

Caisse d'Épargne de Madagascar (CEM)¹

Anatananarivo, Madagascar

Determined to achieve his goal of privatizing the National Malagasy Postal Savings Institution (la Caisse d'Épargne de Madagascar, or CEM), its general director, Paul André Andriamamonjisoa,² continued to demand improvements from his staff and himself. The organization was in the midst of the biggest change in its history—from a manual savings operation into an automated full-service bank—and much had to be done to keep things on track. Paul André's vision was clear, but making it a reality required the committed efforts of many people. He had called a meeting of his key managers that morning to better coordinate their collective efforts.

The Caisse d'Épargne as a Potential Bank

In 1993, the Caisse d'Épargne de Madagascar entered into a partnership with USAID to promote the development of Madagascar through the financing of private sector initiatives. USAID provided technical assistance, funded staff development and purchased equipment to help in the privatization effort. The aim was to build a stronger financial institution that would one day become a private bank. Previously authorized just to help people save money, the CEM could now lend money, spurring business development, private investment and ultimately economic growth in Madagascar, one of the poorest countries in the world. Both the CEM and USAID were particularly interested in providing financial services to the middle class and the poor, who previously found business and personal loans unavailable.

The Caisse had made remarkable improvements over the last few years, encouraging its management and staff, and impressing and pleasing their American collaborators. But Paul André was determined not to rest on his laurels. "We will not become a bank right away," he said, "but personnel will be trained so there won't be any holes in our transformation from an autonomous financial institution to a bank. The CEM can be the biggest bank in Madagascar. It is the only financial institution with a presence in all the corners of the island. Even without waiting to be a full-fledged bank, the CEM can contribute to national development. We are going to help small and medium-size businesses create jobs and increase production. CEM isn't going to develop this country on its own, but we'll do our part. The best future the Malagasy can hope for can come from the CEM."

Much remained to be done to achieve this goal, requiring the continued efforts of the entire staff. Paul André asked his managers to come to a meeting that morning prepared to discuss what the CEM needed to address. There were so many operational changes underway, so many new products and marketing efforts being launched, and so many financial issues demanding attention, that concerted internal coordination was critical. The 45 people at headquarters were extremely busy introducing change at a pace and scale rarely seen in the island's history.

As he waited for the others to arrive, the general director made some mental notes to himself, listing his major concerns about the CEM's legal status, financial stability and customer service. He knew that he and his

key managers needed to develop an action plan for the next several weeks.

History of Madagascar

Madagascar is the fourth largest island in the world, located off the southeastern coast of Africa (Exhibit 1). Its population is largely tribal in nature, with the Merina tribe representing 99% of the people.³ The presence of Arab, Indonesian and English traders and missionaries influenced the country's history, culture and economic development over the 17th and 18th centuries. Madagascar was then colonized by the French in the late 19th century.

In 1960, Madagascar gained its independence. This created the First Republic, which elected its first president, Philibert Tsiranana. Tsiranana pursued a form of democratic capitalism and was receptive to foreigners. Former French colonizers remained, and some maintained that Madagascar had simply made a transition to quasi-colonization.

Malagasy (the people of Madagascar) sentiment began to turn against the French, around 1972 and nationalism grew. Foreign businesses were threatened. Some were nationalized and others were forced to leave.

The country was already struggling when the Second Republic began in 1975, but the economic situation deteriorated even further under the second president, Didier Ratsiraka. Ratsiraka's administration began a nationalistic campaign that shifted the economy from capitalist to socialist. Foreign investment left and the business climate deteriorated.

In the late 1980s the Second Republic began to allow more free market activities but continued to suppress democratic initiatives. Opposition and frustration grew, and in 1991 there were general strikes that lasted seven months. In August 1991 a peaceful march of hundreds of thousands of demonstrators was halted by soldiers

who fired into the crowd and dropped hand grenades from helicopters. The demonstrators fled in terror and the actual number of wounded and killed was never known. Shortly thereafter an interim government was put in place, and when Ratsiraka finally consented to elections in February 1992, he was defeated.

