LEADING TRANSFORMATION IN A DYNAMIC FINANCIAL INCLUSION LANDSCAPE

Reflections and Analysis of the 24th Annual Meeting

Amsterdam, June 2018

Francisco Arenas, Bridget Dougherty, Oishi Nawal, Raul Velarde

It is my pleasure to welcome the Microfinance Network to the Netherlands for your 24th annual meeting. Collaborations such as yours allow partners to share insights and identify solutions that can expand financial inclusion for all. Today, technology-enabled innovations permeate and transform financial services at a fast pace. Established microfinance institutions can seize these new opportunities to safely improve financial access, usage, and customer-centricity for poor communities, allowing people to protect themselves against hardship and invest in their futures. —H.M. Queen Máxima of the Netherlands, United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA)

Message from Shameran Abed, MFN Chairman

Dear MFN Members,

Thank you for attending the 24th annual meeting in Amsterdam. It was my honor to chair a truly exceptional meeting. I am always amazed by the incredible learnings and insights I take away from our annual interaction. It is becoming increasingly clear that while we are a diverse set of global actors, we are facing many of the same challengs in both the environmental and competitive landscapes. Our session on leading our organizations in the face of these challenges proves that as MFN members, and as leaders in the microfinance industry, we will continue to adapt and thrive in order to ensure we best serve and meet the needs of our clients.

My deepest thanks to Greta Bull, CEO of CGAP who joined the MFN for an entire day and whose advice and recommendations were invaluable to our discussions. Your thoughtful feedback has given us a sense of optimism regarding the value MFIs and MFN members bring to the dynamic financial inclusion landscape.

Lastly, I would like to thank Raul Velarde and Francisco Arenas for their service and facilitation of the annual meeting, as well as the MFN Secretariat, managed and supported by Isabel Whisson, Oishi Nawal and Bridget Dougherty.

I look forward to seeing you next year at the MFN's 25th annual meeting in Madrid.

Sincerely,

Shameran Abed
Network Chairman
MicroFinance Network

Environmental Analysis

MFIs over the past decades have adapted, evolved, and grown exponentially by bringing commercial solutions to the social problems of millions of people at the bottom of the global economic pyramid. Naturally, the industry has matured and become more competitive. Furthermore, their current external environment is not only evolving gradually but also going through radical changes that are redefining the industry. Traditional banks, telcos, multinational retailers, and fintechs are entering the market and are reconfiguring the way we understand client needs, the value propositions that are offered, the delivery channels that are being used, and the industry value chain configuration. This trend has potential impact on the future of MFIs.

In this context, we asked each participant what will be required of the MFIs in the coming years in order to have the most impact, reach more people at the bottom of the pyramid (BoP), faster, and provide integrated solutions to their problems. Given the complexity and uncertainty of the external and operational environment of the financial inclusion industry, the essential requirement will be a new kind of transformational leadership, one that will infuse these organisations with the capabilities to set direction, dynamically learn, innovate and adapt rapidly. Additionally, the MFIs will require a leadership team that is able to increase current efficiencies while managing strategic, structural, and cultural transformations.

Factors that have been most relevant and are expected to be of relevance in the coming years

Political

Political factors such as change in government administration or anticipation of upcoming elections, not only within the country the MFIs operate in but in neighboring countries, affect MFIs in a myriad ways - triggering uncertainty in the industry, interrupting operations, etc. MFIs need to build relationships with the new administrations and be weary of new laws being passed that might hinder MFI operations or set regulations that are unfavorable. Government administrations and Central Banks need to be supportive of MFIs and often, their lack of understanding of how microfinance works often results in rigid regulations such as unfair tax reforms, extreme interest rate caps, and forced transformation into banks. Government sanctioned information requests and access to client data might mean further regulation that might also unfavorably affect the MFIs. Governments and politicians often are not bothered about the well-being of the industry and do not prioritize the need for national financial inclusion strategies. Immigration and trade laws that bring in large amounts of remittances and political unrest, such as refugee crises, in neighboring nations also have impacts on MFIs – any volatile environment can reduce access to credit and hinder operations in the industry. In extreme scenarios, governments may assume the role of a competitor and instill the idea that they are the "savior of the poor" to gain votes and good faith, and thus, might not appreciate or support MFIs intervening to empower the poor.

