MicroSave
Market-led solutions for financial services

Offices across Asia, Africa
and Latin America

www.*MicroSave*.net
info@*MicroSave*.net

Feedback Loop Analysis:
Key Lessons in the Financial Service Delivery

Peter Mukwana

March 2006

INTRODUCTION

The provision of microfinance in East Africa as in many regions is becoming increasingly competitive. The range of institutions providing services to low income markets is increasing. NGO based microfinance programmes are formalising and becoming regulated. Products and services are evolving rapidly, delivery channels are changing with the introduction of electronic banking services.

In this environment, institutions must find effective and efficient ways of keeping themselves informed of changing market conditions in order to respond to them appropriately. Feedback mechanisms have an important role to play in understanding clients' needs and preferences, discovering the best way to deliver products/services, training and motivating staff, and developing effective communications with stakeholders. The effective functioning of feedback loops will largely determine the quality and consistency of information flowing within an institution, and with external clients and other stakeholders (e.g. regulators, investors and suppliers). To clients, the quality of information reaching them is a driving factor in making choices between institutions and services. Active feedback loops enable an institution to establish a distinct position in the minds of its customers and thereby influence their choices.

This paper shares key issues on feedback loop analysis drawn from *MicroSave's* experience under its Action Research Programme (ARP). Detailed analysis of feedback loops has been performed at Tanzania Postal Bank (TPB), Equity Bank and Kenya Post Office Savings Bank. The paper defines the feedback loop, details the process of analysing the loop, discusses different feedback mechanisms and then develops key lessons for the industry.
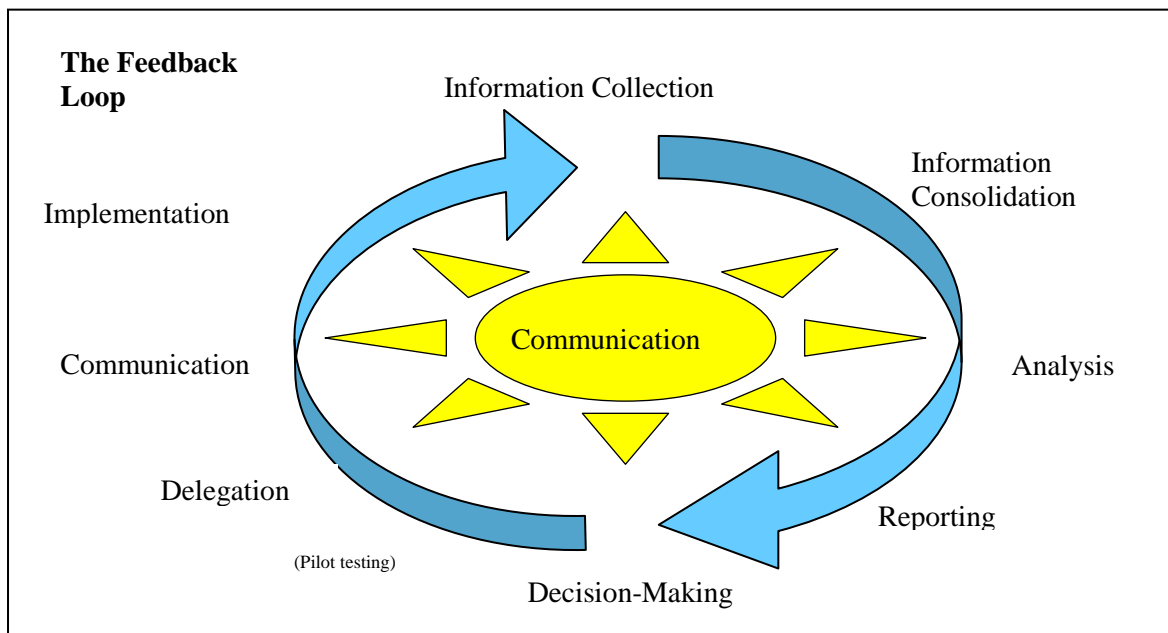
Why Invest in Improving Feedback?

The reason for investing in feedback is simple: good communications with customers and members of staff improve business. In 2003 Equity Bank performed market research on their customers to discover customers' perceptions of their service and products. On the basis of these perceptions Equity introduced a number of improvements to their service. Almost more important than the changes Equity made, it communicated the changes carefully. It sent out 150,000 letters to its customers. Each letter was on headed paper, not photocopies. To control costs, it did not address each letter individually and distributed than through its branch network. The contents of the letter explained; this is what you, our customers have told us; this is what we have done; this is what we have not been able to do; and this is why we have not been able to respond. Completing the feedback loop for Equity Bank was expensive; the letter cost approximately Kshs. 6 million to produce (about US$ 80,000), but it did cement the image of Equity Bank as a caring, responsive institution and resulted in significantly increased sales.

Feedback loops identify problems quickly. One Action Research Partner launched a new product, a larger loan given through smaller groups. This was in response to customer demand for larger loans, which are more flexible than the traditional group based mechanism would allow. An excellent idea! However, several months into the pilot test, demand for the loan appeared to be very low. Investigation revealed that customer awareness of the product was poor, that loan officers failed to inform customers about the product. Interviews with the loan officers ascertained that they feared losing their best performing members to the new product, which would lead to a fall in incentive payments.