Dr. Albert Zafy became president of the Third Republic. Over a hundred political parties were formed, and freedom of speech was tolerated. The business climate turned cautiously optimistic and a few Malagasy returned from overseas to open businesses.

That optimism began to erode about a year later as the government proved incapable of imposing serious economic reforms. Donor funds were desperately needed to help with debt payments and to fund development projects. However, ongoing talks with the World Bank and the International Monetary Fund stumbled along as Zafy (the president of the National Assembly), Francisque Ravony (the prime minister) and Pastor Andriamanjato (CEM's president) disagreed over how to finance the country's debt.

The debate centered around two issues: (1) what requirements to accept in return for IMF and World Bank funding, and (2) whether or not to continue parallel financing. In return for a loan, the IMF and the World Bank made specific macroeconomic demands of the government of Madagascar. These included the typical requirements that government reduce its deficit spending and allow its currency to float. Stipulations were placed on the level of price support provided for rice, and the targeted level of economic growth and progress in privatizing government-owned industries. The results were quite jarring for the country's businesses. Within a period of a few months in 1994, everyone's savings dropped 50% in value. During the political upheaval of the past few years, negotiations with the World Bank and IMF continued sporadically. Discussion focused on macroeconomic concessions and, more recently, on the government's practice of parallel financing.

Parallel financing referred to the practice of accepting loans from other governments or private businesses beyond the financing already received from the World Bank and the IMF. Entering into loan obligations with another country or business increased the risk that the government might miss a debt payment to the IMF or World Bank. Furthermore, loans negotiated under parallel financing frequently required a letter of credit, or some type of preliminary payment or business concession from the government before the loan would be granted. In one situation a European entity was given rights to mine some Madagascar natural resources under the expectation that it would offer the country a loan, even though that loan never materialized.

Exhibit 1
MAP OF MADAGASCAR



The IMF and World Bank objected to parallel financing because it undermined their attempts to steer the economy. The intention of parallel financing became murky as companies that promised loans were granted benefits even though their promised loans never came through. Ravony, the prime minister, began to turn against the idea and antagonism grew between him and Zafy, the legislative president. Each side accused the other of promoting policies that demonstrated their selfishness and unwillingness to pursue the country's best interest. Meanwhile, unfortunately, focus on other important political, social and economic problems waned. Everyone believed the government was corrupt, and the denials of wrong-doing often heard from politicians were viewed skeptically as mere face-saving.

Participants in a monthly business roundtable expressed their increasing frustration with the government's inability to work together for economic progress. One exclaimed with exasperation, "We don't want to have anything to do with the government. People assume anyone connected with the government is corrupt, and we don't want that reputation. How can you change them? I prefer just to tend to my business."

Madagascar's Economy

In 1991 Madagascar's per capita GNP was US\$210. In the same year Madagascar was listed as the tenth poorest country in the world. Exhibit 2 shows comparative economic indicators. Some causes of this poverty were complicated historical and political factors such as colonization, corruption, nepotism, socialism and limited political participation.

There was a great need for solid business development to bring life to Madagascar's feeble economy. The country's population and economy were largely agrarian. About 80% of the country's 13.8 million people lived in rural areas, and a large percentage of the population was engaged in subsistence farming.

With a large informal sector and a growing barter economy, it was difficult to obtain meaningful indicators of economic strength. Estimates were that less than four percent of the active work force was paid wages. Unemployment in 1994 was estimated at 40% while inflation wavered around 35%.

There were five banks in the country that offered a full range of services. Two were government owned, but they were having financial difficulties due to a long history of bad loans. Two served upper-middle-class customers, and they were either foreign owned (Credit Lyonnais) or a joint venture (BMOI). The fifth bank served wealthy NGOs.

Exhibit 2 ECONOMIC INDICATORS OF SELECTED COUNTRIES

Selected Economies	GNP Per Capita (US Dollars 1991)	Average Annual Growth Rate
Mozambique	80	-1.1
Ethiopia	120	-1.6
Madagascar	210	-2.5
Bangladesh	220	1.9
Kenya	340	.3
Honduras	580	-0.5
Morocco	1,030	1.6
Thailand	1,570	5.9
Spain	12,450	2.8
Italy	18,520	2.2
United States	22,240	1.7

Source: World Development Report 1993 (Washington, DC: The International Bank for Reconstruction and Development, 1993).

