, functional training was incorporated into the programme. These workshops were directed toward the management teams - those responsible for the day-to-day operations - and focused on addressing some of the operational training needs at their organisation. As a result, five functional training workshops, each lasting between one and two days, were conducted covering the following topics:

- Operations.
- IT and management information systems.
- Governance.
- Human resources.
- Risk management and internal controls.

Strengthening the capacity of the management teams in these areas would prepare them better to handle difficult situations and help to free the CEO from needing to become too involved in operational issues. It would also create a smoother running, more efficient organisation with an increased capacity for growth.

"There's a lot of team building *that's just happening naturally. For example, there are four CEOs in Kenya who have formed their own kind of mini-network and they're meeting once a month at each other's location. They are seeing each other's operations and sharing ideas and learnings with each other. It's all completely spontaneous, and that kind of thing is really exciting."*

– Natalie Barndt, Director, East Africa, Unitus

3.5 MENTORSHIP PROGRAMME

The second support element, the mentorship programme, matched successful business leaders with MFI CEOs. The mentors selected for participation were some of the best business minds and most successful entrepreneurs in Kenya and Tanzania. Throughout the programme, these leaders served as a strategic thought partner to the CEOs. The programme required mentors and participants to have at least one meaningful interaction a month, ideally in person.

3.6 RELATIONSHIP MANAGEMENT

The final component of the support elements was the relationship manager. Each MFI was matched with a Unitus relationship manager to serve as their primary contact with the AMGC. The relationship manager helped guide CEOs through the programme activities and ensure that each was receiving the maximum benefits from the programme. They were responsible for facilitating the strategic planning sessions, following up on progress, and providing consistent, individualized support throughout the programme.

"It's been very, very practical, *well customized, and very relevant to what we do on a day-to-day basis."*

– Adet Kachi, AMGC participant and CEO, Yehu Microfinance

4. PROGRESS IN MEETING OBJECTIVES

The primary stated objective of the AMGC is to:

increase the contribution of the microfinance sector in expanding financial inclusion, by stimulating the sustained and rapid growth of high-potential microfinance institutions.

In other words, the AMGC seeks to facilitate the accelerated growth of MFIs that are actively engaged in innovative ways to reach underserved populations in order to provide financial services to significantly more low-income families.

There were four indicators selected to measure progress toward this objective with specific quantitative benchmarks during the programme cycle.

Indicators:

- New clients accessing services in supported MFIs (since programme inception June 30, 2009).
- Average increase in MFI outreach annual growth rate.
- Average annual increase in number of active clients.
- MFIs meeting self-defined performance targets.

> ***"I can see the change** in the level of confidence of the participants. There's particularly someone who came in looking down at his shoes when he would talk and mumble, and I see him now up there presenting his strategic plan with animation and confidence and pride and that gives me a lot of faith that there will be impact from what we're doing."*
>
> – Natalie Barndt, Director, East Africa, Unitus

As individuals, the programme participants were excellent learners and demonstrated tremendous personal and professional development over the 14-month span of the AMGC. Collectively to date, the participating MFIs have not delivered on the aggressive growth targets established at the outset. This may have less to do with the efficacy of the programme or the leadership potential of the CEOs and more to do with an overly optimistic initial expectation of the speed with which changes would occur. Participants were being asked to implement significant changes within their organisations. After successful completion of the program, it will take additional time for the institutions to fully implement and adapt to the changes, hit their stride making progress on their action plans, and ultimately see results. Programme facilitators expect that over time, substantial growth in client numbers will be achieved by many of the organisations in the programme. FSD plans to continue to monitor the indicators in order to gauge future impact.

While the official numbers are not yet being met, there are multiple outcomes of the programme that will undoubtedly have a long-term positive impact on participants. AMGC programme staff and facilitators have seen a marked increase in the confidence of many of the CEOs as a result of their participation in the programme. The change that programme staff have observed in each individual from one workshop to the next, and the enthusiasm with which the CEOs share their successes and seek out help with what they're struggling with, are intangible measures of their potential to effect real change within their institution. The CEOs' commitment to learning and growth is also illustrated by their decision to continue utilizing the peer network to support and learn from one another even after the end of the programme, along with the vast personal and professional growth that has made them even better leaders, benefitting their organisations, employees, and clients. The changes they are making and their enhanced ability to effectively lead their organisations are positive signs that significant growth in the number of clients served will follow.