What is the Feedback Loop?

The Feedback Loop is a continuous communication process that starts with data collection and continues through the analysis of data to make, communicate and implement responsive decisions. Feedback loops operate informally within every institution. However, institutions that carefully and deliberately follow the different phases of the loop are more likely to consider issues comprehensively, make more informed decisions, and take appropriate action. This approach does not recommend a specific institutional hierarchy, because responsive actions to customer information are more important than the officers who make the decision. With this action-based structure all activities must be completed whether one person or the whole institution completes the loop.

The Feedback Loop

Information Collection

Information Consolidation

Implementation

Communication

Communication

Analysis

Delegation

Reporting

(Pilot testing)

Decision-Making

Addressing feedback can result in a variety of "positive" responses: new products, product alterations, policy or procedural adjustments, one-off activities or improved communication strategies. Major responses may require prototype and pilot testing, both of which fit well into this loop structure. However, addressing feedback can also mean a "negative" response (at least in terms of client expectations); sometimes clients make suggestions that for good reasons an MFI needs to reject. In this case it is important to relay even these "negative" responses to clients. Research shows that clients trust institutions more when they get responses to their issues, even if they are "negative" responses from their perspective.

The Phases of the Feedback Loop[1]

The Feedback Loop has eight distinct phases that are repeated over time and with different issues. There will be several loops working in the same institution at the same time. The phases are as follows:

- **Information collection** is the gathering of data, either formally through surveys, studies, and information requests, or informally through management and staff interaction with clients, non-clients, local officials, board members, and others.
- **Information consolidation** turns the raw data into usable information. The researcher or the person commissioning the study usually consolidates data gathered formally. Informal data is usually consolidated at staff meetings (branch staff or management meetings) when staff comes together to discuss client issues.
- **Analysis** forces an institution to assess the information in terms of both client and institutional needs, and helps in developing a recommendation to satisfy these needs. Institutional analysis must always include a review of, at the very least, cash flow, profitability, and capacity issues.
- **Reporting** is the synthesis and summary of the analysis prepared in a form that is useful to decision-makers. This synthesis and summary is organised into four points that are considered for every potential decision, and written into a formal report for any issue that is not an "easy" and limited impact decision. In a written report, the four points are normally compressed into one page, but never more than two. The four points are:
  - o An explanation of the issue, and why it is important
  - o A description of the recommendation
  - o A synthesis and summary of the analysis
  - o A framework for an implementation plan
- **Decision-making** is based on the reporting phase. Among different financial institutions there are varying levels of centralisation and decentralisation, and therefore the decision making point varies widely.

---

[1] Adapted from **McCord** Michael J. "The Feedback Loop: A Process of Enhancing Responsiveness to Clients", *MicroSave* (2002)

- **Delegation** occurs once a decision is made. This is most effective when information and guidance is given to the person(s) delegated with moving the decision to implementation (even if implementation is a testing phase).
- **Communication**, in this case, refers to all the preparation that goes into implementation from conveying the issues to staff, to training, to the marketing and implementation plan development. In some cases this requires communicating back to clients that their feedback has been heard.
- **Implementation** includes all forms of responses to clients, and implementation itself should be tested.

Why Conduct Feedback Loop Analysis?

The study of feedback loops is an important component of improving communication within an institution. Feedback loop analysis can be used to:

Map out the existing communication channels within an institution: It is very important to understand which communication mechanisms are being used, and the reasons and frequency of their use. This analysis assists management to determine how and where to improve information flow both internally and externally. Informal mechanisms, such as rumours, corridor gossip, are very important, though often unreliable means of communication. In one Action Research Partner, staff openly discussed detailed information on very senior management appointments.

Gauge the strengths and weaknesses of these feedback loops: It is impossible to manage every feedback loop. However, understanding which feedback loops are the most effective enables management to determine which feedback mechanisms to invest in as a priority, and determine which feedback mechanisms need to be actively managed.

Feedback Loops Often Depend on Champions
Equity Bank hired an extremely well qualified Kenyan graduate to develop their internal intranet system. Soon the system was running. It held important information for staff, as well as basic information on who was in each branch. This information made it much easier to communicate, and to determine who to communicate to. Unfortunately, the graduate moved on to another job, and for some time there was nobody to maintain and further develop the intranet site.

Understand the major sources and uses of information: This analysis helps management to determine which feedback mechanisms are the most appropriate in particular circumstances. For example, which is the best way to determine customer opinions on existing products, or to improve product knowledge among staff.

Inform clients' expectations for service delivery: Operations in any institution should be designed to satisfy all stakeholders if the institution is to compete effectively. Understanding clients' expectations and preferences helps to improve delivery mechanisms. Likewise, knowing the types of enquiries clients have can prepare an institution for "frequently asked questions (FAQs)" and build customer service around these issues; for example, Teba Bank used customers' "FAQs" to produce an informative product guide for staff.

To develop new products: One of the most common uses of frequent customer feedback is in product design. Customer based research is required to develop a product concept and then to test it, before refining the product concept into a prototype that can be pilot tested. Poor feedback at this stage results in poorly designed products, which fail to meet market needs and this do not move beyond the pilot test stage.