Regulatory

Regulations for the financial industry need to be set in collaboration with government administrations. A stable and understanding political administration is a prerequisite for proper regulatory frameworks for microfinance. The challenge lies in finding opportunites to work closely with regulators and political administrations. A balanced regulatory framework allows MFIs to thrive and various other players to work collaboratively in the financial inclusion industry, hence offering more options to cater to the financial needs of clients. While the absence of a proper regulatory framework can lead to exploitation, a rigid framework often stifles MFIs and curbs operations. For example, Lebanon is the only country in the MENA region without a structured regulatory framework for MFIs and there is uncertainty looming that new regulation will force MFIs to transform under the existing financial institution structure which will be very burdensome and expensive in terms of restructuring and administration costs. In some cases, regulatory bodies enforce laws and regulations that also hamper clients in ways where they have fewer options for financial services. For example, in Bolivia, under the new Banking Law of 2013, interest rate caps of 11.5% have been imposed, with no commissions or fees allowed, on 60% of the portfolio of MFIs, which is the part that mainly serves the productive sector, the other 40% is at the discretion of the MFI, depending on the market. For housing loans, the maximum rate is 6%. MFIs were given three to four months to comply. While a few of the larger MFIs have been able to cope with these challenges because of size and scale, a large number of smaller MFIs are on the verge of either merging, closing, or substantially increasing the minimum loan size.

Macro-economic

Macro-economic changes are unforeseeable and can bring about disruptions in operations or injections that affect MFIs positively in the long run. For example, in Haiti, the macro-economic environment experiences inflation and fiscal deficit but consistent growth with an environment that is quickly adapting to technology. In Sri Lanka, which is still predominantly a cash-based economy, MFIs face security risks with staff carrying cash. Furthermore, although mobile penetration is high and literacy rates are at 90%, there are lags in acceptance of mobile money. At the macro-economic level, the transitions in the political landscape create violence and insecurity in countries like Lebanon, where an influx of refugees from Syria now make up 30% of the country's population and the government is reluctant to entertain economic assistance for relief efforts. Similarly, in Bangladesh, economic dynamics are being affected as refugees are taking jobs at lesser pay and causing unemployment in host communities. However, trade agreements with neighboring nations have favorable effects. For example, in Mexico, the agreement with the US contributes to the economy and to the increase of remittances. Finally, macro-economic factors such as geography can also be inhibitors, such as in Bolivia – a nation that is landlocked with no access to the ocean limiting its GDP growth.

Environmental

Environmental disasters trigger sudden disturbances in the economy. Aside from the apparent damaging effects, a crisis is usually followed by growth, and if MFIs have a close relationship with clients, are able to support them with the capital they need to recover. For example, following the Ebola outbreak in West Africa, BRAC decided to stay with clients and refinance loans. After suspending operations for eight months, the MFI reutnred to give clients loans and BRAC made a full recovery with little losses. Similarly, in Haiti, where the insurance market is absent and MFIs are the only source of cash for the majority of people, following the 2010 earthquake, Sogesol had to offer refinancing for two thirds of the overall portfolio allowing clients to opportunity to recover.

