

**The Practitioner Learning Program  
Putting Client Assessment to Work, Case Study #1**

# **How Client Assessment is Making a Difference at CRECER**

**Principal Authors:** Russell Brott, Inez Murray, Isabel Rueda, and Alfonso Torrico

**Editors:** Amy Davis Kruize, Jennifer E. Hansel, and Peggy McInerney

**SEEP**



**USAID**  
FROM THE AMERICAN PEOPLE

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The SEEP Practitioner Learning Program (PLP) in Client Assessment, How Client Assessment is Making a Difference at CRECER.

Printed in the United States of America

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Putting Client Assessment to Work, Technical Note #1

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Principal Authors: **Russell Brott, Inez Murray, Isabel Rueda, and Alfonso Torrico**

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April 2006

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**A C L A M**  
Action contre la Misère

**WORLD CONCERN** HAITI



*Freedom*  
from Hunger



**Microfinance Opportunities**  
"Putting Clients First"



The Practitioner Learning Program is funded by the Microenterprise Development Division of the United States Agency for International Development (USAID). The opinions expressed herein are those of the authors and the views of this paper do not necessarily represent those of The SEEP Network, USAID, or any of the individual organizations that participated in the discussion. Rather the views in this paper are a compilation of those presented during this PLP program.

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## **ACKNOWLEDGEMENTS**

Our gratitude goes to The SEEP Network for initiating the Practitioner Learning Program (PLP) and to the Microenterprise Development Office of USAID for supporting all of the PLP's activities. We would also like to thank the following individuals who supported the PLP in "Putting Client Assessment to Work" by providing guidance, technical assistance, and program support during the planning, implementation, learning, and writing phases of the initiative: Monique Cohen, Resource Panelist, Microfinance Opportunities, Inc.; Inez Murray, Resource Panelist, Women's World Banking; Chuck Waterfield, Resource Panelist, MFI Solutions, LLC; Gary Woller, Resource Panelist, Woller & Associates; Suzy Salib-Bauer and Amy Davis Kruize, PLP Facilitators, The SEEP Network; Jimmy Harris, Deputy Director, The SEEP Network; Jennifer E. Hansel, Program Associate, The SEEP Network; Melissa Nussbaum, Intern, The SEEP Network; Russell Brott, Intern, The SEEP Network; Geoff Chalmers, Manager, USAID; and Evelyn Stark, Manager, USAID. We also thank all the individuals and organizations participating in The SEEP Network's PLP in "Putting Client Assessment to Work."

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# Acronyms

ACLAM	<i>Action Contre La Misère</i> (Haiti)
ASA	Activists for Social Alternatives (India)
AIMS	Assessing the Impact of Microfinance Systems
CA	Client Assessment
CARD	Center for Agriculture and Rural Development (Philippines)
CEO	Chief Executive Officer
CRECER	<i>Crédito con Educación Rural</i>
FOCCAS	Foundation for Credit and Community Assistance (Uganda)
FFH	Freedom From Hunger (Davis, CA)
MDF-Kamurj	Microenterprise Development Fund Kamurj (Armenia)
MFC/CEE/NIS	Microfinance Center for Central & Eastern Europe and the Newly Independent States
MFI	Microfinance Institution
PLP	Practitioner Learning Program
PRA	Participatory Rapid Appraisal
Pro Mujer	“Programs for Women” (Spanish)
RCPB	Réseau des Caisses Populaires in Burkina-Faso “Network of Credit Unions” (French)
SPSS	Statistical Package for Social Sciences
SEEP	Small Enterprise Education and Promotion Network
ULO	“ <i>Unidades Locales Operativas</i> ” (Spanish), Local Operations Units
URWEGO	“ <i>Ladder to Success</i> ” in Kinyarwanda language
USAID	United States Agency for International Development

# Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the microenterprise field. A competitively run grants program, the SEEP PLP engages participants in a collaborative learning process to share and document findings and lessons learned, as well as to identify effective, replicable microenterprise practices and innovations to benefit the industry as a whole. The SEEP PLP is funded by the Microenterprise Development Division of the United States Agency for International Development (USAID). For more information on this and other SEEP PLP initiatives, see The SEEP Network website: [www.seepnetwork.org](http://www.seepnetwork.org).

The objective of “Putting Client Assessment to Work,” conducted from September 2002 through January 2005, was to encourage experiments in client assessment strategies, tools, and technologies.

During this SEEP PLP grantees focused on three major categories of client assessment: market research, client monitoring, and impact assessment. Market research refers to the systematic gathering, recording, analyzing, and applying of market intelligence collected from an institution’s clients or potential clients. Client monitoring looks at client well-being at various levels such as, business performance, income levels, and the ability to send children to school. Impact assessment tends to be more complicated than market research or client monitoring. It takes client monitoring a step further and attributes social outcomes to program participation.

As a result of their grants, the practitioners who participated in the SEEP PLP “Putting Client Assessment to Work” have improved their understanding of clients and markets as well as implemented changes in their operations, systems, and strategies to encourage innovation within their organizations.

This SEEP PLP focused on overarching questions of client assessment that were common to the various participant organizations. The participants themselves defined a specific learning agenda on the topic and during a face-to-face start-up workshop, developed learning questions and accompanying action plans. Participants then implemented the action plans in their respective countries and wrote periodic reports on their progress. The participants, the facilitators of “Putting Client Assessment to Work,” SEEP Network staff, and other experts shared information electronically over a SEEP Network web-based workspace and via listserv discussions throughout the duration of this initiative.