History and Organization of the Caisse d'Epargne

The Caisse was established in 1919, when Madagascar was a French colony, as the local branch of the French Caisse d'Epargne. Although not stated explicitly in its decree, the purpose of the CEM was to serve as a financial savings institution available to all. The CEM achieved these objectives by offering a low minimum account balance and creating a wide network of offices by functioning as a unit of the post office.

When Madagascar gained its independence in 1960, ownership was transferred to the government of Madagascar but the CEM continued functioning as before. The CEM maintained its deposits with the Caisse d'Epargne in France until 1975 when they were finally repatriated and placed in Madagascar's Treasury.

The CEM differed from other Malagasy financial institutions in three ways: (1) it did not offer loans, (2) it had an extensive network of branch offices throughout the country, and (3) the majority of its customers were poor. The CEM was not a bank, but rather a savings institution. Like a bank, it took in deposits, but unlike a bank, it made no loans. Instead, its deposits were kept with the Treasury, which set the rate the CEM earned on these funds. In order to honor customer withdrawals and cover its operating budget, the CEM withdrew funds from the Treasury. The CEM retained legal claim to its deposits held by the Treasury, but the Treasury could make temporary use of them to pay for government activities.

The Caisse operated through a network of 461 post office outlets distributed throughout the country, serving approximately 290,000 depositors. In contrast, the branches of the five commercial banks were located only in the major cities. The CEM's minimum deposit, 100 Fmg,⁴ made it possible for everyone to open an account. In this way, the CEM encouraged savings among the poor.

Throughout its history, the CEM had always been government-owned, though the Malagasy system allowed for several levels of government ownership. In recent years the CEM gained increased independence by being reclassified legally (described below). As the CEM became less strictly controlled by government, its managers gained more power to take initiative, make decisions and negotiate flexible uses of customer deposits.

From independence until 1985, the Caisse was administered as part of the Post, Telephone and Telegraph (PTT). It was required to keep its deposits with the Federal Treasury, and its 20-member board of directors were all government appointees.

In 1985 the CEM became a "public establishment of industrial and commercial character" (an "EPIC"). The EPIC status gave it more administrative autonomy by changing its administrative structure but not its physical network. No longer an agency of the PTT, its senior management had more leeway to make independent administrative and organizational decisions (such as restructuring the organization, or remodeling the head office). Even though the CEM management officially reported to a Board of Directors, that Board had met only three times in five years. Structurally, the Caisse continued to have its teller windows in post offices around the country and postal employees performed the CEM procedures. These tellers and their supervisors, the postmaster generals, were employed and paid by the PTT.

Portrait of Paul André Andriamamonjisoa

Mr. Paul André, the general director of the CEM, was a charismatic, intelligent and hardworking man who firmly controlled job prospects of the people who worked for him. He was a product of the PTT educational system, having received his college-level training from the PTT in Madagascar and postgraduate education from the French equivalent in Paris. He was appointed by the minister of finance, though no active board of directors oversaw his deeds. In personal style, he was decisive and temperamental. He usually made good decisions, but sometimes treated people poorly because of his quick temper. He might lash out angrily with, "Why was this mistake made?" and insist there be changes, though he may have little idea what needed changing. He held

power firmly, took his responsibilities seriously and managed paternalistically. When his daughter died in the midst of the developments described in this case, he was back at work three days later.

Advent and Challenges of Privatization

Paul André had a strong sense of the potential role the organization could play once allowed to operate as a private sector player. Privatization could benefit CEM customers and aid in the economic development of the country. If it became a private institution, the CEM would be free to decide where it placed its deposits (the Treasury paid close to 12% interest) and set the interest it paid its customers. Loans from traditional banks, in contrast, were severely limited and demanded a very high interest rate (typically 18%, sometimes as high as 35%). The CEM could thus begin lending at a lower rate than competitors but still earn more than what the Treasury paid on CEM deposits. With access to capital, CEM customers could build homes, pay school fees or start businesses, all of which would benefit their families and contribute to Madagascar's economy.