Create an effective communications strategy: Feedback loop analysis helps an organisation to understand the strengths and weaknesses of its internal and external communications. On this understanding it can build an effective communications strategy that defines the means to communicate or collect information, its frequency, the responsible persons, type of information/response needed and communications standards. On the basis of the feedback loop study and other customer based market research, KPOSB drafted a communications strategy policy.

How to Analyse Feedback Loops

Feedback loop analysis is driven by a research plan, which provides the research team a roadmap through which to analyse communication mechanisms. An experienced researcher who can define objectives and can link these objectives to appropriate tools should compile the research plan. The research team should have excellent moderation skills to guide discussions and to ensure that issues are fully explored. The following paragraphs provide guidelines on how to obtain the best research results:

Get the right people to do the job: Employing external consultants helps to ensure independence and objectivity in analysing feedback loops. *MicroSave* managed the process of investigation and selected and trained some staff members on the tools to be used. This way the studies avoided bias that internal teams can bring and brought comparative experience, useful in analysing feedback mechanisms.

Select the correct tools: An experienced researcher is able to link objectives to the right tools to examine feedback loops, and can prepare a research plan that uses a sufficient variety of tools to triangulate information and produce compelling evidence. Table 1 provides a summary of the qualitative research tools used in exploring feedback loops.

Table 1: Tools used in exploring feedback loops

Tool	Reason for Choosing this Tool
Focus Group Discussions (using a discussion guide)	Focus Group Discussions enable the research team to collect detailed information using tailor-made discussion guides designed for different respondent groups (e.g. clients, front-line staff, branch management and senior management staff). This tool allows for in-depth and multi-faceted examination of issues.
Information Mobility Mapping	Information mobility mapping details key sources and uses of information in an institution. It provides information on the direction of information flows and the relative importance of the different modes of communication. It highlights preferred means of communication in each circumstance and the reasons for this. Information mobility mapping reveals areas where information is blocked, distorted or incomplete.
Simple Attribute Ranking	Simple Attribute Ranking can be used to rank and assess the attributes of communications channels, problems within the feedback loops or even the customer service attributes that internal and external clients perceive to be most important.
Relative Preference Ranking	This tool is used to compare selected institutions in the industry against key attributes of the feedback loops. The tool highlights to the research team areas an institution has comparative advantage over its competitors in and those areas requiring improvement. This comparison helps an institution in borrowing lessons from other industry players on how they have been able to deal with some of the issues around feedback loops. It is usually run with staff and clients with experience of competing institutions.
Semi-Structured Individual Interviews	Semi structured interviews are useful in issues requiring clarification, or validation of information arising from other tools. They enhance understanding of the systems/products and services in an institution and their relationships or impact on feedback loops.

Define your respondents: To gather useful information it is necessary to first understand key stakeholders and their roles within the institution. Through understanding key stakeholders' roles the researcher can interpret the information received or sent out and determines appropriate follow-up questions to properly analyse feedback mechanisms. Key respondents cover external and internal clients including frontline staff, middle management, senior management, the board and significant suppliers. Non-clients have been a source of good information particularly considering the reasons why they have chosen not to associate with an institution.

Prepare the institution: Feedback loop analysis is usually very sensitive in nature. Staff may be reluctant to share negative information, which could be attributed to them. This could seriously affect their productivity and future in the institution. Consequently, prior to commencing the exercise, the head of the research team should discuss this with senior management. The management should in turn take the responsibility of informing staff about the study encouraging them to express themselves freely. At Kenya Post Office Savings Bank, the Managing Director sent a memo to all staff calling it a "moment of truth" where staff were encouraged to express themselves freely in departmental meeting. They were also assured that issues discussed would not be used vindictively. Likewise, after the research is completed, the institution benefits from completing the internal feedback loop and telling staff what the findings were. If the institution does not respond to feedback, it should consider whether it is truly prepared to embark on feedback loop analysis. Clients, staff and other stakeholders who do not believe the institution will respond to their comments are less likely to cooperate or give quality information during the research phase.

Deal with each group of internal clients separately: It is often difficult for lower level staff to express themselves freely in the presence of their seniors. To explore feedback issues effectively sensitive issues often need to be researched within respective levels. Towards the end of the research phase, the research team should hold a discussion with a representative of cross section of staff within the institution where issues can be reported and validated. This group should be carefully and thoughtfully composed with the head of the research including lower level staffs that is able to speak about experiences reported in earlier discussions.

Test feedback loops: One other thing that was done at KPOSB and FINCA TZ and designed to help understand the "health" of feedback loops was to "test systems." Questionnaires were sent out through the purported internal feedback mechanisms, and the response and type of information generated was examined. In both cases specified feedback deadlines were set. While KPOSB failed to get a significant response, FINCA had sizable response, but nobody followed the instructions to get the results back to head office in a timely/orderly fashion. Afterwards, FINCA sent results to the branches but KPOSB never completed the loop.

What Feedback Loops Really Exist in These Institutions?

A vast range of feedback mechanisms exists within an institution that may not be obvious to most employees. Working with *MicroSave*'s Action Research Partners the following analysis of different feedback mechanisms was created.

