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Gentera S.A.B. de C.V.: The Evolution of an Organization and its Board of Directors

Juan Romero McCarthy and Murray Bryant wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was early March 2016, and Carlos Danel and Carlos Labarthe, respectively the chair of the board of directors and the chief executive officer (CEO) of Gentera S.A.B. de C.V. (Gentera), were considering the agenda for the upcoming board of directors meeting. Danel and Labarthe were acting as co-CEOs of the financial holding company in Mexico. Gentera, which had a three-part founding mission involving financial inclusion, individual self-actualization, and economic performance, delivered financial services to those individuals, largely women, at the bottom of the financial pyramid. It operated in Mexico, Guatemala, and Peru, offering microlending, savings, financial payments, and transfer payments through a network of affiliated merchants and insurance services to its more than three million clients. The year before, it had defined stretch goals, including the goal to have 10 million clients by 2025. The company had been successful, and the board had been effective; however, Danel and Labarthe felt that the current board of directors’ structure of eight committees was perhaps not sufficient to affect the changes that would be necessary to understand customer needs, and achieve the company’s strategic goals. They wanted to ensure that the best governance practices were followed at Gentera. Danel and Labarthe were also aware that the founder, Jose Ignacio Ávalos, would have to appreciate that the revised committee structure and its rationale were necessary for the future.

History of GENTERA: AN ORGANIZATION in evolution

Gentera was a Mexican holding company formed by a set of companies focused on eradicating financial exclusion by offering financial services including loans, savings, insurance, methods of payment, and financial literacy to low-income segments of society.[[1]](#footnote-1) It evolved according to four rather clear stages, which are described below (see Exhibit 1).

Stage 1—Founding: Compartamos as a Non-Governmental Organization (1990–2000)

In 1991, José Ignacio Avalos Hernández, whose family was prominent in a cosmetics business, constituted Compartamos as a non-profit organization,[[2]](#footnote-2) inspired by Mother Teresa’s visit to Mexico in 1982 (*compartamos* was Spanish for “let’s share”).[[3]](#footnote-3) The organization originally focused on offering assistance in health and nutrition to some of the poorest areas in Chiapas and Oaxaca.

Labarthe, Danel, and other volunteers such as Iván Mancillas and Ayleen Cortes[[4]](#footnote-4) joined the organization shortly thereafter; some of them become major players in the development and growth of the company. The goal of the organization, since its inception, was to include individuals who were usually excluded from financial services and, just as importantly, to provide them with means for self-actualization. This mantra of financial inclusion and self-actualization continued to the present.

The organization had adopted the model developed and practiced by microfinance institutions in other countries, in which individuals were organized into small groups, and each individual’s repayment was collectively guaranteed by the group. It started offering financial services through microloans, initially focusing almost solely on women, since they were deemed “to represent the essence of family”[[5]](#footnote-5) and seemed to offer a better profile to work with. Groups would typically consist of a dozen members who would meet weekly to authorize loans for their small businesses and assume the obligation to repay them to Compartamos. The loans were made to entrepreneurs for working capital.

The loans were short term in nature, and the business model was that they would be repaid every 16 weeks, at which point the client either took out a new loan of a larger amount or the organization found a new client to replace the lost client. As a result, the collection rates were extremely high, but the corresponding costs of acquiring new clients were also high, and this resulted in high interest rates. One director, José Manuel Canal, commented on the rates in the following manner: “What risks am I worried about? The regulation of interest rates, because of the business model we have, we have to work with high interest rates.”

By 1995, the company had reached 17,500 clients, a volume that demanded an ever-increasing inflow of donations and grants to guarantee the financial feasibility of the organization and that forced the management to look for new sources of financing. In that same year, with support from the United States Agency for International Development (USAID), three members of management, including Labarthe and Danel, attended the Boulder Institute of Microfinance’s microfinance training program, a comprehensive course on microfinance, the industry, its best practices, and the leading thinkers. This led them to establish contact with ACCION International, a global leader in providing investment and technical support for microfinance institutions. Compartamos formed a strategic alliance with ACCION International in 1998 in order to enter more urbanized areas. By the end of 2000, Compartamos had a little over 64,000 clients. However, its growth in urban areas had not been as straightforward as its growth in rural areas.

By the end of its first decade, Compartamos had collected approximately US$6 million[[6]](#footnote-6) in donations, grants, and soft loans (see Exhibit 2). This amount allowed the top management to think about becoming a regulated financial entity to improve its access to the amount of funds needed to grow according to their plans.

By 2000, the organization had been re-named Financiera Compartamos and was evolving from operating as a charity, lending money to the financially excluded. By the end of that year, it had only 64,141 clients but managed to receive a credit of US$500,000 from the Inter-American Development Bank.[[7]](#footnote-7) In the period between 1996 and 2000, the company’s growth in terms of borrowers was 24 per cent per year on average.[[8]](#footnote-8)

Stage 2—Evolution: from Non-Governmental Organization to Private Bank (2000–2007)

In 2000, the organization became a for-profit financial institution, Financiera Compartamos, SA de CV, in the form of a Sociedad Financiera de Objeto Limitado (SFOL).[[9]](#footnote-9) This new status provided the organization with access to funds from the Mexican financial market, which in turn allowed the company to increase its rate of growth (see Exhibit 3). The funds were largely in the nature of debt instruments.

Over the following five years, Financiera Compartamos raised almost US$150 million commercially and another US$5 million from the Inter-American Development Bank and the World Bank. By 2003, it was operating 68 branches in 15 Mexican states. At the end of 2005, the number of active clients had reached 453,131.[[10]](#footnote-10)

In 2006, as a result of a decision to offer its clients more financial products, such as home improvement loans and savings accounts, the board decided to widen the scope of the organization, and converted it into a full-service commercial bank, Banco Compartamos, SA.

Between 2000 and 2006, the company’s growth in terms of borrowers was 48 per cent per year on average.[[11]](#footnote-11)

Stage 3—The Great Leap Forward: Compartamos’ Initial Public Offering (2007–2010)

In 2007, Banco Compartamos made a bold move and decided to make an initial public offering (IPO) of stock on the Mexican Stock Exchange, the Bolsa Mexicana de Valores, raising MXN5.13 billion (US$460 million) for 29.9 per cent of the shares. The secondary offering was oversubscribed by 13 times.

From the perspective of the original investors, the offering was a huge success. For example, ACCION International invested US$1 million in Compartamos in 2000 and then sold half of its 18 per cent stake in the bank for US$135 million.

Investors’ faith in Compartamos was quickly confirmed. The company raised its profits to MXN877  million in 2007 (see Exhibit 3). Its assets grew to almost MXN5.1 billion, while it managed to maintain a return on equity of around 40 per cent.

