

# The Brand Challenge Facing Transforming Microfinance Institutions

*Presented by Tom Sitati at the School of Applied Microfinance, Mombasa, Kenya on 10<sup>th</sup> September 2009*

In the world of brands, there is a select few brands that occupy a sacred place in our hearts and minds. We seem to cherish these brands so much that we are even willing to pay to be associated with them. For some reason, sane and sober human beings will literally fight should anybody try and disparage the brands they cherish. These brands come from all sorts of sectors – automotive, sports, non-profits, education, household and many others. What they have in common is that they seem to transcend the barriers created by continents, nations, industries or sectors. They seem not to belong to the simple boxes we human beings conveniently place around phenomenon so as to understand and relate to them easily.

What is it that great brands possess that the others do not? They all ultimately appeal to our emotions. It is for this reason that the terms “micro” and the “finance” in microfinance institutions (MFIs) may find themselves both redundant if we are to build truly great brands that will achieve the visions MFIs set out to achieve when they were founded.

Many organizations in the microfinance sector now find themselves undergoing “transformation”. These changes are bound to impact on their brands. The purpose of our discussion is to unearth the brand challenges faced by transforming microfinance institutions and ultimately tackle how best to deal with them. To do this we first need to understand what brand is all about. What does brand really mean and does it have relevance in the microfinance sector. Transformation has various connotations and we will need to agree on the context in which we view it. What does transformation really entail? What does it aim to achieve? Microfinance brands have some unique characteristics that differentiate them from other organizations. We will need to highlight these unique characteristics so as to understand what challenges these brands face as they undergo transformation. This will in turn assist us in understanding how best to overcome the brand challenges that come with transformation. This discussion addresses the microfinance sector in general, tackling it as one brand though acknowledging the fact that the sector does have unique, differentiated brands.

## **What is great brand?**

On deep analysis, life can be simplified to one word, relationships. We maintain relationships with those we feel are able to come through for us as we do the same in return. Promise making and keeping is at the heart of relationships. Brands, having grown to become an integral part of our lives and find therefore find themselves following the patters of our lives. The brands we have come to admire, cherish and even literally fight for, despite sometimes overwhelming evidence to the contrary, are those that we relate to best. They are the brands that somehow have been able to relate to what we relate to. They are the brands that have been able to tug at our emotional cords and appeal to our hearts. These are the brands that stand for something we believe in. These are the brands that make promises to us and consistently keep them. That is why we say that a brand is a promise and **a great brand is a promise made and a promise kept**. A great brand will be the guiding star for the entire organization, not just the communication, business development or marketing departments.

### **Is brand relevant to Microfinance Institutions?**

Branding has long been considered a preserve of the commercial, profit driven sector. It is only recently that brand has gained prominence in the non-profit. More organizations in the microfinance sector now realize that brand building is really not a choice. To paraphrase the unwritten law of branding, when no intentional efforts are applied to build and manage a brand, then the sum of all rumours, anecdotes, impressions, myths, become the brand. The choice players in the microfinance industry have is whether to manage their brand intentionally so as to achieve their visions or to gamble with them with possibly detrimental consequences.

Players in the microfinance industry need to intentionally create and manage their brands. They need to find what they stand for, what unique promise they make in a competitive market and how to keep it as an entire organization. It is crucial that entirely everybody in the organization knows, understands and lives the brand promise because “we know not the hour” when the brand may need to rise to the occasion and prove that it indeed keeps its promise and deserves to be considered a truly great brand. It would be a pity if after brilliant promises have been made, the customers, donors, communities, partners, should find the brand unable or unwilling to keep them. It would almost be better no such grand promise was made in the first place.

Microfinance industry brands must be intentionally managed to appeal to customers, the communities they work with, the donors that support them, the governments that facilitate their existence and now more and more, regulate them. Well managed brands also attract and keep the best people. A great brand is the result of going the whole hog by making sure the brand is intentionally defined, meticulously managed, clearly communicated and ultimately lived by all staff.

### **The ‘What’ and ‘Why’ of MFI Transformation?**

Microfinance institutions began with a social mission, many of them having their origins in the donor supported non governmental sector. Their role at their inception was to enable those mostly in the so called ‘third world’ that were unable to access financial services to do so in order to raise their standards of life. Microfinance was basically an intervention aimed at addressing the issue of poverty in society. Many of the organizations remained relatively unstructured yet extremely successful, so successful that some even began competing with mainstream financial institutions such as banks. In countries as far flung as Philippines, Nigeria and Uganda for example, the last decade has seen a drive towards a formal structuring of these microfinance institutions. **Transformation has come through government regulation in the mentioned examples but transformation is not necessarily about government regulation.** For our context, transformation is not necessarily about legislation or a licence. It is about restructuring the institutions in a number of ways so as to increase efficiency and accountability. These include the standardization of systems, procedures, governance structures, risk management and where there is legislation, reporting and surveillance by the central banks. These activities, which have been alien to many microfinance institutions, have come with challenges but seem to be the inevitable trend globally.