5. LESSONS LEARNED

5.1 CONTINUITY AND INTEGRATED NATURE OF PROJECT

The programme's continuity and integrated nature allowed participants to apply what they learned between sessions, as well as commit to and be held accountable for action. It also contributed to the establishment of trusting and leveraged relationships among the CEO participants, and with their relationship managers and mentors. The programme was carried out over the course of 14-months. During this time, the same group of leaders were brought together every one to two months in order to learn new skills, celebrate successes, discuss challenges, and collaboratively solve problems. In this way, participants got to know and trust each other, and were able to help each other by engaging in discussions, sharing ideas, and providing insight regarding problems they had successfully addressed or were dealing with in their own MFIs. In each workshop, the CEOs were also given assignments to carry out within their MFIs. Facilitators would then follow up on these assignments at the next workshop, creating accountability and continuity. Each Unitus relationship manager also maintained an ongoing relationship with participants, following up with them regarding assignments and progress implementing their strategic plans, as well as providing additional support when needed.

5.2 SELECTING THE RIGHT MFIS

The selection of appropriate MFIs for participation was a critical element to the positive impact of the programme. While the process may have seemed overly rigorous at the time, the benefits of this highly selective method have become apparent. Through careful selection, the team was able to identify CEOs who were committed to the growth of their organisation, as well as their own personal growth, and who were willing to freely exchange ideas with their colleagues. The latter was an extremely important factor in the success of the peer group and workshops due to their collaborative nature. The process also allowed the team to select MFIs that were highly focused on poverty alleviation in underserved areas with a solid basic level of operations. The result of this selection was 100% attendance from each MFI at every workshop and CEOs who were very communicative and took initiative in implementing change. All of these factors contributed to the marked success and positive growth of the participants.

5.3 THE VALUE OF MORE THAN ONE PARTICIPANT

During the communication training and leadership and growth workshops, CEOs were encouraged to invite their second-in-command to participate. This proved to be extremely beneficial. In general, having two participants from each MFI spreads responsibility and promotes quality learning through collaboration and brainstorming. When this happens, the CEO and second-in-command become a cohesive team and are then both responsible for implementation, as opposed to it falling solely on the CEO. This principle was applied to the functional training as well. Two participants from each MFI were encouraged to attend each functional training so that learning and implementation responsibilities could be shared. In future participant groups, this two-person participation may be considered a requirement. Having two active participants would also help mitigate the risk of an MFI dropping out of the programme if the CEO were to leave the organisation. A lot can change over a 14-month period, including changes in leadership. The participation of the second-in-command would increase the probability of the MFIs continuation in the programme, if this were to happen.

> ***"We have learned to*** *make our strategic plans and also implement and follow up, which I think has been a key aspect. Implementation of strategy has been quite practical for us because we are now able to monitor closely and hold our staff accountable on issues and objectives."*
>
> – Simon Maina, AMGC participant and Finance and Administration Manager, BIMAS

5.4 BENEFIT OF ON-SITE INCLUSIVE STRATEGIC PLANNING

While most of the participating MFIs had strategic plans at the outset of the programme, these plans were voluminous and difficult to break into actionable pieces for implementation and tracking. The existing plans were often developed by outside consulting firms with little input from the MFI teams, resulting in limited buy-in and poor implementation. Without an inclusively developed and actionable plan, the potential growth of these organisations would be limited. In order to address this need, the programme incorporated collaborative strategic planning sessions, facilitated by Unitus, which were inclusive of various levels of field staff, management, and Board members. These sessions resulted in the creation of aspirational yet achievable plans that all levels of MFI staff were able to fully support and own. This participatory process aided in aligning the staff at each organisation with a unifying strategy, enabling the organisation to move forward as one cohesive unit.