Despite the evident success of the IPO from a purely economic perspective, it triggered a wide debate in the worldwide microfinance sector. One of the critics of the path taken by the organization was Muhammad Yunus, founder of the Grameen Bank in Bangladesh in 1983 and recipient of the 2006 Nobel Peace Prize, who feared that the IPO had given the wrong type of credibility to the microfinance industry. He openly and widely criticized Compartamos’ management and the decision of its board of directors. In an April 2008 interview with *The New York Times,* the president of the Grameen Foundation declared that Compartamos’ clients “were generating the profits but they were excluded from them.”[[12]](#footnote-12)

Compartamos’ managers made several arguments to support their decision to go public: (a) improving the company’s access to vast sums of potential funding would allow it to serve more borrowers (by August 2008, the bank had reached its target of one million clients); (b) having access to more competitive sources of funding would allow it to lower its interest rates (by 2009, the average annual interest rate charged by Compartamos had decreased around 73 per cent, which was still significantly higher than the average of 30 per cent charged by other Latin American microfinanciers[[13]](#footnote-13)); and (c) it would help develop a stronger competitive environment in terms of financial products for the poor in a nation in which half of the population had little or no access to financial services.

Labarthe and Danel closed a public statement[[14]](#footnote-14) in 2008 by stating,

Everybody agrees that MFIs [microfinance institutions] are going through a period of deep and important change. There is no question that the debate will continue. This letter is merely a contribution to better understand our point of view in the debate. In the end, the ability to expand the market and include large numbers of excluded low income people into the financial sector, will give us all a better perspective on the benefits of the commercialization of microfinance. These are our beliefs. We did not write this paper to convince anyone of our model, but rather, to let our peers know what we stand for. We are sure the readers, after reading this, will stand for their own beliefs.

The decision to undertake an IPO required the consensus of the board of directors.[[15]](#footnote-15) Canal described the discussion: “So there was heated discussion among the board members, whether we should strive to be a bank, and second to go public. . . . Yes there were strong arguments . . . no one was silent . . . anyone who had something to say, speaks out, and often in a very eloquent fashion.” Perhaps unlike in more traditional models of microfinance, the board viewed profit as a means to achieve financial inclusivity: to eradicate financial exclusion in Mexico, it was necessary to be profitable. The board, in its decision to go public, made a clear trade-off—serve more customers and increase inclusivity while simultaneously opening up new sources of finance to permit such an increase in clients and inclusivity.

Despite the turmoil caused by this debate, Compartamos’ business continued to grow not only in urban areas but in rural areas as well. By 2008, almost half of its borrowers were located in seven states of southern Mexico, the poorest parts of the country. Operationally, Compartamos had very high levels of performance: the average life of loans was 16 weeks, and only 1.7 per cent of these were nonperforming loans. (The traditional consumer banks’ level of nonperforming loans was 8 per cent.) The result was consistent with previous notions that poor people were especially vigilant in repaying their loans for fear of not being able to borrow again in the future if they defaulted.[[16]](#footnote-16) The business model needed to be adjusted for loans made in urban areas, as the community backing of a loan—a necessary feature of its model in rural areas—was lacking there. It was also more challenging for representatives to interact easily with potential clients in urban areas. In addition, it was necessary to change the way borrowers repaid their loans, as the rural infrastructure, with local storefronts collecting repayments, had to be built from scratch.

Between 2007 and 2010, the company’s growth in terms of borrowers was 42 per cent per year on average. Again, given the rapid turnover of clients in each three-month period, the real growth was even greater.

Stage 4—Diversification and Growth: New Business Lines, Geographical Expansion, and a New Identity (2010 Onwards)

By 2010, Banco Compartamos had more than half the market share of borrowers of microfinance loans in Mexico. By 2012, it was offering eight group and individual products, including life insurance and savings accounts. Its chief product was Crédito Mujer, which represented almost 60 per cent of the bank’s portfolio. Clients in good standing in this program were eligible for Crédito Mejora tu Casa, which offered loans for remodelling and expanding their homes, as it was common for them to be operating businesses out of their homes. Another financial product offered was Crédito Comerciante, a merchant credit service offered to both men and women.

In 2010, a holding company, Compartamos SAB de CV, was created; Banco Compartamos became a subsidiary of the holding company, and the management turned its attention to other markets, in terms of both new geographies and new products. It chose both organic and inorganic methods of geographical growth management. In 2011, the holding acquired an 83 per cent stake in a Peruvian microlender with two decades of experience in the field, Financiera Créditos Arequipa SA (Financiera CREAR), and opened another subsidiary in Guatemala.

The expansion of products was driven by separate issues. The first was the need to meet the financial needs of a varying and evolving set of customers in different contexts. A second was the need to grow to meet its financial inclusivity goals. The third issue was the role of the board in this dynamic environment: as part of their duties, board members spent time in the field observing the business model in action and identifying un-met needs.

Due to the matureness of the Peruvian market, Financiera CREAR offered close to a dozen products for microenterprises and three for consumers, and its business models were sometimes quite different from those of Compartamos: its products for microenterprises were for different classes of small businesses, half of them were for pre-approved clients, and only one required enrolment in a group. This subsidiary eventually changed its name to Compartamos Financiera, SA, in 2013. The subsidiary in Guatemala offered only a flagship product, Crédito Mujer.

In terms of growth through new products, Compartamos decided to launch a series of subsidiaries specialized in different products. In 2011, it founded Yastás, a subsidiary that developed and offered a diverse system of financial payments and transactions through non-banking correspondents. Yastás was in charge of managing the network of Compartamos’ commissioned agents, with 3,200 points of service in four Mexican states. Also in 2011, it established Fundación Gentera, which focused on promoting voluntary work in different Mexican communities and developing efficient ways to run projects that allowed the company to provide growth opportunities in basic needs, health, and education.

In 2012, Aterna, Agente de Seguros y Fianzas, SA de CV, was founded as a joint venture with INTERprotección, an enterprise with more than 40 years of experience as a securities broker. Aterna’s function was to design and manage insurance-related products suitable to the needs and characteristics of low-income clients. It began with a portfolio of 3.2 million microinsurance life policies.

In September 2013, Compartamos announced a new corporate identity for its holding company: Gentera. In April 2015, Gentera concluded the acquisition of Intermex, a firm focused on the payment of family remittances, largely from the United States. By 2015, operations in Mexico accounted for 80 per cent of the company’s credit portfolio and Peru for almost all of the remainder. Guatemala accounted for less than 1.5 per cent.