The Caisse was working aggressively to become a private financial institution. Late in 1994, the CEM submitted a statute to the government which, once approved, would restructure the Caisse as a Société Anonyme (SA), an autonomous entity or a limited liability corporation. SAs could be either government-owned or privately held. The statute awaited a vote by the National Assembly.

As a Société Anonyme, the CEM would have increased administrative and financial independence. Most significantly, it would be able to make loans and attract private capital. Once 51% of CEM stock was privately held, the Caisse would be an independent, private financial institution, able to name its own board of directors and manage its finances without any government directives.

Neither the CEM physical structure nor its method of operation had significantly changed over 45 years. Tellers were barely visible behind papered, smeared windows. All customer transactions were recorded by hand, and paperwork was delivered to the back office where it was eventually entered into a computer. Every other bank in Madagascar offered several types of savings accounts, open teller windows and computerized account transactions. Thus the CEM had to make major improvements in its facilities and services in order to become competitive.

Optimistic that the CEM would soon become a Société Anonyme, the Caisse management did not wait to undertake significant change. Between September 1994 and June 1995, the CEM redesigned teller

windows, rewrote computer software, revised its accounting system, started installation of new computers and trained employees in subjects such as human resources, communication and accounting. These initiatives helped provide the organizational and physical structure as well as the human capital necessary to position the CEM as a viable financial institution prepared to make the transition to a private bank.

Attaining Financial Stability

It was essential that the Caisse improve its financial position before it could begin lending or seeking private capital. Due to an error in the Treasury's method of accruing interest, the CEM actually operated at a loss for years before 1994. From 1972 to 1985, the Treasury did not pay interest on some of the CEM's deposits, while the CEM continued to credit interest to depositors' accounts. The problem was discovered in 1985, and the Treasury began paying a preferential interest rate to make up for years of back-owed interest. When USAID began collaborating with the CEM eight years later, it helped negotiate final payment for the total amount of interest owed as of 1985.

Until 1994, the interest rate that the Treasury paid on CEM deposits was not indexed. In 1994, the Treasury agreed to link the rate to the Treasury Bill, and the 1994 annual average was 15.23%. There was an understanding but no legal guarantee that the Caisse would receive a minimum of 11.5% return. Standard CEM customer deposits earned 6.65%, and a premium rate of 8.45% was paid on accounts with annual deposits of 50,000 Fmg and no more than four withdrawals.

With the lump sum interest payment from the Treasury and the new higher interest rate, the CEM was in a much better position financially. It was finally able to show the profit it had earned. (No Balance Sheet or Income Statement were readily available from the institution. These financial statements had not been prepared for several years.)

To become stronger and grow financially, the CEM needed to increase deposits. The Caisse management team had set aggressive goals for increasing the amount of deposits and the number of depositors and now needed a way to achieve these objectives. Deposit growth goals appear in Exhibit 3. Clearly the CEM needed to offer customers more than a mere passbook savings account to achieve these numbers.

Senior management began by focusing on new saving vehicles, or liability products, so named because a liability was incurred when the CEM took in a deposit. Loans, on the other hand, were asset products because by granting a loan the institution acquired an asset—the principal borrowed and interest owed. The managers

Exhibit 3 THE CAISSE D'EPARGNE FINANCIAL OBJECTIVES

Deposit Growth	
(in Millions Fmg)	
Year	Level of Savings
1996	38,000
1997	52,000
1998	78,000
1999	108,000
2000	138,000
2001	178,000

devised a strategic marketing plan outlining six new liability products that would be launched from 1995 to late 1996, and they described several asset products that would be offered in 1996 or 1997 (see Exhibit 4). Paul André and his colleagues spoke of eventually lending to small businesses, but they knew this type of lending was very difficult to do profitably and that it would happen only after they had been successful with less risky lending, such as school fees or mortgage loans.