**Table 1. Participants in the SEEP PLP in “Putting Client Assessment to Work” initiative**

---

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(ACLAM)**  
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A second, or mid-term, workshop in September 2003 helped the team consolidate the learning process, extrapolate preliminary lessons learned, and identify new learning questions. As a result of the mid-term workshop, a rigorous and prolific listserve discussion was organized on the topic of research design—a challenge that was identified by all participants. Participants continued to submit periodic reports and shared lessons learned with each other after the mid-term workshop. Several organizations conducted “Peer to Peer” exchange visits with one another. In addition, during the grant period, facilitators and resource panelists were dispatched to visit participants’ sites to support meaningful dialogue and provide technical assistance. Finally, a closing workshop in January 2005 more concretely began the documentation process of capturing what participants had learned throughout this initiative.

The SEEP PLP “Putting Client Assessment to Work” was uniquely positioned to make crucial contributions to the microfinance industry on client assessment. As a result, it has provided source data to both The SEEP Network and ImpAct. The experience of the six MFIs that participated in this PLP program demonstrated that client assessment does make a difference. If carefully planned and implemented well, it enhances an MFI’s ability to achieve financial sustainability (by ensuring better-quality services) and helps maintain its social mission. The following are examples of some of the activities performed by participants:

- **Activists for Social Alternatives (ASA), India** designed and implemented a comprehensive client assessment strategy and cost-effective tools that strengthened its understanding of clients and markets.
- **Freedom From Hunger, USA** in partnership with *Action Contre La Misère*,<sup>1</sup> (ACLAM), **Haiti** and *Crédito con Educación Rural*<sup>2</sup> (CRECER), **Bolivia** improved its responsiveness to clients in conflict and disaster zones, improved client retention, and reduced interest rates. ACLAM and CRECER then institutionalized their client assessment mechanisms by integrating them into their regular management systems.
- **URWEGO Community Banking**,<sup>3</sup> **Rwanda** refined its initial action plan and provided managers with meaningful marketing and client impact data drawn from an integrated, cost-effective client assessment system. Eventually, URWEGO created a cross-departmental client assessment team that increased staff acceptance of the system.
- **PRO MUJER**,<sup>4</sup> **Bolivia and Peru**, developed a specific focus on client assessment and research within their institutions, incorporated client response data into their respective management information systems, and strengthened the demand-driven nature of their services. Their client assessment efforts evolved from an externally driven impact assessment to an in-house capacity to conduct market research.
- **Microfinance Centre for Central and Eastern Europe and Newly Independent States (MFC/CEE/NIS), Poland**, worked in partnership with the **Microenterprise Development Fund (MDF-Kamurj), Armenia**, to jointly develop and implement a client tracking system and a new rural product, as well as increase regional knowledge about client assessment.

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<sup>1</sup> Action Contre La Misère is “Action Against Misery” in French

<sup>2</sup> Crédito con Educación Rural is “Credit with Rural Education” in Spanish

<sup>3</sup> URWEGO is “Ladder to Success” in Kinyarwanda language

<sup>4</sup> Pro Mujer is “Programs for Women” in Spanish.

# Introduction

This case study highlights four key lessons learned from the client assessment program of the *Crédito con Educación Rural* (CRECER), a Microfinance Institution (MFI) that uses village-banking methodology in Bolivia. The primary lessons drawn from this case study are:

- Institutionalizing a listening culture within an MFI has significant net benefits for both clients and the institution, including improved product and service delivery for clients and increased competitiveness for the MFI.
- Conducting qualitative research using small sample sizes, while not traditionally considered “rigorous,” is, in fact, a very practical way to shed light on a variety of research questions. This methodology is quick and cost effective, enabling management to respond to clients as well as operational concerns in a timely manner.
- Using MFI staff to collect and analyze client assessment data ensures that they “own” the results, as well as the implications of those results.
- If MFI staff conduct client assessment research, they must be well trained in data collection methodologies. Despite the relatively simple research methodologies used by CRECER, training was still necessary. Poorly implemented research is unlikely to be of use to either the organization or the client.

The following questions constitute the basis of this case study. What prompted CRECER to start a systematic process for collecting client feedback? What cultural factors within CRECER allowed the institution to adopt a particularly “participatory” approach to client assessment—using field agents and other staff to collect data, holding meetings to discuss findings, and institutionalizing a feedback loop? These questions are the core of this case study.

# Section 1

## CRECER Background

Operating in one of the most competitive microfinance sectors in the world and in a country experiencing considerable political instability, CRECER has performed remarkably well since its founding 15 years ago by Freedom from Hunger (FFH). With 55,600 clients and a total loan portfolio of US\$8.9 million at year-end 2004, CRECER maintains a keen focus on particularly low-income populations. Serving nearly all regions of Bolivia, CRECER operates in both rural and peri-urban settings and is the largest village-banking institution in Bolivia.

### **Box 1. The impact of client assessment on CRECER operations**

At a recent bank meeting, Flora, a member of a CRECER's "*Grupo Francisco*" village bank, spoke openly about her experience at CRECER. As she spoke, heads nodded in agreement with everything she said. Living in Camacho Rancho, Punata, an area mostly dependent on agriculture for income, she sells flour to local general stores for a living. By borrowing 1,200 Bolivianos at 3.5 percent monthly interest and paying back a portion of the principal and interest at weekly meetings, Flora has been able to buy grain in bulk at reduced prices, allowing her to increase her profit margin and gain an advantage over the competition.

Flora was quick to point out the things that CRECER was doing right. She noted that CRECER services had been invaluable to her and her family and was excited about the cohesion of her group. Without the village bank, she reflected, she would be out of business. Flora detailed how useful the weekly education "*charlas*" or discussions had been to her and her family, which she thought made CRECER stand out from other MFIs in the region. In fact, almost everything she and the other clients had to say about CRECER's loan program was positive.