Operational

MFIs need to achieve operational efficiency and it is often difficult to be nimble during operational changes. It is crucial for MFIs to follow a client-centric approach and find a balance to achieve operational efficiency while putting clients first in every decision. Assessing how decisions benefit or harm clients is just as important as the process improvements themselves. As a result, MFIs need to challenge the traditional way they are serving clients, increase demand and not lose their trust. Operational changes caused by changes in regulation often create setbacks. For example, MFIs in Lebanon, operating as NGOs without a regulatory framework, will soon be forced to transform under the existing financial institution structure. Once the transformation begins, those NGOs will incur high administrative costs since credit officers will have to become portfolio managers, which requires certification. As a result, there will be limits on branch expansions as business plans will be required for each branch. Similarly, due to the passing of a new radical banking law in Bolivia, which includes interest rate caps, many MFIs coped by merging or making drastic operational changes to survive, which was only achievable by larger MFIs such as BancoSol. Many of the smaller MFIs have had to close leaving the client segments they served with fewer financial choices. Other MFIs have moved up a segment by increasing the minimum and average loan size.

Transformational

Apart from operational transformation, the advent of adopting digital delivery channels and technology in combination with traditional microfinance practices has been a noticeable trend over the past decade. With the advent of agile fintechs,MFIs need to adopt strategies to collaborate with fintechs and make use of the developing technology. The larger and more regulated institutions that are open to embracing changes will prevail in the long run, however, the impact of technology and technological savviness has been a challenge for most MFIs. In Lebanon, small fintech-like companies are emerging but the country remains well behind the curve regarding financial technologies. Adopting these technologies is difficult because the framework is not there, and mobile wallets are almost non-existent. In Haiti, there are a few fintech incubators both private and public which are heavily subsidized by telecom companies – mobile wallets are mainly used for mobile top-ups. The MFIs in Haiti tried to establish partnerships with overseas fintechs without success, however, the experience working with local fintechs has been positive.

In Bangladesh, most MFIs are still behind the curve, although large and profitable, are not anticipating future changes. The majority of MFIs continue to operate using a traditional approach to microfinance, while some are trying to go cashless, the industry as a whole is complacent. BRAC is piloting cashless branches, however, progress is slow. bKash is not being utilized to its full potential – 98% is still cash-based due to regulations that cause high transaction fees for cashing out. Innovation is happening in other parts of South Asia, with mobile money companies set up in spite of government's lack of interest in this sector. In Sri Lanka, although there is high literacy and mobile penetration, the economy is still predominantly cash-based. LOLC Finance is currently piloting IPay to digitize the use of cash, however, most of transactions are still carried out by agents.

Competitive Analysis

During the competitive analysis session, the MFN members described the different dynamics they experience in each of the regions in which they participate. As can be seen in the following table, there are three major trends: First, scale continues to be an important factor in maintaining leadership; Second, the uncertainty of the external environment has entangled markets, in many cases as a consequence of recessive regulatory frameworks; and Third, there is a presence of different types of competitors (traditional MFIs, commercial banks, non-regulated lenders, or non-bank banks.)

Regarding the entry of fintechs, there are still no dominant players. Apparently, these companies have ventured more aggressively into the traditional banking sectors. This suggests that the knowledge of the BoP, and the different economies of scale, still function as an important determinant.

The discussion was framed around the following question: *What changes, traditional and non-traditional, have occured in the competitive landsacpe due to changes in regulation?*

The frame of reference for the discussion was as follows:

	Competitors	Value proposition	Technologies/Innovations	Differentiation
	Who and how much competition? MFIS, traditional banks, Fintechs, Telcos, platforms, M&As? What are the dynamics of the competition?	Value Proposition Changes? (Functionality/Products, Availability, Ease Of Transaction, Relationship, Price)	Which supporting technologies/innovations have been adopted by the competition?	Impact on differentiation? Impact on growth? Profitability?

The most relevant points of each member participating in the annual meeting are summarized below.