Some of the reasons why transformation is inevitable include the fact that credit from microfinance institutions is more expensive than credit from commercial banks. It is also no secret that MFIs have limited financial resources, a factor that limits the achievement of their social goals. Transformation in some cases allows MFIs access to more and cheaper funds. Another factor is that many of the institutions are not up to scratch in areas such as organizational structure, personnel, systems, procedures, and governance, with several having no oversight on their activities despite commanding huge numbers of clients. This need for oversight, specifically from central banks becomes an even more critical issue now that in some countries, transformation comes with the license to mobilize deposits from clients. Some transformation regimes such as the one in Uganda are geared towards creating deposit taking microfinance institutions. This radical shift demand several fundamental changes of MFIs.

### **The MFI brand and the Transformation Challenge**

What is the essence of microfinance institutions? What makes them unique, credible and differentiated from customers' perspective (the only perspective that really matters)? What promise do they make as brands? What challenges will they face as they seek to transform?

1. MFI brands are **open and friendly**, not viewing those they work with as typical "customers" but partners or "members". Will the shift to seeing their partners as customers from whom they must "milk" the most money result in an alienation that may affect the numbers negatively?
2. MFI brands have maintained relatively **informal and flexible structures**. Will the rigid structures demanded as they transform work to the detriment of MFIs? Will the benefits that the informality MFIs have grown accustomed to diminish their effectiveness?
3. MFI brands, because of their social purpose, have generally attracted **people who feel passionate about the organization's goals**. Will the new personnel they need take on at board, management and operational level feel as passionate about the brands' noble mission? Will this affect the impact the MFIs have on communities?
4. MFI brands have an **autonomy** that has allowed them to relate to clients in a manner that allows them to make quick decisions, go out of their way, and even sometimes break procedure to meet their clients' needs. Will the sometimes stringent conditions that come with regulation and "big brother" central bank watching dilute this essence that made MFIs a delight to work with? Will the boards, management and staff have the capacity to work under the new conditions and still deliver on their brand promise to communities they work with?
5. MFI brands are **close to their clients**, building even personal relationships that go **beyond financial transactions**. Will the bankers that will inevitably come on board to satisfy the key human resource gaps that must be filled for successful transformation, and who are used to "doing a job" rather than "championing a cause", understand and assimilate this new paradigm? Will they be willing or able to change orientation so as to keep the MFI brand aligned to its original mission and vision?
6. MFI brands have usually approached issues from the point of **looking to solve the clients' problem first**. The profit motive sometimes makes organizations lose the

- obvious fact that brands only grow when they are able to relate to the customer. Will MFIs find themselves blinded by profit and lose the customers heart in the process?
7. MFI brands are **not always about finance** and originally did not really play in the financial but more in the **social sector**. Their goal is to solve society's social problems. Will transformation where MFIs now seem firmly thrust in the financial sector not create a status issue, with MFIs being viewed as inferior to banks and unregulated MFIs being seen as inferior to the regulated MFIs? Will this not have an impact on both the communities MFIs work with and the staff?
  8. MFI brands are known for **giving credit, not mobilizing savings**. How easy will it be for customers to shift their viewpoint? Will customers be able to relate to MFIs as the new reservoirs for their savings?
  9. MFI brands have been valued, not for their ability to realize profits, but their ability to **impact society positively**. Will regulation by central banks, whose bias is prudent financial management result in mission drift for MFIs. Will MFIs please the regulator or focus on their social mission of restoring self worth and dignity to the impoverished?
  10. MFI brands have been known for their **extensive reach**, even to geographical areas no financial institution would venture because it sometimes did not make short term financial sense. Will the short term need to watch the bottom line result in capitalistic tendencies that have hitherto not been the outlook of MFIs?

### **How should MFIs meet the challenges that come with Transformation?**

First, MFIs must clearly define their brand strategies. They must be crystal clear about what their visions and missions are as well as what they stand for as brands. This should be the guiding light as they undergo transformation and any other activity for that matter.

Second, MFIs must be clear about why they are transforming. They must not lose the way because of the need to conform to regulation. Doing this would be tantamount to making the process of transformation equivalent to digging ones own grave, where the eventual certificate obtained will be the equivalent of a death certificate.

Third and arguably most important, MFI brands must remember that eventually, branding is really about relationships. As they transform MFI brands should ensure they build the right capacity as led by their brand strategies. Being in service, people are a crucial part of the delivery of their brand promises. MFI brands should consider they only recruit and retain those that have bought into their brand. For those already on board, the brand must be internalized continuously to ensure the brand promise is known, understood and ultimately lived by all, right from board level to the field level staff.

When it comes to brand building there is nothing micro about it. Every MFI should endeavour to build its brand to a level where people would literally pay to associate with it.

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