Between January 2011 and March 2016, the value of the company’s shares traded in the Mexican Stock Exchange rose close to 26 per cent (see Exhibit 4), and it outperformed the Mexican stock market index Índice de Precios y Cotizaciones (IPC) by more than 10 per cent (see Exhibit 5).

The Culture, Values, and Philosophy of Gentera

Gentera held strong corporate values, some of which came from its history as a group of well-off individuals who, after the 1985 earthquake, saw the need to address poverty and its aftermath. Board member Claudio X. González explained: “It was a lifelong inspiration to serve. We were able to see a citizenry who filled a vacuum left by the government . . . because they are people that tend very much towards social responsibility work, to the generosity towards others . . . that has kept our contact from the year 1985 until now in an uninterrupted way.” González referred to his relationship with the people who pushed socially oriented projects, some of which would eventually result in Gentera—people such as Ávalos, Labarthe, and Danel (see Exhibit 6). The company worked to increase the portion of the population having access to the financial system—what it called the “financial inclusion curve” model (see Exhibit 7).

What stood out in their philosophy and their goals to enhance financial inclusion came from the founders’ beliefs, but was reflected by several board members who spoke of the mystique of the company and how it was united in the organization’s efforts to enhance the lives of the people at the bottom of the pyramid—those who were largely excluded from access to credit or savings and thus were unable to grow their businesses, their wealth, or their ability to prosper.

Labarthe explained the organization’s values in the following manner:

Everything starts from a clear and precise sense of purpose that the organization has. The way we have articulated this sense of purpose is to eradicate financial exclusion, generating three types of values: social value, economic value, and human value. For each of these, we have a definition and really that is what has moved the organization during the past 26 years since its foundation. It is the outcome of an annual strategic planning process, and in the particular case of 2015, a very deep process, as we set for ourselves an aspiration for the next ten years.

The philosophy expressed by Labarthe was also reiterated by other directors. Rose Nicole Reich said, “I really identified myself with Gentera. . . . I love the mission, I like the mystique, I like what they do.” Francisco Javier Arrigunaga, another board member, related the process of discussing the strategy of the organization: “Let’s elaborate a strategy, lets identify what business model we want to be, state what our mission is, and what our values are. That necessarily leads to many heated discussions if you want a board that truly acts as such.”

The strategic process Labarthe outlined had established stretch goals of 10 million clients by the year 2025 and a diversity of product offerings. More importantly, the company wanted to be able to tailor products not to a market segment but “to specific customers, by taking advantage of the digital economy.” His co-CEO, Danel, described the goal in terms of

personalized and digital solutions that allow a dramatic reduction in transaction costs through digital technology. Technology gives you that, it has to make it cheaper for us, it has to give us different options. . . . It is even in one of the [strategic] pillars,[[17]](#footnote-17) and it should allow us to put the client at the centre, not only philosophically but in reality, and we are the ones who need to adjust.

The resulting value creation model included the elements that needed to be aligned with the needs of Gentera’s customers (see Exhibit 8).

Current Business Models

Gentera operated as a holding company, and as such it had to meet regulations imposed by the Mexican Stock Exchange and additional controls exercised by Mexico’s finance ministry, the Secretaría de Hacienda y Crédito Público (SHCP), the highest authority within the Mexican financial system. Thus Compartamos, as a bank, had to follow norms issued by SHCP and the Comisión Nacional Bancaria y de Valores, the Mexican authority responsible for banking and stock exchange regulation. As a result, Gentera operated with a single board of directors in an effort to avoid duplicating board processes. The nomination process for the board of directors ensured there was strong financial acumen represented in the board in terms of risk, banking, and audit. At least three members of the board, in addition to Labarthe and Danel, had extensive and wide-ranging banking and financial experience (see Exhibit 9).

Financial services offered by Compartamos Banco were largely but not exclusively credit; they included savings as well.[[18]](#footnote-18) According to the company’s lending model (see Exhibit 10), it grew by adding new clients. But even good clients might decide not to borrow again, and in such instances, new clients had to be found, which was problematic. This problem was ameliorated by group lending, where another borrower in the group might actually replace the “lost” borrower.

As clients developed good payment records with Compartamos Banco, their loan amounts would increase. The loan officer of Compartamos Banco was not allowed to take any money directly, as the loans were made available through other traditional bank branches that worked as transaction channels; through the offices of Yastás, Gentera’s non-banking correspondent manager; or through other channels. Yastás offices were typically installed in small retailers such as small convenience stores that distributed the loan money and accepted payments throughout the life of the loans.

This organizational structure emphasized the changing role of technology (see Exhibit 11), which went from being a back office function to enabling and ensuring a radically different role. Labarthe expressed this as follows:

Technology will not only continue to play that role (the back office), but it is also starting to play a front-office role, related to finding ways to improve the customer experience and to reach the customer; and that is simply because, as we know, technology is in all segments of the population, including the base of the pyramid; the presence of mobile phones, connection, availability of information . . . but incrementally, the technology and the digital economy, even in these segments of the population, generates more information about where they are, what they do, who they talk to, how they are buying and selling stuff, what their preferences are. Then the technology, from being a back office enabler, suddenly starts to become part of the business, a part of how I serve my client, how I get to him, how I improve the customer experience, and above all, how do I get more information to be able to offer digital personalized financial solutions.

In order to achieve an enhanced role for information technology, the company and its board talked constantly of incremental and disruptive innovations—the latter representing a high risk of failure as well as high returns. Regarding the need to remain at the forefront of disruptive innovations to help the company fulfill its mission, the board was considering its alternatives and the implications of addressing this point.

Gentera acquired Intermex in April 2015. The company focused on remittances made by Mexicans who lived in the United States and remitted money back to their families in Mexico. Some board members needed to be convinced about acquiring the company, since there were risks associated with fraudulent or “black” money, which could be whitewashed through this means. While the board fully appreciated the risks, it decided in favour of going forward with the acquisition.

Aterna was an insurance broker company that focused on providing insurance services such as life, health, and possible damage remediation. While some microlenders provided credit insurance to protect against loan default, this was not the case here, partly due to Gentera’s objective of putting the customer at the centre of its decisions, but also due in part to the widespread use of group guarantees, or group based credit, which minimized credit risk.

Traditionally, Banco Compartamos operated as a means to grant credit. However, the company recognized that clients needed to be able to save to gain wealth in a more secure way and to address unforeseen contingencies. The company thus developed savings products, which were a means to enhance financial inclusion for those individuals who had traditionally stored surplus money at home, risking the possibility of theft either at home or when they were transporting cash. Evidently, savings products gained increasing relevance in their plans. In addition, savings products were expected to play an increasing role in funding the company’s growth toward 10 million customers (see Exhibit 12). As a result, its reliance on bonds was expected to diminish, and Gentera was expected to look more like a traditional bank, with multiple sources of funding: customer deposits, bonds, interbank borrowing, and equity capital.