Flora remembered one thing, however, that had bothered her in previous months: the weekly meetings were too frequent and taking away time that she and the other members could have been working or spending with family. In order to attend the weekly meetings, village bank members usually had to walk from their homes, which took two to three hours out of their day. Other clients chimed in that they, too, thought the meetings were too frequent and too long.

They then spoke excitedly about the day that the field agent said they could move to biweekly meetings and that, in the future, the decision would be theirs to make. Until 1999, CRECER had given field agents the discretion to move village banks with good loan repayment and meeting attendance records from weekly to biweekly meetings after four loan cycles. However, due to a fear of increased loan delinquency and the potential impact this could have on incentive pay, only 2 percent of field agents had elected to make the change.

As a result of ongoing client feedback, CRECER changed tactics in January 2000 and began giving village banks the discretion to decide how often to meet. By the end of 2000, 72 percent of village banks began meeting biweekly. By September 2003, approximately 90 percent were meeting biweekly. As a result, CRECER cut its costs by US\$264,000 annually.<sup>a</sup> Clients reacted quite positively to the change, which was undoubtedly a result of the culture of listening that CRECER had created—that is, management could "hear" and react to client feedback.

<sup>a</sup> Glenn D. Westley, "A tale of four village banking programs" (Washington, DC: Inter-American Development Bank, 2004), p. 38.

As the impressive statistics in table 2 make clear, CRECER is one of Latin America’s most successful microfinance institutions (MFIs). The Inter-American Development Bank recognized it in September 2004, when it gave CRECER its “Excellence in Microfinance” award.

**Table 2. CRECER: A Successful MFI**

<b>Average loan balance</b>	<b>Portfolio at risk &gt; 30 days</b>	<b>Return on assets</b>	<b>Return on equity</b>
\$162	.38%	9.45%	26.32%

*Note: Figures as of January 1, 2005.*

The microfinance industry in Bolivia has grown to become the most wide-reaching segment of the domestic financial sector. Microfinance institutions, made up of non-regulated NGOs, cooperatives, private financial funds, and a couple of hybrid banks with an interest in lending to the poor, currently serve 500,000 low-income clients. The Bolivian commercial banking sector, on the other hand, only serves 135,000 clients.<sup>5</sup> All institutions mainly serve urban areas, making competition intense, but MFIs are increasingly serving rural and peri-urban areas as well. In order to survive in such a competitive environment, MFIs must be flexible and know their clients in order to respond to their constantly evolving demands.

CRECER’s *Credit with Education* methodology, developed by FFH, as well as its use of poverty targeting, differentiates it from many of its competitors. At each village bank meeting, all bank members participate in a one-half hour *charla*, or discussion, focusing on a variety of health topics such as anemia, sanitation, or breast feeding. After the educational portion of each meeting, the members move into the more typical village-banking mode of collecting repayments and making disbursements for the coming week(s).

<sup>5</sup> PlaNet Rating, “Rating Report,” PlaNet Finance, Paris, 2004.

## Section 2

### Preparing for Institutional Change

CRECER decided to formerly conduct its own market research following an Ohio State University poverty study in 2000. In addition to poverty, the Ohio State study also measured client satisfaction. This secondary focus helped spark a keen interest in client-focused research within CRECER. The results of the study suggested that CRECER operations had room for improvement. In addition, staff found that the MFI's clients had somewhat negative views of the institution's products and customer service.

Management knew that action needed to be taken, but the institution's staff felt that information from large quantitative studies was not sufficiently accurate. They also thought that such studies were too expensive to conduct on a long-term basis. The staff consequently was trained to conduct market research in a cost-effective manner that could be quickly implemented and easily analyzed and assimilated by staff. The first step on this path was a workshop for the entire staff regarding why and how CRECER could become more client focused.

In conjunction with FFH, CRECER was selected in October 2003 to participate in the USAID-funded SEEP Practitioner Learning Program (PLP) in Putting Client Assessment to Work, an initiative aimed at improving the capacity of MFIs to conduct client assessment by interacting with their peers and becoming exposed to internationally recognized experts in the field. The timing could not have been better.

Support from this PLP helped CRECER invest significant time, energy, and money into their client assessment program. The specific objectives of this program were to help the MFI:

- remain competitive
- demonstrate that it was making a difference in clients' lives
- improve institutional performance
- enhance social performance
- develop a systematic channel for client communication
- better understand the competitive environment
- improve efficiency
- achieve financial targets
- educate clients
- improve staff morale

CRECER client assessment activities now directly inform senior management and the Board of Directors, providing them client information at low cost and in a rapid manner. On a broader level, the process sends a clear message to staff and clients that the organization is open to feedback and change.

## **Key results of client assessment**

Client assessment work has strengthened CRECER as an institution and assisted it to better fulfill its mission (“to provide substantive and sustainable financial and integrated educational services to very poor women and their families in marginal rural and urban areas of Bolivia in order to support their autonomous actions in favor of improving health, nutrition, and family economy”). The cost-effective process has also contributed to the financial self-sufficiency of the organization and ensured its ongoing commitment to listening to clients, allowing CRECER to create innovative solutions to better serve and retain clients.

