

WHY TOFFLER ASSOCIATES CONDUCTED THIS STUDY

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-Toffler Associates
Engagement Leader

Toffler Associates Helps Global Financial NGO Plan for Future Growth Helping Third World Entrepreneurs

Fifty dollars won't purchase dinner for two in most big cities in the U.S., but in developing countries where one billion citizens live on less than US\$2 a day, a loan of US\$50 to start a small business represents the chance of a lifetime. And that's just what a global financial non-government organization (NGO) has given so far, to 700,000 clients in 21 countries. The NGO pioneered a banking method in which poor people are given microcredit loans of US\$50 to US\$100 to start a business. The NGO provides financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living.

“This is one of the great success stories of the century,” said the Toffler Associates Engagement Leader. “The NGO is helping entire villages to become self-sufficient, and ending the cycle of poverty for tens of thousands of families from Afghanistan to Haiti. But the organization grew so fast that it was becoming difficult for it to sustain such a high level of growth. In addition, the NGO's microfinancing business model was so successful—it has a 90 percent loan repayment rate—that banks and other financial institutions copied it and entered the market as competitors, which was also affecting its ability to expand.”

To help it maintain success in the coming years, the NGO asked Toffler Associates to develop ideas to increase funding and to recommend internal staffing and financing changes that will allow the organization to operate more efficiently.

WHY TOFFLER ASSOCIATES?

The NGO chose Toffler Associates because of its reputation for assisting organizations, from federal departments to international corporations, to build on their existing achievements. “We understand how the world works in ways that others do not,” continued the Engagement Leader. “We look at the issues and forces a client will confront in the future and help them develop a strategic course of action. In the NGO’s case, we listed all the ways they were successful and all the ways they were not. Next, we applied the lessons learned in the successful situations to the unsuccessful ones.”

STRATEGIC THINKING

Toffler Associates looked at a variety of ways to increase the NGO’s funding. The firm proposed that the organization explore new products to offer its clients, such as different ways to repay their loans, as well as alternative business models. “We threw around ideas like whether the NGO should become a for-profit organization or partially for-profit,” stated the Engagement Leader. “Should they partner with other organizations? Our role was to expand their thinking. We conducted interviews with their employees, managers, and the strategic leadership team to find out what was going on in all areas of the organization. We analyzed the information we gathered, and used the results as starting points for discussions. The conversations stimulated their thinking and helped them see a myriad of potential opportunities that they had not thought about before. The real value was in the way that we worked with them. We helped them to see their business in a new light—helped them focus on the nuggets of brilliance in their organization—so they could make their own strategic decisions.”

One of those strategic decisions was to find ways to increase the amount of non-restricted funding. Non-profits receive two types of funding: restricted and non-restricted. Restricted funds come with strings attached. For example, a corporation that donates money might dictate how and in which countries its money can be spent. Non-restricted funds are preferred because the NGO can use them to meet its mission-critical goals, so maximizing these types of funds became a major future goal for the organization.

FINANCIAL MODELING

In addition, several Toffler Associates financial experts worked with the NGO financial expert to model the organization's current global operation. Next, they built a new model that showed where the NGO's finances needed to change in order to continue on a strong growth trajectory. Using this new model, the NGO was able to plug-in a variety of what-if scenarios to see the effect on various courses of action, like doubling the number of loans, would have on its entire organization. The management team had never looked at their organization like this before, and some of the calculations produced surprising results that no one had considered. "This was a strategic engagement where we helped them use the data to identify areas they needed to focus on," noted the Engagement Leader.

STAFFING FOR THE FUTURE

Once the NGO worked out the details of its aggressive new global financing and growth plans, it would have to change its administrative operations to support both initiatives. At the same time it had to increase productivity and efficiency while minimizing overhead. The number one expense was staffing. "We built a model for that too," explained the Engagement



Leader. "How many regional directors will the NGO need in the future? How big of a headquarters' staff? How many fundraisers? We built a staffing model to go along with NGO's finance and growth models that determines staffing needs based on projected growth. They had never done that kind of planning before."

The NGO's goal is to use the power of microfinance to extend loans, microinsurance, and savings to one million poor families by 2010. So its long-term health means, literally, the long-term health and prosperity of millions of people in developing countries. "Ensuring the future success of any organization is not an exact science," said the Engagement Leader. "But we have developed methodologies that reduce some of the uncertainties and can help organizations like the NGO to continue the life-saving work they are doing long into the future."