Given its core nature, the company recognized the need to have a strong board and corporate policies and processes in place with respect to risk and audit. This was not just good management and governance but also a product of regulation. “In the end, [Compartamos] is a bank, and as a bank there are a series of matters in which financial knowledge, even those related with regulations, is important,” explained Arrigunaga. Reich also commented about this: “You have to have an audit committee, and you have to have a risk committee because this is a regulated company.”

New Business Models

The board and management had spent a great deal of time designing a strategy driven by growth, described in eight strategic pillars, 21 strategies, and 31 specific initiatives. At each board meeting, at least five of those initiatives were discussed in detail so as to hold management accountable and ensure the board’s focus was forward looking. In this regard, in 2015, the board sought out a new board member who had strong technology capabilities. One board member noted that, “[in order to achieve the goals set for] 2025, we need people that will allow us to be up to date and understand the risks of what we are doing or not doing.” Another board member, John Anthony Santa María, expressed his views in terms of the need for complementarity: “[The board] is like any football team, you are always looking for a player that can make the team better.”

Labarthe expressed the important role of technology in the following manner:

The vision for the next 10 years is not just more products, but products that are packaged as financial solutions. That is, the ability to develop the capacity to understand what specific set of products a specific customer needs—no longer a segment, but customers specifically. And do it by taking advantage of the digital economy. . . . A big part of the problem of financial exclusion comes from the cost of connecting people when there is no information, when they are physically distant, when the infrastructure is not there—the cost of connecting with many, especially with the base of the pyramid . . . but we think that the digital economy that is coming presents the great opportunity to further reduce these costs and to make it more feasible to reach more people in the shortest possible time.

Danel added to these comments:

Although for many years we have stated that the person is at the centre of everything we do, when we see our processes and methodologies, the truth is that we end up asking a lot from the customer; we ask him or her to adjust, let’s say, to what we can offer and deliver, and more so in a segment that has been neglected. For example, in regards to our insurance services, we started with life insurance, clearly because it was the easiest and the most viable to deliver, while our clients were telling us that the most important need for them was health insurance.

This customer-centric philosophy lead the CEOs and the board to recognize the importance of finding ways to truly integrate technology in both their back- and front-office processes so they could meet their customers’ needs in new and innovative ways. This implied finding ways to identify what those needs were. The company’s financial inclusion curve (see Exhibit 7) emphasized the evolution of the business model in terms of operational drivers over time.

Thus, Gentera’s future required leadership, reinforcement of the culture and values, development of new capabilities, controlled risk taking, strong management capabilities, an engaged and proactive board, and strong governance. Labarthe stated,

Each of these pillars has a coordinator, and each of them coordinate a series of initiatives, each having an owner, and these initiatives . . . have their own key success factors. So, we can see over time if these things are happening and how they are happening. . . . And since all initiatives are connected, and we want to avoid silo mentality, we have created the concept of “guiding axes,” that allow us to connect pillars and initiatives . . . and this is the way in which we are reporting to the board.

Avalos highlighted the importance of the focus on execution, saying, “At both the board and management level there is a strong focus on taking the strategy and making it a reality. A business model that works.” Arrigunaga elaborated, “An army that moves well there [the base of the pyramid],that has a sophisticated management . . . and that aims at staying at the leading edge in technology and innovation matters . . . I think that’s where Gentera is.”

A BOARD IN EVOLUTION

During the last decade, the board had evolved in some interesting ways: it had increased from just nine members to 13; it had gone from being fully male-dominated to having two female members—one of whom acted as lead independent director; it had gone from having close to 22 per cent independent members to having almost 62 per cent; and only four of the original nine members from 2005 remained as board members, which signalled an interesting rate of renewal in its membership (see Exhibit 13).

After the recent changes, the organization prided itself on having a board with outstanding governance practices.[[19]](#footnote-19) The board was highly engaged, with all board members coming to board meetings fully prepared for in-depth discussions of the topics included in the agenda. There was a strong mix of independent board members, and even though the board was large, these members brought diversity to the discussions (see Exhibit 9). The board was deemed atypical for three reasons: first, the majority of directors on the board were independent; second, its governance structure included two de facto CEOs, described as uniquely effective due to their complementary skills and capabilities;[[20]](#footnote-20) and third, it was the only publicly listed company in Mexico with two female board members.

When talking about the strengths of the board, several directors referred to the level of engagement and the ability of each member to actively and meaningfully contribute to their discussions. Canal described it in terms that emphasized the role of the chairperson in achieving such a level of participation: “It is a very extroverted and very participative board. A board’s tone and rhythm is marked by the chairman. . . . If the chairman does not give you the floor you will not have a participatory board.” Santa María had similar thoughts, saying, “I think Gentera’s board is exemplary. Because a great deal of discussion is allowed, many diverse points of view are presented, opinions are expressed frankly, and thoughts from independent and non-independent directors matter equally.” Reich commented on this and the issue of voting: “This is a board that speaks quite openly; the pros and the cons are presented, and usually we arrive at decisions by consensus. I don’t remember a single case, in all these years, of a decision that had been resolved solely by voting. I think that says a lot about the spirit and dynamics of this board.”

This level of participation did not come without challenges. For example, the issue of changing from a non-profit credit-granting body to a SFOL and then becoming a public corporation generated plenty of discussion among board members. At the time, not all board members were in favour of the change, and, as Canal noted, “in fact some other well-known microfinanciers felt it represented a betrayal of all that microfinance stood for.”

Reich’s comments were similar, but implied that she and others recognized the many talents and capabilities around the board table:

There are many opinions, and usually some of these are quite contrasting . . . [but consistently the board] reaches something that . . . is considered to be the best . . . [based on the fact that] we as directors . . . always think that management is acting in good faith, not hiding information, putting all the relevant information on the table.

One other director said that in many other boards, the board members collect their pay and just rubber-stamp management decisions, and therefore do not fulfill their statutory duties of monitoring and supervising, nor their fiduciary duties to either the corporations or the shareholders.

In terms of activities and structure, the board was quite large and had the following eight committees (see Exhibit 14):[[21]](#footnote-21) audit, commercial strategy, executive, finance and planning, corporate practices, risk, technology information systems, and external relations and social responsibility. The benefit of such a committee structure was the high degree of involvement by board members. The risk inherent to this broad committee structure was that the board could easily become too engaged in second-guessing management and therefore leave its governance role largely untouched.