## **Product adaptations**

CRECER credit products have become much more “client-friendly” since the MFI implemented a formal client assessment program. As a result of the program,

- interest rates were reduced
- the price of the passbooks used by clients to record transactions was cut in half
- clients were given the option of making loan payments in advance
- a new loan called *crédito adicional* (“additional credit”) was added in response to client demand for larger loans. (The new product is offered exclusively to CRECER’s best customers. Denominated in U.S. dollars, the loan carries a maximum loan term of one year—six months longer than their basic loan product.)
- improvements were made to the MFI’s education modules

With respect to the education modules, CRECER conducted brief surveys (consisting of 14 questions) to test the amount of information clients retained from education sessions on Integrated Management of Childhood Illnesses (IMCI). The survey allowed CRECER to identify what was and was not working with the modules. It turned out that clients weren’t retaining much of the information presented to them. As a result, CRECER adjusted the way it presented the materials, improving the results shown in subsequent surveys. Likewise, new education topics on family planning and menopause were introduced. Since clients became upset when educational themes were repeated, CRECER modified its management information system (MIS) to track individuals and the education lectures that they received, avoiding repetition.

Various operational changes at CRECER were also introduced as a result of client feedback, including:

- improved customer service by CRECER partners. After learning that clients were dissatisfied with the services of its partners PRODEM and BISA Bank, which hold its clients' deposits, regional administrators of CRECER sent a written note requesting that these services be improved, met with management, and negotiated procedures to help CRECER clients feel more at ease.
- field agent rotations were made smoother. Clients reported that field agents were replaced too often, making for abrupt transitions.
- exceptions were granted to the minimum client number needed to establish a village bank. Clients had complained that 12 clients was too high a number. In response, CRECER senior management decided that Regional Managers could grant exceptions to this rule at their discretion.

## **Section 3**

### **Using Client Assessment to Improve the Double Bottom Line**

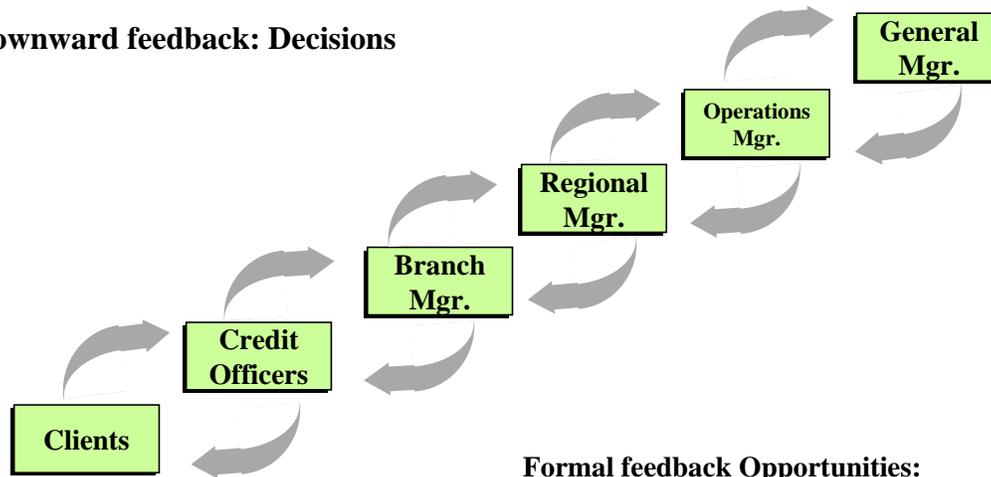
CRECER's basic client assessment strategy is simple. First and foremost, know what clients are saying about the program. What do they like? What don't they like, and why? Second, train staff to do the brunt of client research in house, thereby maximizing staff buy-in and reducing costs. Third, ensure frequent communication between field staff and all levels of management. Field staff now channel insight from clients upwards through different levels of the organization (see figure 1) and decisions are then channeled downwards.

CRECER puts great emphasis on a bottom-up approach when it comes to listening to the client. The MFI's senior managers assert that the most important client assessment findings come from discussions between field staff and clients during the course of business. These comments are passed on to more senior staff during weekly meetings, and then to regional and head-office staff. Although it is nearly impossible to know the extent to which these activities affect the organization's bottom line, a strong and improving level of financial self-sufficiency, paired with high levels of client satisfaction, suggest that CRECER's investment in client assessment is having a positive impact.

## Figure 1: Institutionalizing Client Feedback

**Upward feedback: Product/ policy/ procedure/ operational modifications**

**Downward feedback: Decisions**



### Staff time in field:

- Ops. Mgr.: 3 out of 12 months in field (in job description); talks to clients on each visit
- Regional Mgr.: spends majority of time in field
- Credit Officers: 90% of time in field; ½ day per week in office

### Formal feedback Opportunities:

- Quarterly operational meetings - Mgmt. team must attend
- Weekly branch meetings - Regional Mgr. must attend
- Weekly client meetings - Credit Officers must attend

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## Research methodologies

Table 3 lists the various research tools used by CRECER, how and why they were used, and who in the organization implemented the tools.

**1. Biweekly credit and education meetings.** CRECER took advantage of their biweekly credit and education meetings with clients to solicit feedback. The informal, collegial atmosphere that is the norm at these meetings generally provides a good forum for airing complaints and comments about the way the village banks are run. While these meetings alone cannot provide complete information on what clients are thinking since this would require a more neutral setting without the presence of a field agent, they are able to generate useful information about what clients do and do not like about how CRECER operates.