MFI	Competitors	Value proposition	Technologies/Innovations	Differentiation
Gentera	• Traditional - Follow leaders, mimic successful entities. In Mexico, a few	• Essentially the same, but some are providing better	• Some tech tools enhancing processes, but not changing customer experience.	• No impact, except in the case of price and losing clients – prompts healthy competition

MFI	Competitors	Value proposition	Technologies/Innovations	Differentiation
	small competitors operating under the traditional model but equipped with some new technological tools and flexibility (strong processes, but not changing customer experience). Big banks also looking into entering our market. • Disruptive – fintechs but no clear entity threatening the old model. • Timing – have to be ready, there will be a tipping point.	prices and terms - targeting our best customers. • Trying to understand disruptive players better. Enhanced Credit Risk Assessment will be disruptive. How using quality and quantity of data to assess the willingness and capacity to repay?	• Big banks could buy into network. • NPLs have stopped entities from upscaling.	and keeps MFIs on their toes to improve services. • Fintechs not there yet. Disruptors have not yet had an impact.
BRAC	• MFIs targeting BRAC, poaching our staff and simultaneously taking larger loan clients. • Disruptive – looking at cost of lending, and credit risk etc.	• Differentiated rates and incentive programs for the staff.	• All of us have innovation labs...but better to buy up others - best innovative practices come from outside. • The future is about partnerships – understand how the other side thinks.	• Other MFIs have taken over 2000 of our staff. Once they finish with this segment, they might try to penetrate other segments. • Fintechs want to collaborate with us and us with them.

MFI	Competitors	Value proposition	Technologies/Innovations	Differentiation
Sogesol	• We need to see how technology exists with credit. • Haiti has nano loans but the experience has not been great. However, 90% of all innovators and startups fail.	• 25% is capacity and 75% is willingness – we need to assess willingness and credit with algorithms. • Credit cards are linked with credit bureau. Similarly, without a solid national ID system – the credit bureau is worthless.	• The approach has to be human touch (peer-to-peer connection) mixed with technology. • We need to assess what the correct mixture of human interaction and tech is.	
BancoSol		• Most of us are trying to adopt technology and trying to stay ahead of the curve.	• We want to use technology but not exclusively or at the cost of losing the closeness with clients. • We do not want lose how microfinance functions like private banks. **"Private banking and microfinance are the same in a way." – Michael Chu**	• Mixed reaction from clients – MFIs need to be mindful about not losing the relationship with clients.
Fundación Mundo Mujer			• Technology or innovation works better in larger cities but not as effectively in rural areas. Distance is a factor and customization is often required.	• Technology has to be specific – cannot be applied to the entire country's context.

Insights from Greta Bull, CEO of CGAP

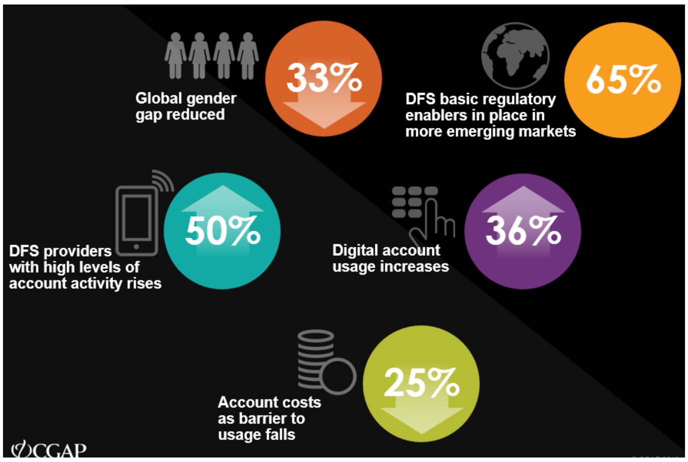
CGAP seeks to enable poor people to access and use financial services that can help them capture opportunities and build resilience.

Greta Bull, CEO of CGAP, and a Director of the World Bank Group joined the MFN for the first full day of the MFN annual meeting. Not only did Bull participate in the discussions on external environment trends and industry competition, but also presented on the state of the industry, latest Findex 2017 data, CGAPs priority areas, and what is next for financial inclusion.

Bull highlighted three dimensions to financial inclusion: Access, Usage and Well-being.