The committee structure itself had generated strong discussion inside the board room. Some directors pushed for a reduction in the number of committees. Canal expressed his opinion on this as follows:

When we suffered from “committeetis,” some said we needed a systems committee, and soon after there was a systems committee, and it did not work well. Right now, we have a commercial strategy committee. Why have a commercial committee if you have sales people? A finance committee! That, I told them, is absurd in a bank . . . [In my opinion] it has to be eliminated.

Reich commented,

The excess of committees generated three conditions not necessarily so positive: . . . being involved in many operational committees you go into too much detail . . . it consumed an impressive amount of management time because the committees had to be prepared . . . and there is a lot of time spent reporting what the committees are doing, which was not necessarily the most productive way [of using scarce board time and attention]. . . . Optimizing the number of committees [would help] make the board more strategic.

Board members described the various roles taken by the board (see Exhibit 15) and spoke of this committee structure with an emphasis on its control role—what Reich called “a bit of micro-management.” However, there were some arguments in favour of a full committee structure; these mainly related to its ability to give board members a real opportunity to learn the business[[22]](#footnote-22) and thus contribute in a more informed manner during full board discussions. Board members also recognized that the board could become too internally focused and insufficiently focused on strategy.

It had become regular practice at the end of each board meeting for the independent board members to gather in conference without the presence of management and evaluate how well the meeting had gone. The discussion focused on what had gone well and what could be done better next time, and it fell on one of the independent board members, in this case the chair of the corporate practices committee, to outline the findings to the two CEOs.[[23]](#footnote-23)

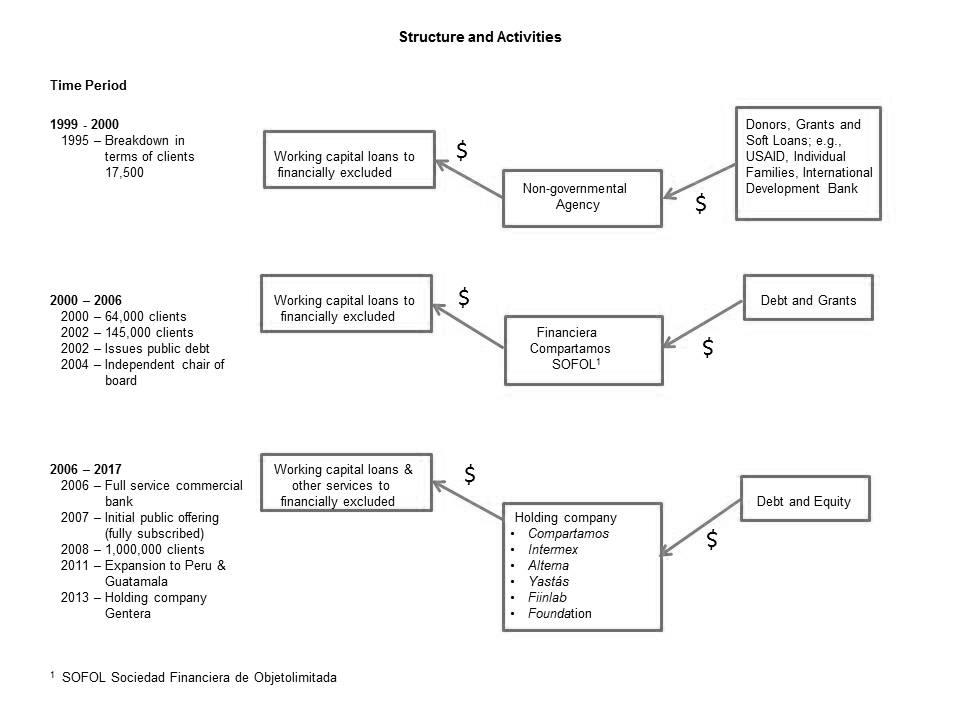
Each board member annually evaluated the performance of the board as a group and also self-assessed their individual contribution. Eventually, the board was informed about the results of these evaluations so it could formally identify areas in which it must improve. This practice was deemed helpful for board effectiveness, but some directors expressed concerns and offered ideas to improve it (for example, asking the directors to evaluate every other board member individually and/or identifying very specific critical success factors associated with board performance in terms of its different roles).

Where to go from Here?

The board had set itself clear goals for Gentera’s 50th year as an organization; these were summarized in the 10 million clients milestone and the plan around the eight strategic pillars and corresponding 31 initiatives. However, several questions remained unanswered for Danel and Labarthe.

They recognized that the board, like the organization itself, had been constantly evolving, and they knew that some board members believed a significant portion of board meetings should be devoted to discussing and implementing strategy. Did this mean they had to consider changing the composition or the structure of the board or its processes in order to make its vision a reality? Some directors were concerned with having the board “fall in love” with long-term plans while losing sight of the day-to-day operation. In any case, they worried about finding ways to mitigate the risk of losing the mystique and the values of financial inclusion that represented the organization’s DNA. Ultimately, they were weighing the impact of their decisions on the board’s ability to contribute to their ideal of putting customers at the centre of everything they did.

Exhibit 1: GENTERA—THE EVOLUTION OF THE BUSINESS MODEL

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Source: Created by the case authors based on data from company documents.

Exhibit 2: Grants and soft loans for Compartamos operations

|  |  |  |
| --- | --- | --- |
| Year | Source | Amount (US$000) |
| 1990 | USAID | 50 |
| 1993 | IDB grant | 150 |
| 1993 | IDB loan (near-grant terms) | 500 |
| 1995 | Alfredo Harp & family | 1,300 |
| 1995–98 | Other private Mexicans | 300 |
| 1996 | CGAP | 2,000 |
| 2000 | USAID (to ACCION) | 2,000 |
|  | **Total** | **6,300** |

Note: This table does not include the ACCION Gateway Fund’s 1988 share purchase of US$1 million. Gateway assets at the time came largely from earlier USAID and CGAP grants that were intended for investment in unspecified MFIs and thus did not target Compartamos.

Source: Created by the case authors based on data from Richard Rosenberg, *CGAP Reflections on the Compartamos Initial Public Offering: A Case Study on Microfinance Interest Rates and Profiles*, CGAP Focus Note No. 42 (Washington, DC: Consultative Group to Assist the Poor, 2007), 14, accessed July 18, 2016, [www.cgap.org](http://www.cgap.org)/publications/cgap-reflections-compartamos-initial-public-offering.