Building Public Image

The CEM undertook marketing efforts for the first time when it celebrated its 75th anniversary in 1993. It broadcast radio commercials in rural areas and held a festive event with a computer on-site to calculate expected interest earnings for depositors. Given the

Exhibit 4 THE CAISSE D'EPARGNE'S PROPOSED NEW PRODUCTS

Liability Products

A- Existing	Passbook Savings
B- First Phase 1995-1996	Retirement Account School Savings Certificate of Deposit
C- Second Phase 1997	Mortgage Savings Plan

Asset Products

C- Second Phase 1997	Loans against Passbook Savings Loans to larger corporations Loans for education Loans to small businesses
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favorable response to this brief campaign, CEM management believed they could grow deposits significantly with a structured approach to marketing, but they did not have the resources or experience to devote to it. In the fall of 1994, USAID hired a consultant to work with the CEM for ten months. Paul André asked her to serve as the acting director of marketing.

In early 1995, the consultant along with two recently hired marketing assistants began a series of focus group interviews with targeted middle-class and foreign potential customers to discuss their perceptions of the Caisse and their reactions to potential new products. People expressed high name recognition for the Caisse but limited understanding of its functions, and because they associated it with the post office, respondents had a negative image of it. Those who had visited the Caisse, even if it had been years ago, remembered it as being dimly lit and dirty.

With this feedback, the marketing department determined that the CEM needed to improve its image if it were to attract new deposits. The CEM had to persuade people that it was a solvent institution which offered a friendly, efficient and pleasant atmosphere. Mere rhetoric would not suffice to change perceptions. Given their history and politics, Malagasy were skeptical of promises. The CEM had to live up to any claims of change and improvement. The marketing department recommended expanding and improving services. Expansion could be achieved by creating more full-service branch offices (those that can open accounts, take deposits and pay withdrawals, rather than just take deposits). Improved service would be accomplished by modernizing the head office teller windows and accelerating account transaction time in what was still a largely manual operation.

The marketing department knew the CEM could not try to launch new products before it had educated the public about the nature of CEM and improved its image. Once the improvement in service had been implemented, a two phase marketing campaign would begin. First would be the inauguration of the remodeled CEM. Press coverage would explain the role of the CEM and the changes it had accomplished as well as those underway. The second phase was to begin in June 1995, with the advertisement for the CEM's newest savings product, the Bon d'Épargne, or the Caisse Savings Bond.

Expanding Services

Although the CEM boasted 461 outlets, in reality only 46 were full-service sections (capable of opening accounts, taking deposits and paying withdrawals). Organizationally, the CEM consisted of (a) the head office, (b) section offices, (c) local account offices, and

(d) basic deposit-taking offices. The head office handled the Caisse business exclusively. Of the CEM's 290,000 customers, about 70% were in the capital city Anatanarivo (nicknamed "Tana"). All other outlets were just a teller window in post offices. Usually the teller handled postal responsibilities as well. Accounts could only be opened in the 46 section offices where deposits and withdrawals could be made as well. The 113 local account offices could accept deposits but withdrawals were only possible if an authorization form had been completed and account information transferred from the head office. Services at the remaining 302 offices were even more limited.

The marketing plan called for an upgrade of a few local account offices to full-service branches throughout the year. Paul André wanted these transformations to coincide with the CEM's scheduled financial reporting in mid-June and year end.

Improving Customer Service

Remodeling the head office had already begun before the consultant made the recommendation to improve services. Paul André and René Randrianasolo, the teller manager, agreed that revising teller procedures would be beneficial. They decided to change teller processes in conjunction with the redesign of the facility. The two modifications would be timed so that revised teller procedures would go into effect when the new teller windows opened.

It was not uncommon in the past to see up to 60 customers waiting in the lobby at the CEM's main office. People shared precious bench space, while others leaned against walls or simply stood by patiently. Opening an account could take an hour. Teller "windows" consisted of 3' by 4' enclosed booths with the glass papered over so customers could not see the tellers hunched over the counter they shared, a bald light bulb illuminating their work. A door at the back of the booth led to an office that was also poorly lit, dirty and cramped.