Equally important to having a strong strategic plan was the ability to effectively implement and track progress. For this reason, tools for monitoring progress were provided to the MFIs during strategic planning sessions. The CEOs utilized these tools at subsequent workshops to present progress implementing their plans. Additionally, CEOs received training with respect to conducting periodic strategic plan check-ins with their teams and Board members. The purpose of these check-in meetings was to monitor and reflect on progress to date, update assumptions and information as necessary, and to make any related adjustments to the plan required to keep it up to date and relevant. The structure of the programme reinforced the importance and practice of implementing and tracking progress by building in continuous follow-up regarding the progress and challenges each MFI was experiencing in implementing their strategies. After the strategic planning sessions were held, progress in implementing the plans was discussed at each leadership and growth workshop. Sections of the workshops were tailored to address common challenges in implementing strategies. This continuous follow-up ensured that the strategic plans were actively being followed and progress was being made. It also allowed the curriculum to evolve according to the needs of participants and provided opportunities for CEOs to assist each other with challenges. Participating MFIs will likely continue to use these plans to guide their growth even after the completion of the programme.

> ***"I think [the communication training]*** *will be life changing in the real world in that it will not only help me to handle issues while I'm doing my microfinance, but also when I'm living my normal life. Whoever comes into contact with me will realize a difference in the way matters are handled."*
>
> – Daniel Kimani, AMGC participant and CEO, KEEF

5.5 LASTING IMPACT OF PEER NETWORK

Many of the CEOs were working in rural and isolated areas often with little professional support or guidance. As they were all leading similar institutions facing similar challenges, the CEOs placed a high value on the opportunity to share experiences with this newly created peer network and truly benefitted from each other's advice and counsel. These CEOs are now connected through the programme, have each other to turn to, and are able to learn from each other. This rich social and professional network will far outlast the programme itself. At the last leadership and growth workshop, the CEOs decided to continue to meet regularly after the completion of the programme and appointed fellow participants to organize the meetings and ensure the continuity of the network. This commitment to continuous learning has the potential to create impact well beyond the 14 months of the AMGC.

5.6 TRANSFORMATIVE EFFECT OF COMMUNICATION TOOLS

The communication training was a last minute addition to the programme curriculum in response to an identified need. The two workshops provided transformative communication tools, and the feedback from participants was overwhelmingly positive. These tools have helped participants address key issues in their organisations that had previously been avoided due to communication challenges. Many CEOs regularly shared their successes in using the tools to move their organisations forward and have requested this training for their staff.

5.7 MIXED VALUE OF MENTORING COMPONENT

While the mentoring programme has provided value, its impact was inconsistent across participants. Overall, mentors were highly committed to the programme and to their MFI CEOs; however, they sometimes struggled with how to provide the most value and support. Participants were also unsure how to gain the most from these relationships. Some mentors felt that CEOs could have taken a more proactive role in the relationship, engaging them in discussion and calling on them for guidance. While some mentoring relationships were very good, others seemed to be a bit more forced. Participants and mentors were matched by Unitus versus a more natural matching process. This was likely a factor in creating the mixed results. The mentoring aspect of the programme, specifically the matching methodology, needs to be further evaluated and perhaps altered. Given the extensive resources required to establish and maintain the mentorship component, it may not be continued in future programme cycles. In contrast, the relationship management portion of the AMGC provided excellent and consistent support to participants.

> ***"One very, very big success*** *in the strategic plan is the formation of Board committees. We have formed three committees and they are now working and I think it's making decision-making quite easy or better."*
>
> – Simon Maina, AMGC participant and Finance and Administration Manager, BIMAS

5.8 WEAK BOARD GOVERNANCE CONTINUES TO HINDER GROWTH

One of the major challenges faced by MFIs relates to issues of governance. An organisation's Board of Directors is very important in helping to guide its strategic trajectory. Therefore, appropriate governance and composition of the Board, based on best practices and relevant expertise, are key to the success and growth of the institution.

Many of the participating MFIs began as nonprofit programmes and have evolved over time, into independent non-regulated financial institutions. Many are now endeavoring to take steps to become fully regulated deposit-taking institutions. However, in order to do so, they must meet stringent regulatory requirements, which include an evaluation of the qualifications of the Board of Directors and management teams. Unfortunately, the Boards of many participating MFIs are not comprised of members with the appropriate knowledge and/or experience to meet these regulatory standards. The structure and operations of an MFI become more sophisticated as it makes the transition from a nonprofit or non-regulated institution to a fully regulated financial institution. It is important that the expertise represented in the composition of its Board of Directors also evolve accordingly. During the course of the programme, it was found that the Boards of many participating MFIs were not following best practices with respect to governance. Several were found to be very involved in the day-to-day operations of the organisation, while others were under-involved in all areas. These challenges regarding Board composition and governance posed significant obstacles to the implementation of the lessons of the AMGC and the organisation's ability to grow. To begin addressing these issues, the AMGC held a two-day functional training focused on governance, to which CEOs and Board members were invited to attend. This training clarified the role of Board members and provided a set of best practices for participating MFI Boards to follow. Each organisation committed to significant action that will hopefully improve the governance of the institutions and enable them to grow more rapidly and responsibly.