Access: Account ownership has increased from 51% to 69% meaning 1.2 billion more people were banked between 2011 and 2017 (Findex 2017). Mobile is an engine for increased access in countries like Namibia, Rwanda, and Gabon and mobile money is further driving access in rural Africa account ownership (especially in Ghana and Senegal between 2014 and 2017). Bull highlighted that enabling regulation was an accelerator for access and that government policy will continue to play an important role to continue to move the needle on access. However, challenges persist, the gender gap remains at nine percent in developing markets – for example, in Bangladesh, access grew from 32% to 50% but the gender gap widened from 11% to 29%. Bull stated that CGAP will continue to support basic enablers to access, focus on excluded groups such as women, farmers and youth, and test sustainable models to reach the poor at a low cost.

Usage: Usage is lagging in terms of mobile money account uptake. According to the GSMA, as of December 2017, only 37% of mobile money accounts are active (within 90 days). The GSMA highlights several factors for success, including the existence of robust agent networks, enabling mobile money regulation, digital account based models, and providers serving as platforms for partnerships. CGAP will continue to build usage through the creation of digital rails and open DFS ecosystems: agents, APIs, and interoperability, create new use cases for financial inclusion for development (energy, agriculture, health etc.). CGAP will also work on usage of excluded segments by creating products that meet the needs of rural women and youth and document emerging business models and the impact of these new entrants on regulators and incumbent providers.



CGAP Aspirational Targets

Well-Being: CGAP focuses its well-being work in three areas: having an evolving consumer protection framework that keeps pace with the industry, promoting approaches for regulators and providers that prioritize financial health for consumers, and conducting research that deepens understanding of financial services' contributions to broader development goals. The GMSA code of conduct, financial health indicators in emerging markets and financial services as enablers for 11 Sustainable Development Goals were discussed. CGAP will continue to work on well-being through new thinking on consumer impact and client protection, exploring financial health and consumer outcomes with providers, designing new tools with regulators to measure and mitigate consumer risks, and build a solid evidence base through research on how financial inclusion benefits poor people.

There has been significant progress in financial inclusion, but more work remains, especially in reaching excluded segments. Bull shared seven recommendations with the MFN members:

1. Have a clear idea of what you want to do with technology; have a strategy and a business plan when implementing technology.

2. Agents can help grow a business, but why? Again, have a clear plan.

3. Invest in good IT – legacy systems aren't working and migrating to new IT takes time.

4. Digitize! With IT systems comes data and use of that data through analysis. Don't become paralyzed by thinking about digitizing historical paper records – pick a point in time and start now.

5. Continue to have customer centricity – you know your customers and it's key.

6. Don't fear digital credit, it is not displacing microfinance. In Tanzania for example, people are using digital credit for cash management.

7. Be ready to form partnerships – know your strategic value add and be aware of the associated partnership risks.

The MFN members and Bull concluded that MFIs are no longer the "walking dead", and sense more optimism regarding the value MFIs and the MFN members bring to the financial inclusion table.

Business Models and Challenges Faced

In the previous years the annual meeting was oriented towards the trends and implications of the so-called fintech movement, but this time the focus returned to the members. In preparation for the meeting, a series of micro-cases were developed to reflect the status of the MFIs, the main challenges that each organization faces and the dynamics of their different markets. Based on these MFN member minicases, the second day of work was devoted to the analysis of the business of the members of the MFN.

This was the most extensive segment of the annual meeting, especially due to the CEOs depth of reflections and the degree of understanding of the financial inclusion dynamics. In these business model sessions, the participants shared with confident openness both the achievements and the competitive and organizational challenges they face. Given the intimacy of shared information, this section describes those business challenges that are common to many of the MFN organizations.

Challenges related to Customers and Segments

After more than 30 years of microfinance, it is evident that BoP customers display a high degree of knowledge and expertise in the use of financial solutions. The volume and evolution of the market has attracted multiple competitors. Expert clients can decide between different financial alternatives, and they are rarely funded from a single MFI. To maintain their relevance, MFIs face the challenge of providing more comprehensive, competitive and differentiated financial solutions.