The new procedures would go into effect on January 16, when the remodeled teller windows were to open. The entire teller department participated in revising the account transaction execution process. Tellers and bookkeepers discussed every step in opening an account, accepting a deposit and honoring a withdrawal. They examined the reason behind each step in the procedures—with the intention of establishing more efficient methods without sacrificing security.

An all-staff meeting was held January 14 so that Paul André could verify the changed procedures and hear feedback from tellers. Afterwards the tellers headed back to the office to practice the new processes. When

they arrived at the CEM, the rehab work was still under-way. Bits of brick flew as a worker wielded a hammer, knocking out part of a wall. Pounding and hammering reverberated throughout the building and dust was everywhere. Two sales agents shook their heads and muttered, "It'll never be done by tomorrow." Over the past few months, Paul André had remarked several times, "Night and day. Weekends and holidays. These workers are working all out." But now, on the eve of the opening, it seemed unlikely that the deadline would be met. Paul André scowled and growled at a worker, "Where is the supervisor?" The supervisor and Paul André stepped outside for discussion. When they returned, Paul André told the tellers to return on Sunday to practice the procedures.

On Sunday when the teller staff returned, the work had progressed significantly but was not yet finished. Tellers received uniforms and everyone put them on and admired themselves and each other. The construction work continued around them as they practiced the new procedures for account transactions.

Monday morning almost everyone was early for work. Somehow the work had been sufficiently completed overnight to make the new teller windows functional. The tellers were excited and a little nervous as the first customers arrived.

Customers were immediately surprised by what they saw. Smiling workers greeted them from behind clean glass dividers at four-foot-wide marble teller counters. Customers were served quickly and some paused as they left to tell Paul André and others how pleased they were with the new CEM.

Once customer service had been improved, the CEM began its media campaign. People responded very favorably to the CEM publicity. Account openings increased 68% in May, averaging 90 new accounts a day. Crowds grew at the head office and, by June, the CEM lobby began to look as crowded as it had before January, with dozens of people waiting to be served now, with the old benches removed, however.

The teller department complained about the crowds but did not have the resources or the freedom to hire new staff. A marketing assistant was assigned to work at the teller window to get a sense of the bottleneck, but he never had time to address the problem.

Installing Computers

Over the next few months, the old teller space was gutted and converted into a computer lab. USAID purchased 15 computers for the CEM, with which it would begin to automate its services and build a network to link its major offices.

The lack of computerization was partly to blame for the limited services at branch offices. The head office received documentation of every account opening and transaction, but it was the only office with a working computer system. Data was entered into the system only after a series of administrative controls, and work was sometimes backlogged for more than a month. With over 290,000 customers, duplicate records could not be transmitted to other offices, so customers could only be serviced at the office where they opened their account. A computerized network, therefore, was expected to have a profound impact on the CEM since account balances could be easily obtained at linked offices. This would enable the Caisse to take further advantage of its network, forming the largest financial institution in the country. The 15 computers were to be distributed to the largest section offices and local account offices in and around Tana.

Before computers were distributed, however, customer records had to be improved. All transactions were normally written down on large sheets of construction paper and filed away. Most transactions were also recorded in the computer, but substantial differences remained between these two records, requiring a major effort to update computer records. A team of temporary data-entry clerks were hired for this work. Management estimated that if the CEM assigned them to work in three eight-hour shifts (24-hour days) for five days a week, it would take about three months to complete the backlog and fully update the computer records.

Bernard Raholiarisoa had worked for several years overseeing the computer system. When the organizational chart was discussed, Paul André decided Bernard would become director of management information systems (MIS). Shortly before the new computers were delivered, Bernard met with USAID's MIS director, Roland Rakotomanana, to discuss the implementation of the local area network (LAN). After the meeting, Roland confided that Bernard "has a lot of software knowledge, but very limited understanding of networks." Roland met with Paul André privately to express his concerns, but before he could explain the problem, an interruption turned the discussion in another direction.

Employee Morale

The tellers who worked at the CEM Head Office were still technically postal employees. Once the CEM became a SA, the tellers would be allowed to choose whether or not to become CEM employees. Tellers at other branches would remain postal employees, with the CEM paying the PTT for their service.