Table 2: Feedback loop mechanisms

Mechanisms	Kind of Information	Volume of Information Involved	Strengths	Problems
Frontline staff in banking halls	• Comments, complaints, enquiries and suggestions from clients • Provision of information on changes in products and policies and clarification on clients' issues	Very high	• Immediate response to questions from clients	• Provision of inconsistent, inadequate or inaccurate information • Conduct of frontline staff in the banking halls may not encourage clients to raise issues
Telephone calls	• Clients and staff comments and complaints. • Response to staff/clients' queries • Consultations within the organisation	Medium	• Responsive and two way communication means that parties involved can reach consensus	• Inconsistent information • System breakdowns • Inadequate information • Inappropriate language in answering phones – discourages feedback even internally

Mechanisms	Kind of Information	Volume of Information Involved	Strengths	Problems
E-mail/Intranet	• Facilitates internal communication on new developments, policies and procedures • Staff commendations for good work	Medium – High	• A well-constructed intranet site can provide online reference as required to many staff at the same time.	• System breakdowns • Limited coverage as not all staff has access to email or intranet. • Lack of proper maintenance of intranet • Power shortages
Circulars and memos	• Policies and procedures • Staff transfers, frauds, demotions, etc.	Medium	• Circulars are evidences of communication and useful as fall-back positions in case of controversy • In most cases circulars are authoritative and prompt action. • Decisions often taken on the basis of internal memos	• Delays in circulation or implementation • Distortion of information to higher levels may result in inappropriate decisions being made • They are usually one-way communication mechanisms
Reports	• Show the progress of work	High	• Reports provide evidence of resolutions and provide future reference points. • Act as a basis for making decisions	• Delays • Distortion of information to higher levels may result in inappropriate decisions • Reports not read extensively within the institution. • Lengthy reports are often left unread.
Meetings	• Essential to ensure the planning and to report progress of work • Often part of the decision making process • For training and effective transfer of information to groups	Medium	• Effective meetings can ensure consensus • Possibility of clarifications	• Time-consuming • Meetings risk low levels of participation where superiority is an issue
Committees	• Often used for specific tasks such as branch establishment, credit decisions, discipline, procurement, etc		• Used for information exchange and collective, often delegated decision making	• Frequently slow to make decisions • Lack of accountability where Terms of Reference are not clear • Inappropriate decisions where committee is not close to the issue.
Letters	• Staff/clients' comments, complaints and enquiries • Important communications to customers/staff	Low	• Permanent reference	• No mechanism for response/feedback • Delays
Suggestion boxes	• Clients' comments, complaints and inquiries	Low	• Can be used to encourage unsolicited suggestions. • Can capture sensitive anonymous	• Not used effectively to encourage feedback • Usually no feedback to customers • Sometimes not well

Mechanisms	Kind of Information	Volume of Information Involved	Strengths	Problems
			comments on staff, products or procedures.	positioned or labelled within a branch. • Sensitive comments sometimes filtered by branch prior to passing information upwards.
Notice boards	• Tariff Guides • Products' posters	Low	• Good as a reference point for relatively static (unchanging information), or for latest drafts of regularly changing information.	• Often contain out-dated information • Disorganised and unattractive • Frequently unread by staff
Web-site	• Background information on the organisation, products, contacts, etc.	Low in low-income markets.	• Versatile format that can be kept up to date with limited costs • Accessible to anyone with access to the internet	• Limited information is usually provided • Relatively few people have access • Information is frequently out of date
Informal discussions and rumours	• Staff transfers, frauds, dismissals, promotions, demotions, etc.	High	• Usually reliable source of information where formal mechanisms are ineffective	• Information distortion • Malicious use of rumours
Researches	• Market intelligence, how products and services are used, training needs, etc.	Low	• Well-thought ideas • Infuses skills in the staff	• One-off activity
Staff Incentive Scheme	• Staff performance	Medium	• Usually transparent, relatively objective and understood • This feedback loop is usually well maintained	• Requires solid and reliable information systems

Feedback Loops' Challenges in Financial Institutions

Getting key feedback loops to work within an institution can be critical in achieving high levels of customer service and in protecting an institution against competitive threats. Indeed any institution that promotes itself as customer centric, must invest in mechanisms that communicate with and from the customer. However, feedback loops must overcome some significant challenges if they are to be effective.

Delays: Many factors cause delays within feedback loops. In some cases delays result from a lack of clear guidance on communications, reporting key issues to the right decision makers in the institution. In some institutions this stems from an environment where job responsibilities have not been well defined and staff lack clear terms of reference. Many institutions have not determined who will open the suggestion boxes in the branch, how frequently, and how suggestions specific to the branch and those needing a response from management will be handled. In other institutions responsibility for a decision is split between several officers, who rarely come together or make decisions only after lengthy communications. This can happen when a feedback loop issue overlaps several functions and a coordinated response is required. In one ARP requests for changes to existing products required collaboration between Operations, the Credit Department, Information Technology and Marketing.

Other delays are caused by staff withholding or forgetting to pass information on to the relevant places or people in the organisation. In some institutions circulars could take over a month to move from the Head Office to a branch a few streets away. Delays in feedback to staff make it hard for recipients to meet implementation deadlines that expired long before the circular was received.