In addition to the maturity of the historical clients, the different profile and behavior of the new generations represents an additional challenge, especially due to the broad use of new technologies. While new technologies allow more efficient forms of contact, they also move away from the personal relationship model that has been so successful for MFIs.

We also discussed the adjacent market segments to which MFIs have extended their services, such as agricultural customers. In this matter there is a great mixture among the members of the MFN: there are some who have extended their footprint for several years, while others maintain an exclusive focus on the origin segment. The successful cases of diversification present a common factor: they start from a question about the relevant problems faced by a group of clients, and then approach the design of possible solutions.

To respond to these trends and changes, all participants stressed the need to achieve a greater and wider understanding of the behavior of current and potential customers, in order to make a finer segmentation and adequate development of financial solutions. Again, new technologies can be an important ally both for their ability to capture large volumes of transactional information, and for the potential of data-based analysis.

Challenges related to the Value Proposal

Although several MFIs have an expanded catalog of financial solutions, there was great accordance about the necessary transition from a product-based approach to a customer-based approach. Starting from a greater knowledge of the client, the behaviors of use of the financial solutions can be mapped, which would allow a more precise design of the experience, as well as the operational and organizational alignment of the MFIs. The expected effect is an increase in customer loyalty through various elements of the value proposition.

A particularly important application of the latter are the clients served by group lending methodology. The members of the MFN are convinced that groups are not only a mechanism to reduce the transaction cost in the credit process, but they are cells of social integration and solidarity. In other words, the group methodology is valuable because it recognizes and reflects the dynamics of the communities served. Consequently, several MFIs are working to identify opportunities to enhance the integration of the groups and increase the social and service value of these meetings.

Another similarity among the participants was the challenge of improving the value proposition differentiation by increasing Availabiltyof their services to the customer. Specifically, They discussed both the capability to respond faster to customers, as well as to the need to diversify the means of contact (channels), to expand the capillarity of the MFI, and to increase the frequency of contact.

Challenges related to the Competition

Although industry maturity continues its pace, the growth of competition has not been the main concern factor for the MFN members. This seems to be explained by the massive nature of microfinance: reaching a relevant scale is a fundamental competitive variable. The MFN organizations are the leaders in each market, which places them in a position of advantage over competitors from different regions. However, in some countries, new entrants with traditional business models are poaching on the most profitable-low risk cutomers, therefore, generating the need for the MFIs to deepen their customer segmentation strategies.

Fintechs, despite the expansive potential of the fintechs, have not yet achieved a significant penetration or presence in the markets represented in the MFN. Moreover, in several cases the MFNs organizations have been the experimenters of new technologies with their BoP customers.

Challenges related to Scale and Channels

However, the operational model to reach the necessary scale is based on large structures of people in the field, which entails high operating costs. An important promise of the new technologies is the reduction of transaction costs, which will allow MFIs to build a more secure competitive position.