Several days after the new windows were opened, René, the teller manager worried out loud about his

employees, “They used to eat at their desks, but they can’t anymore because of the open teller windows. They are embarrassed to eat in the conference room because they don’t want others to see how little they eat; they eat just enough to not be hungry. The CEM employees get a lunch allowance and Paul André said a while ago that if we do a good job, we might get it, too.”

A few days later, Paul André informed the tellers that they would get a lunch allowance of 1,500 Fmg, and they were very appreciative.

Nonetheless, other frustrations surfaced. Walking home from work, one teller commented, “We are working like dogs. We aren’t paid any more than before, though. We have to decide soon whether or not we will become employees of the CEM or return to the postal system. We make the same amount of money as postal clerks, but we are working so much harder. The CEM employees in the accounting department have better benefits. No one tells us what is going to happen. We don’t know what benefits we may get. Why should we work this hard when we could be clerks in the post office?”

When asked if the tellers would soon be incorporated into the CEM staff and if they would receive the same

benefits, Paul André remained paternalistic towards his back office people and, still regarding tellers as somewhat tainted by their postal background, replied, “You see, they aren’t CEM employees yet. I’ve told René to get me the statute that explains the organization so that I can alter it to incorporate tellers into the CEM. But the accountants, the current CEM staff, they will always have different benefits.”

Planning Next Steps

Paul André asked the USAID consultant to write a report describing her work and her recommendations for the CEM. He thought her observations would be interesting since she worked so closely with senior management for ten months. Paul André distributed her report to his colleagues in preparation for the meeting since it outlined a wide range of issues warranting their attention. Exhibit 5 is its Executive Summary. He then asked that they consider it in recommending next steps in the CEM’s transformation.

Paul André thought about the issues to address at the morning’s meeting. He knew he wanted to discuss the progress of the statute, the growth in deposits and the plan for installing computers. But he also wanted to

Exhibit 5

CONSULTANT’S REPORT TO THE CAISSE D’EPARGNE EXECUTIVE SUMMARY

The consultant was asked to design a marketing plan and implement the first phase of its campaign. She worked with CEM personnel to improve customer service and to launch the Bon d’Epargne (certificate of deposit), a new savings product. In the course of this work, she observed CEM operations which led to the following recommendations for improving customer service and marketing efforts of the Caisse:

1. Increase the number of teller windows and/or personnel to accelerate customer service time.
2. Increase the number of offices opening accounts by transforming Local Account offices to full-service branches.
3. Continue to conduct focus-group interviews as a part of product development.
4. Continue to use a team for product development, making sure to include a lawyer.
5. Recalculate product profitability to improve its accuracy.
6. Continue to use a team to write and revise product circulars.
7. Make branch managers more accountable for training their tellers about the new product procedures.
8. Review current relationship with vendors and agree on standards for service before assigning future work.
9. Incorporate services to and for youth in the marketing campaign for the Student Account.
10. Interview businesses for suggestions for product development for the Retirement Account.
11. Target the rural network for service improvements and marketing campaigns.

In addition to these marketing suggestions, the consultant has three general recommendations based on her interactions with other branches of the Caisse:

1. Improve communication at all levels.
2. Implement computerization with great attention.
3. Revise work procedures and set employee performance objectives.

hear his managers' comments about progress to date, and their views of the future of the Caisse d'Epargne.

NOTES

1. The case was prepared by Eileen McKeough under the supervision of Professor James A. Phillips as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
2. Malagasy typically address one another using first names. In a situation where respect for position or hierarchy is appropriate, an individual is addressed by prefacing the first name with a title, or Mr. or Mrs. Hence, Paul André Andriamamonjisoa was referred to by the CEM staff as Mr. Director General, or Mr. Paul André.
3. Centuries ago the country was unified by a group of people who became royalty. That background is revealed today through the prefix Andria in a person's last name, such as with Paul André Andriamamonjisoa.
4. The Malagasy currency is the Franc Malagache, Fmg. In April 1995, the exchange rate was approximately 1 USD = 4,000 Fmg.