Inconsistencies: Institutions need to ensure that feedback loops deliver consistent information to clients. It is particularly difficult to deliver consistent information on products and services on offer. This often results from inadequate knowledge on products and services on the part of staff. Institutions must invest in feedback mechanisms that address awareness and knowledge, those that do not risk clients perceiving them as unreliable or variable. Some institutions have used client feedback to develop "frequently asked questions" with specific responses that staff can provide to ensure consistent information is communicated throughout the institution.

Poor staff attitude: Poor attitude can completely undermine feedback loops, for example, in a branch with long queues and limited supervision, tellers were taking a coffee break in full view of waiting customers. A negative attitude of front line staff is a huge discouragement to clients in raising enquiries, providing comments or voicing concerns. If staff become defensive when negative feedback is received, clients may choose to close accounts rather than push for the services they need.

Within an institution, it may be difficult for staff to raise concerns if the corporate culture makes it difficult to criticise superiors. Staff closely observe the response of management to issues raised and if they feel that issues raised are not being resolved, or action is being taken against those raising concerns, then they would rather withhold information. Particularly in large hierarchical organisations staff often withhold information for the purposes of protecting their position.

Manual processes: Manual processing of transactions is yet another challenge which results in huge feedback problems. These processes involve large filing and storage systems that are subject to human error and make it hard for officers to retrieve information in good time. This usually results in delays in giving feedback particularly on clients enquiries. Fortunately, process mapping can simplify manual processes. Kenya Post Office Savings Bank used process mapping to rework the largely manual interest insertion and passbook replacement processes. Decentralisation of these processes at regional levels has decreased processing times significantly[2].

Usability and attractiveness of the communications channel: Communication channels used in feedback loops should be presentable and encourage use. However, suggestion boxes and notice boards are poorly utilised in most institutions.

Suggestion boxes are displayed in most banking halls with the intent to encourage comments and suggestions from customers. However, ARPs have commented that customers rarely use them. Customer interviews revealed that there is no encouragement to use the boxes since no feedback is provided on issues raised by clients. To compound the problem the boxes are not put in strategic places nor are they well labelled. In one branch the suggestion box was in a stairwell, in another a plant obscured the box[3]. Institutions serving clients outside of the branches find that customers rarely enter the branch to provide written feedback and other mechanisms must be employed. To overcome problems of access and to encourage response, some institutions have placed the boxes near to customer counters, provided feedback forms and posted selected responses to customer comments to demonstrate responsiveness. Others have provided staff with "mobile" suggestion boxes that can be taken to the field and suggestions gathered during regular meetings.

Notice boards are not very effective at communicating with either customers or staff if they are not updated regularly. One out of three branches visited during the feedback loop analysis at a *MicroSave* ARP contained information that was over two years out of date. In some places the display of information was very poor, with overlapping papers obscuring important notices and information hung crookedly or permanently pasted to the wall.

Where information is poorly presented it can become much more difficult to communicate with customers. Many banking halls contain out of date posters and brochures, which can be disastrous when prices or product features change. In some cases customers are presented with too much information, and are therefore, unable to determine what is important for them to read. In still other cases communication

---

[2] For more on process mapping see *MicroSave's* "Process Mapping Toolkit" Champagne et al. (2004)
[3] See *MicroSave*'s Customer Service Toolkit - Serviced Suggestion Boxes (page 31)

materials are presented casually in handwriting rather than in print and in a format that is inconsistent with the corporate brand, reducing the impact of the corporate brand on the customer.

Signage in the banking halls: Many institutions have failed to put in place proper signage to guide clients in the banking halls. In banking institutions one can get specific information from specific areas such as; balance inquiry, international transfers, foreign exchange, etc. It therefore becomes a challenge if such signage is not in place. Clients find themselves filing on wrong queues only to be sent away after losing valuable time – and thus a huge discouragement to them. Clear signage can communicate effectively to clients where to receive the services they need.

Incomplete information: It is common to find clients with limited knowledge on the products and services on offer. Whereas clients need full information to make purchase decisions in many cases marketing officers fail to disclose comprehensive product information and instead dwell on the most attractive features. Customers only learn more on subsequent visits after unexpected transactions occur. The problem of giving out half information is either deliberate in order to close a deal or as a result of inadequate product knowledge on the part of staff.

Incomplete information on processes and procedures leads to variable implementation of policies, worse if feedback loops fail to capture process anomalies. Without information about these inconsistencies it becomes hard to respond to customers' requirements effectively.

Inappropriate decisions: On many occasions inappropriate decisions are made, despite information gained through feedback loops. This has resulted from a number of reasons:

- Staff withholding key information used in making the right decisions
- Information distortion is relatively common. A Branch Manager may fail to pass on information that seems to implicate him/her, for example from clients' comments from the suggestion boxes. In the consolidation of data for upward transmission, client information may be twisted to suit the reporting officer's intentions. This makes it hard for the institution to address the problem at hand appropriately since the information upon which to base decision has changed both form and meaning.
- Inappropriate constitution of committees is a common source of inappropriate decisions. In some cases committees are established to deal with specific issues. However, membership on these committees can be influenced by internal politics, which can result in people serving on committees who are not qualified by skills or experience. This in turn can result in delays in coming to decisions and in implementing appropriate action.