**Table 3. Client Assessment Tools**

<b>Client assessment tool</b>	<b>When used</b>	<b>Purpose/ advantages</b>	<b>Typical sample size</b>	<b>Project leader</b>	<b>Why this tool and not others?</b>
<b>Biweekly meetings with field agent</b>	Ongoing	To hear what clients are saying. Low cost. Field agents are themselves a rich source of information because of their proximity to clients.	Size of village bank (5–20 members)	Field agents	
<b>Participatory discussions at periodic meetings</b>	Twice yearly	To hear what clients are saying in a low-cost and semi-structured forum. Large volumes of information easily collected.	Size of village bank. Bank subdivided into two groups, one for credit, one for education.	Field agents	More structured than regular meetings, but less costly and less formal than focus group discussions  Easy to implement  Large amount of rich data
<b>Exit survey</b>	Yearly (in 2003, Jul 28–Aug 30)	To get a better understanding of why clients leave, with the purpose of exploiting this information to benefit current clients. Clients leaving the program may be a particularly rich source of information on what competitors are doing, as well as on the weaknesses of the current program.	Because of the low numbers of dropouts at CRECER, each person who did not continue a new loan cycle was surveyed. This amounted to an average of four people per ULO ( <i>Unidad Local Operativo</i> ) per cycle.	Education mgmt and reg'l trainers	Fits the research objectives  Easy access to clients  Relatively easy to implement
<b>Focus groups</b>	As needed (ad-hoc basis)	To find out what clients think. The structured and probing nature of focus group discussions helps CRECER adapt to the changing demands of its client base.	16	Education mgmt and regional trainers	Easy access to clients  On site  Relatively informal  Rich data source  Easy to implement

**2. Participatory discussions at periodic meetings.** An example of CRECER’s “quick-and-easy” research is their use of informal participatory discussions, which are slightly more formal and longer in duration than those held on a (bi)weekly basis. CRECER field agents facilitate such discussions for 45–60 minutes, focusing clients on what they like and dislike about the credit and education services in order to gather as much feedback as possible. Clients share their responses in a large group and the discussion is recorded by the field agent, who shares this information with other field staff and local managers at the local office’s weekly meetings. Feedback gathered during one recent sampling period provided the MFI over a year’s worth of issues to consider regarding the modification, redesign, and/or addition of new services. Such issues could have been significantly delayed in reaching CRECER management had the organization relied solely on “rigorous” research methods.

**3. Exit survey.** To find out why clients leave the program and to complement extensive qualitative data garnered from current clients, CRECER conducted exit surveys and focus group discussions with ex-clients from June through August 2003. The quantitative data from these surveys helped management understand trends and issues within the village banks at a broader level. Focus group discussions gathered more in-depth (and perhaps less biased) information about the reasons why clients were leaving the MFI. CRECER has now instituted a systematic approach to such research (See box 2.) Issues raised during this research, such as the frequency of field agent rotation and the timeliness of loan disbursement, were acted on by management to ensure that clients understood that their concerns were being addressed.

**Box 2. How CRECER implements and analyzes a client exit study**

1. Determine sample population.
2. Complete draft of research tool.
3. Review and revise draft tool.
4. Schedule interviews and plan logistics.
5. Practice interviews.
6. Field test the tool.
7. Check data and revise tool.
8. Finalize tool and prepare surveys.
9. Conduct interviews and focus groups.
10. Compile data.
11. Analyze results and suggest follow-up actions.
12. Write up summary of findings.
13. Write up costing model.

**4. Focus group discussions.** CRECER uses focus group discussions (FGDs) to examine particular product and service issues in a relatively informal way. The guided discussions are well planned and held among a chosen sample of clients, resulting in a plethora of detail that helps CRECER adapt to changing client demands in a thorough, yet cost-

effective way. Due to the design of FGDs—a forum for probing and listening, *not* for chiming in with one’s own “two cents”—staff is also able to increase its objectivity.

## Rapid results

In contrast to the long waiting period between research and the availability of data that is typical of academic studies, CRECER’s methods of client assessment deliver rapid results to the staff that implement them. The MFI’s organizational structure and finely tuned feedback loop ensures that results also spread to the rest of the staff fairly quickly through succinct reports and frequent interactions. For instance, while past research studies have taken between one and three years to deliver results, CRECER’s latest client satisfaction survey was finished in 6 months and its client exit survey was completed in 3 months.

### Box 3. How much does client assessment cost CRECER?

CRECER collected data over a two week period in August 2003 in four regions - La Paz, Cochabamba, Sucre, and Oruro - by conducting the following:

213 individual exit surveys (17 questions per survey)

60 focus group discussions on client exit, held in four regions (6–8 days per region)

Personnel/staff costs (4 regions, plus support)	US\$ 3,857
Per diem	619
Transport	556
Training	260
Materials	<u>34</u>
<b>TOTAL **</b>	<b>US\$ 5,323</b>

*\*\*Does not include substantial start-up costs, including that of developing the survey and focus group discussion guide (3 days of FFH and 5 days of CRECER time) and one week of Freedom from Hunger time for staff training. The above figure is thus best interpreted as the cost of ongoing client assessment work.*

Source: Freedom from Hunger.

## Cost effectiveness

The need for client information must be tempered by the realities of cost. As outlined above, CRECER chose to conduct mostly qualitative research—informal discussions, focus group discussions, individual interviews, as well as an exit survey. The research sample, while broadly representative, was not statistically significant.<sup>6</sup> Despite this fact, CRECER was confident that the sample represented a wide spectrum of client opinion and was a sufficient basis for management decisions.

<sup>6</sup> Generally speaking, CRECER has not yet deemed the cost of statistically rigorous data to be worthwhile.

CRECER's use of qualitative research methodologies, such as participatory discussions, is complemented by statistical analysis using innovative sampling methodologies. These methodologies are increasingly used in fields where financing and time are major constraints. For example, CRECER uses Lot Quality Assurance Sampling (LQAS)<sup>7</sup>, a method of sampling developed for the manufacturing industry, to provide quick and fairly reliable estimates. LQAS allows the MFI to look at the various ways clients use credit and determine whether or not the organization is serving clients at a predetermined level of poverty within a given area.