Exhibit 3: Selected Financials and Indicators

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **YE2000** | **YE2001** | **YE2002** | **YE2003** | **YE2004** | **YE2005** | **YE2006** | **YE2007** |
| **Clients** | 64,141 | 92,773 | 144,991 | 215,267 | 309,637 | 453,131 | 616,528 | 869,153 |
| **Annual Growth in Number of Clients** |  | 44.6% | 56.3% | 48.5% | 43.8% | 46.3% | 36.1% | 40.9% |
| **Portfolio** |  |  |  |  |  |  |  |  |
| **Net Income** |  |  |  |  | 231 | 380 | 632 | 877 |
| **Total Assets** |  |  |  |  | 1,497 | 2,366 | 3,206 | 5,103 |
| **Total Shareholders’ Equity** |  |  |  |  | 588 | 891 | 1,359 | 2,285 |
| **Return on Assets (ROA)** |  |  |  |  | 15.4% | 16.1% | 19.7% | 17.2% |
| **Return on Equity (ROE)** |  |  |  |  | 39.3% | 42.6% | 46.5% | 38.4% |
| **Capital/Total Assets** |  |  |  |  | 39.3% | 37.7% | 42.4% | 44.8% |
| **Employees** |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **YE2008** | **YE2009** | **YE2010** | **YE2011** | **YE2012** | **YE2013** | **YE2014** | **YE2015** |
| **Clients** |  | 1,503,006 | 1,961,995 | 2,455,292 | 2,675,758 | 2,754,860 | 2,874,488 | 3,207,852 |
| **Annual Growth in Number of Clients** |  |  | 30.5% | 25.1% | 8.9% | 3.0% | 4.3% | 11.6% |
| **Portfolio** |  | 7,645 | 9,760 | 14,480 | 18,161 | 20,706 | 23,951 | 28,496 |
| **Net Income** |  | 1,535 | 1,883 | 1,997 | 2,021 | 2,271 | 3,162 | 3,161 |
| **Total Assets** |  |  | 10,234 | 14,902 | 20,210 | 25,362 | 30,543 | 36,514 |
| **Total Shareholders’ Equity** |  |  | 4,816 | 6,569 | 8,051 | 8,943 | 12,060 | 13,501 |
| **Return on Assets (ROA)** |  |  | 18.4% | 13.4% | 10.0% | 9.0% | 10.4% | 8.7% |
| **Return on Equity (ROE)** |  |  | 39.1% | 30.4% | 25.1% | 25.4% | 26.2% | 23.4% |
| **Capital/Total Assets** |  |  | 49.5% | 42.0% | 37.9% | 35.3% | 39.5% | 37.0% |
| **Employees** |  | 7,364 | 9,773 | 14,561 | 16,601 | 19,339 | 18,999 | 20,179 |

Note: YE = year ending; portfolio, net income, total assets, and total shareholders’ equity are expressed in millions of Mexican pesos; US$1.00 = MXN10.90 in January 2007.

Source: Created by the case authors based on data from company documents.

Exhibit 4: Gentera’s stock performance (January 2011—MID-MARCH 2016)

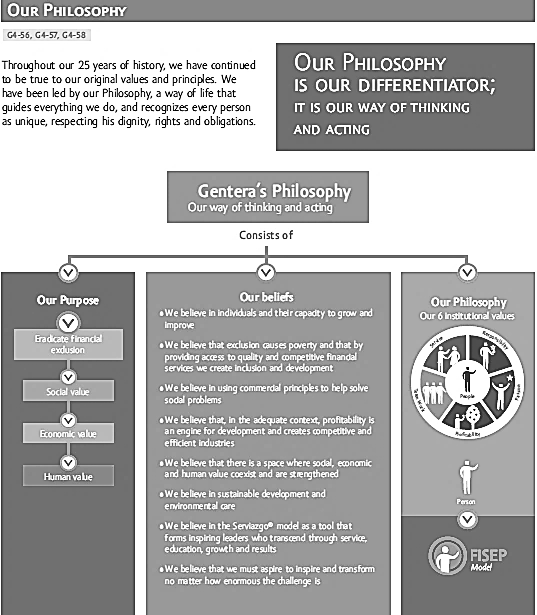
Note: MXP = Mexican peso

Source: Created by the case authors using data from “Gentera, S.A. B. de C.V. (Gentera.MX),” Yahoo Finance, accessed June 28, 2017.

Exhibit 5: Gentera stock’s relative performance against the Indice de Precios y Cotizaciones (IPC) (January 2011—MID-MARCH 2016)

Source: Created by the case authors using data from Yahoo Finance, accessed June 30, 2017.

Exhibit 6: GENTERA’S PHILOSOPHY



Source: Company documents.

Exhibit 7: FINANCIAL INCLUSION CURVE



Source: Company documents.

Exhibit 8: VALUE CREATION MODEL

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Source: Company documents.

Exhibit 9: GENTERA’S BOARD OF DIRECTORS, 2015

| **Name (Age, Board Member Since)** | **Academic Profile** | **Areas of Expertise** | **Participation in Other Boards or Organizations** |
| --- | --- | --- | --- |
| Carlos Antonio Danel Cedoya (46, 2000) | Architecture (Universidad Iberoamericana); MBA (IPADE Business School) | Microfinance and business | Banco Compartamos, Aterna, Controladora AT, Fundación Gentera |
| José Manuel Canal Hernando (76, 2003) | CPA (UNAM) | Accounting, auditing, internal controls, and corporate governance | Banco Compartamos, FEMSA, Coca-Cola FEMSA, Grupo KUO, Grupo Industrial Saltillo, Fundación Bécalos, Estafeta |
| Carlos Labarthe Costas (47, 2000) | Industrial Engineering (Universidad Anáhuac del Norte); Senior Management Program (IPADE Business School) | Microfinance and business | Banco Compartamos, Controladora AT, Aterna, Worldfund, Ignia, Compartamos Financiera, Compartamos Servicios, Promoción Escolar |
| Claudio Xavier González Guajardo (52, 2012) | Law School (Escuela Libre de Derecho); Master in Law and Diplomacy and PhD in Law and International Relations (Tufts University) | Philanthropy, social activation, and strengthening of organized civil society | Mexicanos Primero, Visión 2030, Banco Compartamos, El Colegio de México, ITESM, Fundación Televisa, Fundación BBVA Bancomer, Ver Bien para Aprender Mejor, Interamerican Dialogue, Fundación Comunitaria Oaxaca, World Education and Development Fund, U.S.-Mexico Foundation, Bécalos, Patronato de UNETE |
| Antonio Rallo Verdugo (54, 2015) | Marine Biology (UC San Diego) | Technology | American School Foundation, KIO Networks, Banco Compartamos |
| John Anthony Santa María Otazúa (58, 2008) | Business Administration and Master in Finance (Southern Methodist University) | Strategic planning | Coca-Cola FEMSA, Banco Compartamos |
| José Ignacio Ávalos Hernández (56, 2000) | Business Administration (Universidad Anáhuac del Norte) | Philanthropy and microfinance | Promotora Social México, Un Kilo de Ayuda, COFAS, COFAT, Cooperación y Desarrollo, Desarrollo, Ayuda y Alimentos, Alimentos en Zonas Rurales, Impulsora Social, Banco Compartamos |
| Francisco Javier Arrigunaga Gómez del Campo (52, 2015) | Law (Universidad Iberoamericana), Master in Law (Columbia University) | Finance | Grupo Aeroméxico, Xocan, Banco Compartamos, Dine y Kuo, Banco Popular Español, Universidad Iberoamericana |
| Juan Ignacio Casanueva Pérez (47, 2010) | CPA (Universidad Iberoamericana), Executive Education (IPADE Business School) | Insurance | KIO Networks, Grupo AXO, Finances Mexico, Banco Compartamos, Aterna, Controladora AT, Hombre Naturaleza, Endeavor, Mexicanos Primero, Fundación Carlos Casanueva Pérez, Fideicomiso Pro-bosque Chapultepec |
| Juan José Gutiérrez Chapa (51, 2001) | Industrial and Systems Engineering (ITESM) | Finance, marketing and sales | Comisión de Inclusión Financiera COPARMEX, FOMEPADE, Banco Compartamos, Compartamos Financiera |
| Luis Fernando Narchi Karam (45, 2001) | Business Administration (Universidad Anáhuac) | Marketing and sales | Banco Compartamos, Instituto Nacional de Cancerología, Interceramic, Grupo Martí |
| Martha Elena González Caballero (61, 2006) | CPA (Universidad Iberoamericana) | Auditing in financial sector | Banco Compartamos, SD Indeval, Contraparte Central de Valores, Comité Técnico del Colegio de Contadores Públicos de México |
| Rose Nicole Dominique Reich Sapire (50, 2013) | Computational Systems with minor in Administration (ITESM), MBA (ITAM), The Corporate Leader Program (HBS), Executive Program (Kellogg School of Management) | Finance and banking | Banco Compartamos, Diesco Internacional, Construsistem Mexico, WPO Mexico Chapter |