6. CONCLUSION

MFIs in Kenya and Tanzania face significant challenges to growth, which the AMGC sought to address with its integrated programming. This was one of the first continuous and integrated programmes to utilise a for-profit leadership development model and apply it to social enterprises in Kenya and Tanzania. The lessons learned from this pioneering programme can be extended to other efforts in the East Africa region seeking to further accelerate and support the growth of early-stage MFIs.

The participants highly valued the programme and were very committed to learning and implementing changes within their MFIs. All of the participants grew personally and professionally from the training and support provided by the programme. Many will go on to create impactful change within their organisations. The AMGC came to a close with celebration and excitement for the future. While it may be too early to determine the impact of the programme in reaching larger numbers of low-income families, programme facilitators expect that substantial growth in client numbers will be achieved by many of the participating organisations over time. Additionally, significant progress has been made, both by the CEOs in their ability to lead, and the AMGC programme staff in learning how to more effectively address potential barriers to growth.

One area of the AMGC that requires re-evaluation is the mentoring component as its benefits were inconsistent across participants and it required a high level of resources to support. Successful elements to carry out in future efforts include the following:

- The ***continuity and integrated nature of the programme*** was an aspect that allowed participants to implement what they learned with the support of the AMGC staff and each other over an extended period of time, and enabled the formation of lasting, meaningful professional relationships.
- Careful attention should be given to ***the selection process*** in order to choose MFI participants that will be able to gain the most from the programme as well as actively contribute as participants.
- Having ***more than one participant from each MFI*** in attendance at each workshop was very beneficial to spreading the learning, and implementation responsibilities, and ensuring continued participation.
- ***Strategic planning sessions*** were vital to creating solid, actionable plans to guide the growth of the MFIs, while the on-site and inclusive nature of these sessions established ownership and buy-in among all levels of MFI staff.
- The relationships formed in ***the peer network*** were of utmost importance in providing each CEO with a long-term professional resource, facilitating continuous learning and ensuring long-term impact.
- Providing ***communication training*** to the CEOs and a methodology to deal with conflict was met with an overwhelmingly positive response as a much needed skill set.

> ***"I think the impact is great*** *both at the personal and institutional level. We are holding everyone accountable."*
>
> – Nduati Mwangi, AMGC participant and Executive Director, BIMAS

While great strides have been made by the participants of the programme, issues related to governance, ownership structure, and operations continued to prove challenging to the implementation of the lessons learned from the AMGC. These are problems faced by many small MFIs in Kenya and Tanzania. In order to reach scale in providing large numbers of low-income families with a complete set of financial services, MFIs will need to continue to work on strengthening their operational performance and implementing best practices of governance. Capacity building programmes like the AMGC are important to providing the necessary training and support to help early-stage MFIs achieve accelerated growth and ultimately impact significantly more lives.

Lessons learned from the Africa Microfinance Growth Centre.
The study was carried out by Leonor Robles of Unitus.

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The Africa Microfinance Growth Centre was an innovative 14-month leadership development programme designed to help early-stage MFIs overcome barriers to growth by strengthening the capacity of their CEOs in the areas of strategy, leadership, and execution. A Unitus and FSD Kenya partnership, the Growth Centre sought to rapidly expand the financial services available to low-income families in underserved areas of Kenya and Tanzania by helping CEOs achieve accelerated growth for their MFIs.

Unitus, an international nonprofit organisation, fights poverty by accelerating the growth of microfinance through small loans and other financial tools for self-empowerment - where it is needed most. For more information about Unitus, please visit www.unitus.com.

The is an end of project report by Unitus, the implementing partner. The findings, interpretations and conclusions are those of the authors and do not necessarily represent those of FSD Kenya, its Trustees and partner development agencies.

The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.

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