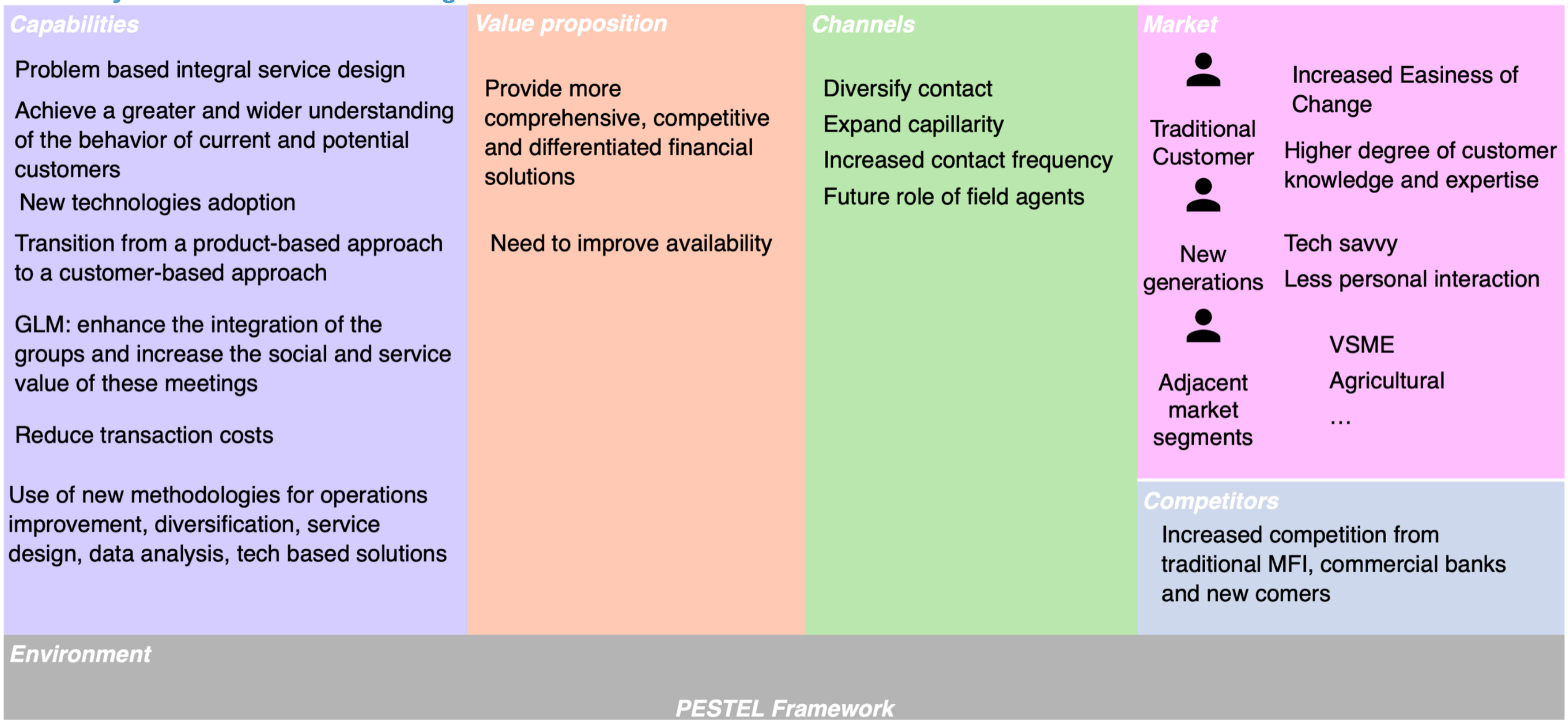
There are different concerns about how to access and serve the target segments. The main question is about the future role of field agents. In the past, both agents and branches have been the fundamental relationship and business channel. New operational support platforms, workflow digitalization and data-intensive transactions could become the strongest transformation forces of the microfinance business model. In addition, while seeking to satisfy a broader set of needs, it will be imperative to raise the elements of communication, education, and the customer relationship. Thus, many of the MFIs discussed the transformation of their channels towards integral service platforms, capable of capturing more customer information and elevating service. Different service platforms, wider and more complex service offerings and more ubiquitous relations mean huge profile and role changes for agents and branches.

Challenges related to Improvement Methodologies

As described above, initiatives to redesign the value offer and evolve the organizations towards a customer-based approach represent the main challenges. During the annual meeting we devote a good part of the discussion to the methodologies and the tools to undertake them.