Source: Created by the case authors based on data from company documents.

Exhibit 10: CURRENT LENDING MODEL

|  |  |  |
| --- | --- | --- |
|  | Borrower (often a rural  entrepreneurial  woman)  applies to a loan officer for a four-month working capital loan. |  |
|  | Non-leveraged loan is guaranteed by other women in the same group. |  |
|  |  |  |
|  | Loan of up to MXN6,000 is granted for four months. |  |
|  |  |  |
|  | Payments are made on the loan through Yastás’ network, banks, or other payment points. |  |
|  |  |  |
|  | When four months have elapsed, loan is repaid and borrower is eligible for a new loan of up to MXN14,000. |  |
|  |  |  |
| Same process and extension if necessary. |  | No new loan taken; Compartamos finds another customer. |

Note: MXN = Mexican peso; US$1.00 = MXN10.90 in January 2007

Source: Created by the case authors based on data from company documents.

Exhibit 11: GENTERA 50, TODAY AND TOMORROW

TODAY (as of March 2016)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Client base:  3 million | Compartamos  Banking: largely credit granting | Yastás  Network: Access to financial operation, service payments | | Aterna  Insurance: Services in prevention   * Life * Health * Damage | Intermex:  Family remittances  USA–Mexico | Foundation | | Information Technology (IT):  Mainly back office |
|  |  |  | |  |  | |  |  |
| Largely group credit in Mexico but also in Peru & Guatemala |  |  | |  |  | |  |  |
| **TOMORROW (2025)** | | | | | | | | |
| Client base:  10 million  Growth: Organic & inorganic | Compartamos:  Credit & savings | Yastás | Aterna | | Intermex | | Foundation | IT:  Innovation  New customer-focused solutions  IT no longer just in back office, but key to customer-centred strategy |
|  |  |  |  | |  | |  |  |
|  | New source of capital, 50% of liabilities & equity |  |  | |  | |  |  |
|  | Risk   * Technology * Interest controls * Loan portfolio deposits |  |  | |  | |  |  |

Source: Created by the case authors based on data from company documents.

Exhibit 12: GENTERA 50, FUNDING STRUCTURE

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2015–2016 | | |  |  | 2025 | | |
| Bonds | | 50% |  |  | Deposits from customers | | 25% |
| Debt  Interbank lending development funds | | 20% |  |  | Bonds | | 25% |
| Equity  Capital and retained earnings | | 30% |  |  | Debt  Interbank development funds | | 20% |
| ROE 25% | | |  |  | Interbank commercial borrowing | | 10% |
|  |  | |  |  | Equity  Capital and retained earnings | | 20% |
|  |  | |  |  | Expected increase in ROE  due to increased leverage | | |
|  |  | |  |  |  |  | |

Note: ROE = return on equity

Source: Created by the case authors based on data from company documents.

Exhibit 13: composition of the board through time (2005–2015)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name (Committee Membership as of Dec 2015)** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Fausto Miranda Gutiérrez | N |  |  |  |  |  |  |  |  |  |  |
| Juan Marco Gutiérrez Wanless | I |  |  |  |  |  |  |  |  |  |  |
| Lakshmi Shyam-Sunder | N | N | I |  |  |  |  |  |  |  |  |
| Alfredo Humberto Harp Calderoni | N | N | I | I | N |  |  |  |  |  |  |
| Álvaro Rodriguez Arregui | N | N | I | I | N | I | I | I | I | I |  |
| José Manuel Canal Hernando (1, 4, 5, 6\*) | I | I | I | I | I | I | I | I | I | I | I |
| José Ignacio Ávalos Hernández (3, 7) | N | N | N | N | N | N | N | N | N | N | N |
| Carlos Labarthe Costas (3, 4, 7\*) | N | N | N | N | N | N | N | N | N | N | N |
| Carlos Antonio Danel Cendoya (cb, 2, 4\*, 7, 8) | N | N | N | N | N | N | N | N | N | N | N |
| Luis Fernando Velasco Rodriquez |  | I | I | N | I | I | I |  |  |  |  |
| Martha Elena González Caballero (1\*, 5) |  | I | I | I | I | I | I | I | I | I | I |
| Juan José Gutiérrez Chapa (2,3\*, 4, 7, 8) |  | N | I | I | N | I | I | N | N | N | N |
| John Anthony Santa María Otazua (3) |  |  |  | I | I | I | I | I | I | I | I |
| Guillermo José Simán Dada |  |  |  |  | I | I | I | I | I | I |  |
| Fernando Álvarez Toca |  |  |  |  |  | N | N | N | N |  |  |
| Juan Ignacio Casanueva Pérez (6) |  |  |  |  |  | I | I | I | N | N | N |
| Luis Fernando Narchi Karam (4, 8) |  |  |  |  |  | I | I | I | N | N | I |
| Claudio Xavier González Guajardo (1, 5, 7) |  |  |  |  |  |  |  | I | I | I | I |
| Rose Nicole Dominique Reich Sapire (3, 5\*, 6) |  |  |  |  |  |  |  |  |  | I | I |
| Antonio Rallo Verdugo (3, 8\*) |  |  |  |  |  |  |  |  |  |  | I |
| Francisco Javier Arrigunaga Gómez del Campo (2\*, 7) |  |  |  |  |  |  |  |  |  |  | I |
| Total (% of Independent Directors) | 9 (22) | 10 (30) | 10 (70) | 10 (60) | 11 (45) | 13 (69) | 13 (69) | 13 (62) | 13 (46) | 13 (54) | 13 (62) |