System Instability: System instability or downtime caused by data overload, power failure or poor and inadequate data communication links, render mechanisms relying on data transmission or retrieval as unreliable. Some institutions overcome this by ensuring back-up generators are in place and/or offline mechanisms can continue to serve customers during these down periods.

Rumours: Rumours are difficult to manage, as they are informal discussions between individuals. Whether or not the rumour is true they can create high levels of anxiety, which in turn impact on service delivery. Rumours can be subject to malice and distortion of information intended to break rather than build reliable staff relationships that are key to consistent communication. Lack of communication on current issues within an institution can cause rumours to spread amongst staff. If senior management is not clear on what is happening or up-coming plans, staff and clients may create stories to fit their perceptions.

Attributes of Feedback Mechanisms

During the analysis of the feedback loops, teams made a deliberate effort to find out what clients valued in the feedback mechanisms. The following attributes came out clearly as the most important and should influence the choice of mechanism.

Speed: The communication channel chosen should forward information promptly. This allows both internal and external clients to have appropriate time to make up decisions and respond accordingly.

Reliability: Reliability refers to the ability for the mechanism to deliver communication not only once but also on subsequent occasions. Systems like telephones and e-mail must be free of frequent breakdowns to ensure their reliability as means of communication.

Consistency: The system or mechanism should also be able to maintain uniformity of information that goes out whether to customers or staff. This is important in portraying an institution as one that is organised about its products and services. Consistency facilitates buy-in across the institution through increased knowledge that makes marketing of products and services easy for everyone within the institution. This also reduces confusion not only on products and processes, but also on the general operations of the bank in the market place.

Confidentiality: Confidentiality has two aspects, confidentiality of banking information and confidentiality around sensitive complaints. Customers are often reluctant to criticise staff, or to complain when they are asked by the loan officer for a bribe to facilitate processing the loan. Often customers are unaware that their institution has a no tolerance policy towards corruption, and encourages complaints in such circumstances.

In other cases certain information about customers is sensitive and therefore not meant to be shared or accessed by third parties. Clients need to trust that information about account numbers, account balances, credit history, etc. is restricted. Sensitive information such as PIN numbers must be secured. Customer security is at stake if this information goes out to the public and an institution that fails to take due care in this area is likely to lose customers. Any communication mechanism chosen to pass sensitive information needs to be secure.

Coverage: This is another important attribute of communication channels. If information is meant for the public, the mechanism chosen often has a wide geographical coverage e.g. radio or print media. Internal information for widespread distribution can be sent through the intranet, though information meant only for staff, or a selected group of staff, needs specific communication channels that do not compromise confidentiality.

Content of Communications
While it is important to understand communication mechanisms, it is equally important to ensure the quality of information. Staff and customers defined the quality of information in terms of clarity, relevance, adequacy and realism. Check important messages with clients.

Clarity: Target your message appropriately. Content should use clear and concise language to allow for quick comprehension of the message by the target group. Different groups of customers, for example, children or the semi-literate, or individuals who have had no prior experience of a bank account require messages to be delivered in different ways.

Relevance: the target audience must perceive information as relevant to their needs and preferences, if it is to be properly understood and remembered.

Adequacy: Adequacy refers to the comprehensiveness of the information communicated, that it fully addresses the communication requirements. Inadequate communication wastes time in requiring unnecessary clarifications and has significant potential for distortion. One Action Research Partner did not have account opening desks in its branches and relied instead on tellers opening savings accounts at the counter. Congestion in branches meant that tellers often failed to communicate the terms of the savings account fully. This resulted in frequent customer complaints related to unexpected charges. In another example, one bank, prior to networking its branches, had a savings account that was to be used primarily in the branch at which the customer opened the account. Balances could be accessed in other branches but additional processes were required. In many cases clients were not informed of these procedures and were unable to withdraw money from the second branch.

Realistic: All messages communicated should be seen as realistic and clearly within the institution's capacity to deliver. Clients assess the performance of and confidence in an institution based on previous

experience with the institution, i.e. whether it has lived up to its promises in the past. If the promises made are not delivered upon the brand can be damaged and confidence in the institution declines.

Key Lessons In Understanding and Improving Feedback Loops

This section presents a range of key lessons that *MicroSave* has observed in its work with its Action Research Partners aimed at managing and maintaining effective feedback loops. The suggestions in the box are the major conclusions drawn from Michael J. McCord's initial work on feedback loops, given in "*MicroSave* Briefing Note # 4: Enhancing Responsiveness to Clients through the Feedback Loop." The subsequent conclusions are drawn more broadly from *MicroSave*'s more recent work on feedback mechanisms.

Optimising Feedback Loops

➢ Focus only on data collection that the institution can use. If staff is gathering data but there is no capacity to follow through on the loop, the institution is wasting time and money, and the collectors feel that they are made to do useless tasks, which is de-motivating.

➢ MFIs that follow a Feedback Loop framework are more likely to consider all issues in decision-making and more likely to implement client-focused innovations. Some institutions indicated that it was very helpful simply to have a framework to follow.