The perception of high cost is one factor that can make client assessment unattractive to MFIs. LQAS, however, can be used to minimize these costs. The methodology encourages organizations to gather client information over the long term because it is possible to sample only 19 people, rather than the typical 100 or more.

Using LQAS in this way offers a number of other advantages as well. First, sampling at the level of the Local Operations Units<sup>8</sup> ensures that information is specific to a particular region and thus focuses on areas of most concern. By using a sampling methodology such as LQAS, CRECER can also evaluate how each branch is doing compared to a predetermined standard. Second, analysis of results focuses on responses that are "correct" (i.e., pass some sort of quality-control benchmark) and requires no computer analysis, making the process relatively easy and quick to implement by all staff.

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<sup>7</sup> To learn more about LQAS, see Rob Davis, "Lot Quality Assurance Sampling (LQAS) for Microfinance Institutions: A Management Tool to Efficiently Assess Poverty Outreach," *Freedom from Hunger*, June 2002.

<sup>8</sup> "Unidades Locales Operativas, (ULO)," (Spanish). A Local Operations Unit is an office with operational and administrative responsibilities over communities and neighborhoods in a determined geographical zone. CRECER has 25 Local Operations Units throughout Bolivia, each with an average of 7 support staff (1 head manager, 1 accountant, and 5 credit and education officers).

#### **Box 4. CRECER's process-tracking system**

CRECER uses LQAS as a progress-tracking system to provide managers systemic client information. The principle behind the technique reflects a manager's need to determine whether the program meets certain objectives. Using a sample of 19 is recommended, as this number provides an "acceptable" level of error for management decisions. At least 92 percent of the time, a sample of 19 correctly identifies whether or not certain benchmarks have been reached (e.g., a certain percentage of clients can correctly answer X percent of questions on an exam).

An example illustrates the simplicity and usefulness of LQAS as a sampling approach:

**Indicator:** Female clients who can describe at least two symptoms of an anemic baby.

**Benchmark:** At least 80 percent of the sample can describe at least two symptoms.

**Sample size:** 19.

**Decision rule:** At least 13 out of 19 must know at least two ways to diagnose anemia for the "lot" to have reached the target benchmark.

**Management decision:** Corrective measures are taken only if less than 13 clients know at least two ways to diagnose anemia.

*Source:* Barbara Mknelly, Joseph Valadez, Jeanette Treiber and Robb Davis, "Considering the applicability of Lot Quality Assurance Sampling (LQAS) to Credit with Education progress tracking". Prepared for Freedom From Hunger Workshop, July 2001. Davis, California..

### **Using existing staff versus outsourcing**

Using field agents to conduct research has two major advantages. First, it is cost effective. Second, field agents know clients best and interact with them most frequently. They generally have a level of trust that can enable open and frank client discussions of relevant issues. However, because clients may not be totally forthcoming with their own field agents and are likely to censor their responses out of fear of losing his or her favor, CRECER decided to use field agents from different regions or non-field staff, such as branch coordinators, to carry out client research.

By using internal staff to conduct research, CRECER hopes that staff beliefs will "clash" with "reality." Too often, staff members think they "know" what clients feel about a certain product or aspect of a program. CRECER has effectively countered this tendency by using internal staff, rather than external experts, to conduct its research.

While certain benefits of in-house research have already been mentioned, including the importance of "owning" research results and capacity building for future research, the use of in-house staff comes at a cost. CRECER managers identified three disadvantages of this approach: (1) staff must make a significant time commitment to train for, implement, and analyze such studies, (2) in-house staff are not experts in collection and analysis and may come to different conclusions than would trained research experts, and (3) in-house staff may be more likely to obtain biased results because they may have strong prior opinions about their clients, which can influence how they collect and analyze

information. Although CRECER recognizes these issues, it considers the tradeoff of conducting in-house led research to be more worthwhile than externally-led research.

## **Team research process**

To ensure a fully participative and informed process, all levels of CRECER staff are included in the client assessment process, including both national and regional management teams. This process is meant to bring a high degree of understanding and diversity of opinion to an institution-wide change management process. Staff need sufficient skills and pedagogical tools to make client-based research successful and to truly institutionalize an iterative process of learning. CRECER accordingly considers staff capacity building a top priority.

Not to be overlooked, CRECER traces its success to an organizational culture amenable to institution-wide development. Without a willingness to listen and act on lessons learned from what is “heard,” research and analysis would be useless. Three factors contribute to this listening culture. First, there is a strong sense within CRECER that FFH, in its initial role as parent organization and later, as a technical advisor, emphasizes the importance of a market-driven approach to providing products and services. Second, CRECER managers play an important leadership role in implementing client assessment. Third, ensuring client interests are included in operational decisions is an institutional priority at the MFI.

## **Training**

CRECER implemented what they call a “cascade” training process in order to effectively include large numbers of people in client assessment activities. The process was designed to train senior-level managers first, with each successive level (down to the level of field agent) involved in the training of subordinates. The purpose of the training was to maximize staff buy-in, facilitating their acceptance of work that might otherwise be considered beyond the scope of ordinary operations and therefore done poorly or not at all.

In January 2001, CRECER staff members attended a six-day workshop that exposed them to a variety of participatory research tools, such as the SEEP/AIMS tools and MicroSave Africa market research tools.<sup>9</sup> In May of that same year, field staff were trained in an adapted SEEP/AIMS tool for use at regular village banking meetings. The tool uses simple focus group discussions to explore what clients like and dislike about a program and to solicit suggestions for improvements.