These methodologies, such as Service Design Thinking[1], can facilitate the transformation of the offer and also trigger collaborative work within the organization due to its holistic nature. Multiple initiatives involve the areas of technology, project management, work processes and personnel. All of the above recalls a discussion that began at Alexandria: the need to improve the operation, and to devote time to the definition of strategies and plans for change. The microfinance industry could undergo a new stage of transformation, characterized by the speed of adaptation to the market and the search for efficiency. As was the case with the traditional banking sector in the eighties, project and portfolio management, continuous improvement, quality management and organizational alignment will be fundamental in the activity of the CEOs. But unlike that time, new technologies offer entirely new opportunities, which will also modify the organizational structure and the very nature of business processes. Product or service development functions, platform management, data analysis, and CRM could represent entirely new structures, personnel profiles, processes and infrastructure for the MFIs.

Summary of the Common Challenges



---

[1] **Service Design** helps to innovate, create new, or improve existing services to make them more useful, usable, and desirable for clients, as well as efficient and effective for organizations. For a more in depth description and application, read: This Is Service Design Doing by Marc Stickdorn, Markus Edgar Hormess, Adam Lawrence, and Jakob Schneider.

Challenges as Managers Lead Organizational Change

The environment will always be changing and leaders in the organization need to nurture internal change to continue generating value. However, there are varying degrees of change. Adaptation has to do with evolutionary adjustments such as process enhancements or new product development, while transformation has to do with more profound and radical changes, especially when the organization modifies its behaviors, culture and business model. MFI leaders must manage the organization´s adaptation and transformation processes. While doing so, they face great challenges including the following -

Dealing with an environment that is continuously changing

The playing field of the microfinance industry has turned into a constant state of change as endless technologies, players, stakeholders, consumer needs, products, and product distribution channels are rapidly emerging and evolving, constantly re-shaping the financial services ecosystem. MFI leaders find that by the time an organization has gone through an 18 month transformation process, it is time to start a new process to catch up with the changes to the environment. In this context, one of the leader´s greatest challenges is to develop organizational agility as a core competence in the organization.

Understanding change

The future state of the dynamic business environment has become a moving target, difficult to assess and predict. Understanding change is the first step for leaders to effectively shape the new organization. At a personal level, the leader must do a profound screening of the environment to fully understand what is coming and what the implications are. At an organizational level, leaders must also develop new organizational capabilities to gather and interpret information in ways that generate true change in the organization´s behaviors.

Learning to deal with uncertainty and ambiguity

Continuous changes and the limited ability to have clear, certain and definitive answers regarding how the future will look, will require that leaders plan and manage risk in different ways. Leaders need to implement alternative processes and tools such as quick testing, scenario planning, and portfolio management. Leaders will also need to assess and manage risks with an approach that is open to greater levels of uncertainty.

Taking advantage of diversity

As new knowledge and skill sets are required in the organization, veterans who have been around for many years in the organization may be joined with new employees with diverse profiles. Newcomers include people from diverse backgrounds, industries, nationalities and age groups such as young, bright and ambitious professionals. MFI leaders need to find new ways to obtain the best from teams composed of employees with different profiles, motivations, and aspirations. Leaders will need to establish open management schemes, as Cyrus the Great stated, stimulate "diversity in counsel and unity in command".

Managing cultural change

Changing structure, work processes or infrastructure does not seem to be as hard as changing employees behaviors. Leaders need to effectively put in place the correct set of KPI´s and incentives that are aligned with the desired change and motivate behaviors such as critical thinking and teamwork, and discourage undesired behaviors such as conventionalism and hierarchical dependency. Leaders need to reinforce the desired culture beyond the formal levers by finding new ways to constantly communicate expectations and celebrate achievements. Leaders will also need to find new ways to foster commitment and cohesion. Finally, leaders need to find ways to prevent employee burnout that may result from continuous change.

Managing growth

The leadership dynamics and management processes that proved to be successful in the early stages of the organization are not always the ones needed as the organization reaches a larger scale. Leaders will need to make wise decisions regarding new forms of management that need to be put in place to effectively deal with the different challenges that arise as the business rapidly grows and the organization reaches a new scale.