➢ MFIs, which have a client-information focal point, (someone who coordinates client data and is responsible for consolidation, analysis, and reporting) are dramatically more effective with client-focused products and procedure improvements.

➢ MFIs bound by rigid methodologies are less likely to be effective in responding to clients. A rigid methodology often allows little latitude for making adjustments to satisfy client needs.

➢ MFIs with entrepreneurial management (especially those that are able to convey that spirit to their staff) are likely to innovate more effectively based on client input.

➢ Decentralization can be more effective than a "participatory" process within a centralized MFI. Staff from some "participatory" MFIs noted that in fact they had no latitude for decision-making, and "all decisions were made at the top." Others with more decentralized structures had great latitude to make decisions within broad parameters to satisfy customer demands. Clearly there are some benefits of a highly centralized rigid structure, but if the objective is client responsiveness, it is clear that a reasonable level of decentralization is required.

➢ Vertically integrated meetings with more than two staff/management levels can more effectively move issues up the institutional hierarchy. For example, several MFIs held periodic multilevel meetings that were noted as highly valuable because information got closer to decision makers with fewer filters.

➢ Avoid being caught up in a research cycle, asking for more and more research, and pushing decisions and implementation further into the future. Managers need to recognize the use of prototype and pilot testing as alternatives to several rounds of theoretical research. Once a reasonable decision can be made, move forward.

➢ MFIs need to be clear about how much they are willing to "invest" in this process, and monitor the costs. They need to balance the costs with the benefits to clients and the MFI. Since costs need to be covered, and institutions must surpass sustainability, it is the client who must pay for these activities. There is potential for donors to fund some of this effort, however, clients must still cover the ongoing costs of these structures built by donors.

MicroSave Briefing Note 4: Enhancing Responsiveness to Clients through the Feedback Loop

---

Feedback loops are dynamic: As institutions grow and develop, both in terms of customers, and in terms of geographic expansion, the nature of the feedback loops within institutions change. In a young, smaller institution, senior management finds it much easier to operate close to operational level. The Managing Director of Equity Bank visits branches regularly. Growth often means formalising communication mechanisms and introducing intermediary layers. The danger is that with growth the information

gathering and decision making process becomes much more involving and takes longer. It becomes more difficult to obtain feedback and act upon it.

Critically review branch based communication: In institutions operating a branch based delivery system, the branch is the most important venue for client communications. Here staff and clients meet on a day-to-day basis. Given this strategic importance, it is remarkable how little attention is given to maximising the communication potential of a branch both in soliciting and reporting feedback, and disseminating information out to the public. In line with this it is vital for institutions to consider building capacity of the front-line staff in terms of increased product knowledge and other services to be able to provide the correct, on-time feedback to clients' questions.

- *Enhance product knowledge amongst staff*: Marketing teams normally have responsibility for ensuring that each staff member is fully aware of the benefits to customers of each financial service that the institution provides. This usually includes product-based training and product knowledge tests. Staff and customers can quickly gain excellent knowledge of their products and services if products are simple and easy to understand products and are backed by Frequently Asked Questions guides. This helps to ensure there is consistent product information flowing within and outside the institution. Additionally, customer service staff helps to build channels for collecting customer comments and responses to products, systems and delivery channels.

- *Ensure signs are visible and easy to understand*: Signage should be clear and concise in language that clients can understand. Signs must be visible in a crowded banking hall, so that customers know that they are in the right place for the service they require. For this reason hanging signs may be more effective than smaller signs placed on the tellers' windows. Signage important for customer understanding should be consistent with the corporate brand as this helps to convey its significance to the bank.

- *Maintain up to date and easy to understand customer information*: Customer information such as posters, price lists, brochures and notice boards, must be clearly understood by customers. They should be written in clear, concise and client friendly language. They should use graphics and photographs where this assists a semi-literate market. Messages should be tested with customers at the design stage to ensure they are understood by and relevant to the target market and that the intended meaning is conveyed, before materials are mass-produced. Remember that at this stage redesign is relatively easy and inexpensive[4]. Adequate stocks of materials should be maintained.

Delegate decision making to committees with care: Committees often suffer from two problems, firstly delayed decision – making and secondly, division of responsibility for any task. Decisions take collective effort and unless there is deliberate delegation to follow up on the progress of an action, individuals on the committee can evade responsibility. To minimise the chance of this happening, have tight terms of reference for major committees, thereby making it clear where ultimate responsibility lies.

Ensure strategic alignment within the institution: Ensure staff are aware of the key institutional priorities and understand their role in delivering these priorities. When an institution is clearly aligned, it is easier for staff to coordinate their actions and to communicate clearly. In these circumstances when a feedback loop shows the institution is clearly out of line it is much easier for staff to recognise and correct problems. It also ensures much greater consistency in the communication and implementation phases of the feedback loop.

---

[4] See *MicroSave*'s Product Marketing Toolkit

Communicate Critical Success Factors

In an attempt to manage rapid growth, Equity Bank in Kenya realised it needed to align everyone in the institution around the factors critical for success. Senior management created a strategy that identified and addressed critical success factors. This strategy was communicated throughout the bank, in a process that involved staff identifying their activities that contributed to the identified critical success factors. During this process, the teams leading each critical success factor were clearly identified to staff. Immediately they knew where to go to resolve issues relating to the critical success factors.