In order for training not to interfere with everyday operations, it could not be too time-intensive for staff, with the exception of those individuals who would be intricately

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<sup>9</sup> The SEEP/AIMS tools are a set of instruments developed to help MFIs learn about their clients. For more information, visit the SEEP bookstore at [www.seepnetwork.org](http://www.seepnetwork.org). MicroSave market research tools are widely used by MFIs to guide them through the client assessment process in a cost-effective, participatory fashion. To learn more about MicroSave, visit [www.microsave.org](http://www.microsave.org).

involved in managing the client assessment project. General training was thus designed so that it could be completed in no more than five hours. This training period was particularly important for senior managers in charge of client assessment activities, as it gave the organization a chance to collect suggestions from managers who had not previously contributed their input.

More in-depth training was provided to the staff most intricately involved in client assessment activities. Education directors first trained the trainers and operational staff in data collection methodology. During the first four days, they worked in detail on specific knowledge and management of research tools. Each tool was practiced in the classroom to ensure mastery of needed skills. CRECER found that the learning process was enhanced by using a participative process, which proved crucial for obtaining the buy-in of other staff along the way.

Field staff plan to conduct these participatory discussions with clients twice a year, not only to raise awareness of client opinions, but to encourage staff analysis of the issues raised. Field staff from several Local Operations Units will meet to consolidate their findings, discuss the implications, and identify recommendations to be acted on immediately at the branch level (versus those that need further consideration at the regional or national level of the organization). Summaries will be promptly shared with senior-level staff for review and reaction.

## **Feedback in action**

The design of CRECER as an institution, especially since it began client satisfaction research and analysis, has focused to a large degree on tightening the “feedback loop.” The overall dissemination of information is the responsibility of the general manager, who makes sharing results a top priority for field agents and the Board of Directors alike.

Much of the information derived from clients is synthesized and put into reports for the Board to review. Before it reaches the Board, it first passes through multiple levels of staff for input and analysis. The information collected on a daily basis, such as data from periodic focus group discussions or exit surveys, is presented at each level of the organization in order to ensure a common understanding of CRECER clients from which everyone can move forward. The process resembles the illustration in figure 1 (see page 8).

Field agents gain insights from clients and pass this information to managers at the local level, it is then synthesized at local and regional headquarters. Senior management and the Board eventually receive a distilled and highly informed analysis of what clients are saying on a regular basis. This information is transmitted in person on a monthly basis at regional meetings that involve all levels of management, as well as via reports that are periodically filled out by local staff. The biannual meetings of the National Operating Committee, which is comprised of staff from all levels of CRECER, then make final recommendations based on this consolidated information.

For example, the National Operating Committee makes major decisions on such operational issues as reducing interest rates. This representational system lends great legitimacy to the issues addressed by the committee. While some decisions can only be made at the level of the communal bank association, via changes to individual statutes, decisions regarding policy ultimately need to go to the Executive Committee<sup>10</sup>, the ultimate decision-making body at CRECER.

### **Box 5. Six distinct phases of client assessment work**

**Information consolidation.** CRECER hired a consultant who was familiar with CRECER (having consulted previously for the institution) to enter, consolidate, and process data.<sup>a</sup>

**Analysis.** Managers of the exit survey presented results to the National Operational Committee, which consists of national office managers, regional office managers, and selected field staff. The Operations Manager then produced an analysis of the results.

**Reporting.** The report on client satisfaction was divided into what clients liked and didn't like. The institution's focus was on what clients liked, ensuring that CRECER would maintain and even increase the current level of satisfaction. Concerning issues about which clients were unhappy, CRECER immediately analyzed the need versus the cost of changing the program and began to change what it could. There were some issues that could not be addressed (e.g., changing the solidarity guarantee); field staff were then informed of the reasons why such issues could not be addressed so that they could explain to clients why CRECER was not making certain changes.

**Delegation.** The Operations Manager had overall responsibility for the client assessment initiative, but delegated the organization of the initial workshop, questionnaire design and testing, data collection, and preliminary analysis to the consultant. The consultant and operations team worked closely with FFH. Field staff and supervisors participated in all stages of design, testing, and data collection, as well as analysis. The Operations Manager led the analysis workshop.

**Communication.** The Operations Manager and the consultant ensured that those people who needed to be involved in the initiative were well informed throughout. They also participated in the analysis and in making decisions on recommended changes. The resulting policy changes were then communicated to all staff via memos and meetings.

**Implementation.** Once policy decisions were made and the information was conveyed to each regional office, all staff were involved in their implementation.

<sup>a</sup> CRECER has since decided that hiring an outside consultant is unnecessary. The capacity to conduct client assessment research now exists in house, allowing the organization to implement the process at lower cost.

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<sup>10</sup> The Executive Committee is composed of all country managers, regional managers, representatives from each regional office, and Local Operational Unit representatives (managers, accountants, and administrative staff/credit and education officers).

## Section 4

# You Can't Always Give CLIENTS What they Want

“Seeing one song bird doesn't mean that it's summer.”  
—Alfonso Torrico, Director of Credit and Operations, CRECER

Although three main policies caused dissatisfaction among CRECER clients, the institution's management knew it would be imprudent to change these policies.