Use appropriate technology: Technological advancement has significantly improved operations. Institutions that have embraced technology and have implemented the right software have improved information collection, consolidation, storage and access. E-banking has made it easy for clients not only to transact but also access information on their accounts. The increased use of the Internet and mobile phones is decreasing customer dependency on face-to-face contact for information.

Improve Feedback Quickly - Introduce Individual Email Addresses

When Tanzania Postal Bank introduced individual email addresses for many of its staff it noticed changes in behaviour. On regular communications, such as returns from the branches to the head office there was a significantly improved response compared to faxes. This enabled the bank to improve its treasury management and to speed up its reporting. However, improving email communication also led to accumulation of junk email and people being copied on issues that previously had not been their concern. It increased the need for clear communication policies and guidelines.

Encourage staff to provide feedback: much can be done to improve staff attitudes and to encourage them to use feedback mechanisms. Financial institutions need:

- *Supportive institutional culture*: create a culture of open discussion, while listening to and responding to information.

- *Encourage staff to make appropriate representations to senior management*: In Equity Bank, should staff wish to raise a more serious issue, they are encouraged to present their feelings directly to senior management, without fear of reprisal.

- *Employee Relationship Marketing*: This can be done through developing an employee relationship marketing strategy, which encourages and rewards good ideas[5].

- *Standards*: There should be standards in place against which to measure the performance of important feedback loops. Just like having a Customer Service Charter for Customer Service, it is also necessary to have standards for feedback within an institution. These standards should outline how important information should be collected, how often, by who, time within which to give feedback, etc. This goes a long way in curbing inefficiencies that may arise from lack of points of reference. It can also prevent information from getting lost or blocked at any point in the feedback loop.

- *Internal Directories*: In larger financial institutions, publish directories, explaining the position and telephone number of staff members. This simple measure, often not performed, makes it much easier for staff to identify whom to communicate to as issues arise.

Staff motivation: you cannot expect to get the best from staff where they do not feel motivated. Staff incentive schemes can be developed which align and reward staff on the basis of the achievement of

---

[5] See *MicroSave* Briefing Note # 33 "Employee Relationship Marketing"

organisational goals. The staff incentive scheme feedback loop can work very quickly, and the best schemes are highly transparent and directly attributable to objective achievements[6].

Customer Service and the Feedback Loop: Institutions that maintain systematic methods of monitoring levels of customer service regularly already manage an important feedback mechanism. There is a vast array of tools for monitoring customer service. These include, suggestion boxes, service quality questionnaires, and mystery shopping and focus group discussions among other tools[7].

Make it easy for customers to make complaints and ensure confidentiality: An example proves the point. Tanzania Postal Bank introduced a customer telephone hotline and an email address in an attempt to improve its feedback loop. Customers comments, suggestions and complaints are reviewed directly by a marketing manager, the marketing manager has the authority to ensure that the customers' comments were acted upon. In addition, because customers' comments came to a central point the manager was able to identify whether comments were a one off event or were symptomatic of a wider problem. Making it easy for customers to make complaints often means being careful to identify staff clearly, especially in branch based banking where many different tellers can serve customers.

---

[6] For more details on Staff Incentive Schemes see Martin Holtmann, "Staff Incentive Schemes for Microfinance Institutions", *MicroSave* (2005)
[7] For more details on Customer Service tools see Lisa Parrot et al, "Customer Service Toolkit", *MicroSave* (2005)

References:

Champagne, Pam Lynn Pikholz, Ramesh S Arunachalam, Caitlin Baron, Henry Sempangi, David Cracknell and Graham A.N. Wright, "A Toolkit for Process Mapping for MFIs", *MicroSave* (2005)

Cracknell, David, "Serving Depositors: Optimising Branch Based Banking", *MicroSave* (January, 2005)

Frankiewicz, Cheryl and Peter Mukwana, "Analysis and Strengthening the Feedback Loop at Tanzania Postal Bank", *MicroSave* internal report (2003)

Frankiewicz, Cheryl, Graham A.N. Wright and David Cracknell, "Product Marketing Toolkit", *MicroSave*

Holtmann, Martin and Mattias Gramling, "A Toolkit for Designing and Implementing Staff Incentive Schemes", *MicroSave* (2005)

McCord, Michael J. "The Feedback Loop: A Process of Enhancing Responsiveness to Clients", *MicroSave* (2002)

McCord, Michael J. "*MicroSave* Briefing Note 4: Enhancing Responsiveness to Clients Through the Feedback Loop", *MicroSave* (2002)

Mukwana, Peter et al, "Feedback Loop Analysis: Kenya Post Office Savings Bank, *MicroSave* internal report (May, 2005)

Mukwana, Peter et al, MR4MF Field Report, "Analysis and Strengthening of the Feedback Loop at Equity Building Society" *MicroSave* internal report (March 2004)

Parrot, Lisa, "*MicroSave* Briefing Note #33 Employee Relationship Marketing", *MicroSave*, 2004

Parrott, Lisa, David Cracknell and Graham A.N. Wright, "Customer Service Toolkit", *MicroSave* (2005)