- First, clients typically reiterated, “We don't like guaranteeing each other's loans.” Unfortunately, despite the costs that this methodology imposes on the client, it is central to the operations of CRECER and cannot be eliminated.
- Second, clients indicated that they wanted technical training in various areas, including cooking, sewing, and weaving. As such instruction is beyond the expertise of CRECER, the institution was unwilling to provide it. However, CRECER is seeking to establish partnerships with technical training providers. Currently, it has a partnership with SwissContact, which is more equipped to provide such training.
- Third, clients complained for years that interest rates were too high. Initially, the institution was not financially prepared to lower its rates. But staff were trained to explain the need for such rates to clients in order to maintain their level of satisfaction with the institution. Only recently, as CRECER became more financially stable and aware of the attendant client benefits, was it actually able to lower interest rates.

### **Box 6. Using client satisfaction surveys to inform management concerns**

The Argentine economic crisis of 2001 did not spare Bolivia. A large devaluation in the Bolivar swept US\$500,000 off of CRECER's balance sheet in a short time. (CRECER's loans are in local currency, but its liabilities are in U.S. dollars.) The Board wanted to immediately fix the problem, preferably by transforming the entire portfolio into U.S. dollars. Management quickly organized a client satisfaction study to test client reactions to this idea. Focus group discussions and individual surveys were subsequently undertaken. The results were clear: the transfer of the portfolio into U.S. dollars would likely cause massive client desertion. Based on this information, another option was analyzed. By pushing the external account payment forward by one-and-a-half months, CRECER increased its liquidity, which lessened its need to borrow from commercial sources. The resulting increase in CRECER's liquidity allowed it to maintain its role as a lender in local currency, a win-win situation for both the institution and its clients.

## Section 5

### Results and Lessons Learned

CRECER has used a client assessment program to strengthen its products and services in ways that better serve its clients and which are likely to increase the financial sustainability of the organization as a whole. Based on a culture of listening, fostered at the outset by FFH and reinforced by customer complaints and external reviews, CRECER management has redoubled its efforts over the last five years to institutionalize a receptive and flexible operating environment. Staff has been able to develop a keener sense of client needs and an appreciation for the institutional flexibility that such listening fosters. Generally, staff now perceives client assessment work as a special opportunity to improve both their job skills and their effectiveness in serving clients.

CRECER's recipe for client assessment is simple and effective. However, if the institution had not had certain structures in place prior to undertaking the extensive research and analysis inherent in client assessment, the time and energy dedicated to the process might very well have been wasted. Based on CRECER's experience, it believes that three major elements are crucial to maintaining an effective, sustainable client assessment system:

1. Training is paramount to the success of each client assessment activity. Staff should be trained both to collect and analyze information in order to reduce costs over the long run and maximize institutional buy-in. While training requires significant planning and is not cheap, the investment is worthwhile.
2. Research and analysis should be carried out on a routine basis. Client assessment is an iterative process. It is important to routinely seek and analyze information from clients and to work with staff to build and maintain solid institutional capacity. The initial costs of investing in tool development and training were the most expensive part of client assessment work for CRECER. Periodic implementation of assessment activities (every 1 to 2 years) is expected to be less of a financial burden in the future.
3. After only a few focus groups or participatory discussions, it was common to hear the same themes consistently resurface. By reducing the number of discussions, future analysis is expected to be quicker and significantly less expensive.

Tempering the overall optimistic evaluation of CRECER's client assessment work is the fact most work to date has been funded or subsidized by donors. Whether or not the organization truly values the process will only be known once this PLP's funding and FFH technical assistance cease to make client assessment attractive by artificially lowering the cost of assessment activities.

## Section 6

### Implications for the field

Becoming customer focused is not only necessary from a business perspective, it is critical for fulfilling the social mission of MFIs. Commitment to a social mission must start at the top. Only then will sufficient organizational resources be devoted to social goals. CRECER has always been committed to its social mission, a commitment that manifests in its organizational culture and the values that all staff hold dear. While a changing competitive landscape provided CRECER the impetus to systematically analyze customer needs, the institution's organizational culture and existing operational systems guided it.

The manner in which CRECER executed its client assessment work (see box 5) illustrates how CRECER leveraged its well-oiled feedback loop and used the client assessment process to bolster the feedback process. This paper has clearly shown the participatory nature of the institution's decision-making process. For example, staff from all levels of the organization are members of the National Operating Committee, a formal decision-making body. Some MFIs may find this mechanism either too arduous or contrary to their philosophy, but the principle of involving key stakeholders in decisions is universally known to build acceptance and ownership of a given activity.

Another interesting facet of this case study is that CRECER chose to conduct all market research using in-house resources, assisted by a seasoned consultant. Although this may not be the most prudent choice for many MFIs, it certainly reaps valuable rewards. First, using in-house staff significantly reduces the risk that market research is shelved. With so many people involved, decisions must be made or the loss of time and resources invested in the process will be too great. Second, it brings all staff closer to the customer. Layer by layer, individuals within the organization develop a uniform understanding of customer needs.

A shared understanding of the customer brings alignment within the organization and, together with appropriate leadership and incentive systems, innovation. For example, CRECER was able to introduce much-demanded flexibility into its group lending operations by reducing the frequency of group meetings and allowing customers to pay off loans in advance. These kinds of changes demanded cooperation from disparate departments, including MIS, finance, and credit, as well as front-line staff. Finally, CRECER recently dropped its interest rate to 2 percent a month—testimony to its commitment to the double bottom line.

It should be noted that decisions are only as good as the data on which they are based. CRECER's experience shows that relatively simple qualitative research methodologies can yield tremendous insight. The key is to use such methodologies well. CRECER invested substantial time and resources in training staff to conduct client research. This

was a sound investment. At first glance, qualitative methodologies may seem easier than quantitative methodologies, but in fact they require significant skill and rigorous adherence to well vetted methodologies. If MFIs are not prepared to make a substantial investment in training, they should consider outsourcing client assessment work to a proven service provider.