Note: (I) = Independent director; (N) = Non-independent director; (cb) = Current board chair; (\*) = Current committee chair; (1) = Audit committee; (2) = Finance and planning committee; (3) = Commercial strategy committee; (4) = Executive committee; (5) = Corporate practices committee; (6) = Risk committee; (7) = External relations and social responsibility committee; (8) = Technology and information systems committee; shaded cells reflect a change in status (from independent to non-independent, or vice versa) from the previous year; The status of individuals can change over time based on changes in any of the criteria established by Mexican law to characterize board members as independent.

Source: Created by the case authors based on data from company documents.

Exhibit 14: Description of the board’s committees

**Audit Committee**

It is a subsidiary body of the Board of Directors whose objective is to provide it with support for the fulfillment of its responsibility of watching over the integrity of financial and operation statements and reports; approval of policies criteria and accounting practices; the performance of internal and external audit; the design and follow up of internal control, and the Code of Ethics and Conduct of the Group.

**Commercial Strategy Committee**

It is a subsidiary body of the Board of Directors whose objective is to support in the definition and follow up of mid-term and long-term commercial and operational strategies based on a profound understanding of the market, competition, consumer needs, and the application of different technologies, which as a whole will assure the best competitive positioning of Gentera and its companies.

**Executive Committee**

It is a subsidiary body of the Board of Directors whose objective is to follow up the established strategy, support management in the analysis and discussion of strategic or highly relevant matters, and serve as a link that favours better communication between the Board and Management.

**Planning and Finance Committee**

It is a subsidiary body of the Board of Directors whose objective is to support it in the definition of the long-term strategic vision and the mechanisms for identification, control, and revealing of financial risks. In addition, it validates the policies and guidelines presented by management related to—among others—the strategic plan, investments, financing, the annual budget, and its control system.

**Corporate Practices Committee**

It is a subsidiary body of the Board of Directors whose objectives are to oversee the management, conduction, and execution of the businesses of Gentera and its companies; review the policies for compensation of relevant executives; comment on operations with related individuals requiring the approval of the Board of Directors; to review policies for performance assessment, compensation plans, and structure changes of the society, all done within the sphere of its respective competences and according to social statutes and regulation.

**Risk Committee**

It is a subsidiary body of the Board of Directors whose objective is to make recommendations and follow up on the management of risks affecting Gentera’s activities, within the framework set by the management and risk control system in accordance to the law and the regulations approved by the Board of Directors.

**Information and Technology Systems Committee**

It is a subsidiary body of the Board of Directors whose objective is to support it in the definition and follow up of mid-term and long-term technology strategies of Gentera and its companies.

**External Relations and Social Responsibility Committee**

It is a subsidiary body of the Board of Directors whose objective is to support it in the definition of strategic vision and validation of policies and guidelines related to public positioning, identity, social responsibility, and sustainability of Gentera and its companies, promoting the creation of a favourable environment for the development of a business model through solid and permanent external relations and the promotion of sustainable development and social responsibility.

Source: Company documents.

Exhibit 15: GENTERA BOARD ACTIVITIES AS DESCRIBED IN INTERVIEWS

* Policy-making
* Develop strategies, including policies, processes, plans, and initiatives.
* Supervision of Executives
* Ensure CEOs are held accountable for initiatives for Gentera 50.
* Accountability
* Ensure risk and audit functions are properly performed to meet demands of regulator.
* Review and approve executive compensation.
* Resources
* Deal with issues such as information technology problems with suppliers on a board-to-board basis.
* Transparency
* Conduct open, full discussion by all board members.

Source: Created by the case authors based on interviews with Gentera’s board members.

1. Jay P. Pederson, ed., “Compartamos, S.A.B. de C.V.,” in International Directory of Company Histories, vol. 152 (Detroit: St. James Press, 2014). [↑](#footnote-ref-1)
2. Guy Stuart and Jonathan Schlefer, Corporate Values and Transformation: The Microlender Compartamos, (Cambridge, MA: Kennedy School of Government, 2004), 1. Available from Ivey Publishing, product no. HKS087. [↑](#footnote-ref-2)
3. Pederson, op. cit. [↑](#footnote-ref-3)
4. Michael Chu and Regina García Cuellar, Banco Compartamos: Life after the IPO (Boston, MA: Harvard Business Publishing, 2008), 2. Available from Ivey Publishing, product no. 308094. [↑](#footnote-ref-4)
5. Ibid. [↑](#footnote-ref-5)
6. MXN = Mexican pesos; US$1.00 = MXN10.90 in January 2007. All currency amounts are in pesos unless otherwise specified. [↑](#footnote-ref-6)
7. According to the World Bank, in 2007, the share of the world’s population living on under US$2.00 per day was 26 per cent; World Bank Group, (n.d.) “Poverty Headcount Ratio at US$1.90 a Day (2011 PPP) (% of population),” accessed September 22, 2017, https://data.worldbank.org/indicator/SI.POV.DDAY?locations=1W&start=1981&end=2013&view=chart. [↑](#footnote-ref-7)
8. Richard Rosenberg, *CGAP Reflections on the Compartamos Initial Public Offering: A Case Study on Microfinance Interest Rates and Profiles*, CGAP Focus Note No. 42 (Washington, DC: Consultative Group to Assist the Poor, 2007), accessed July 18, 2016, www.cgap.org/publications/cgap-reflections-compartamos-initial-public-offering. [↑](#footnote-ref-8)
9. Mexican finance laws allowed these entities to focus on a single purpose. Compartamos was focused on offering working capital loans. [↑](#footnote-ref-9)
10. Pederson, op. cit. The branches were not necessarily bricks-and-mortar branches but fit in with the local community. [↑](#footnote-ref-10)
11. Rosenberg, op. cit. [↑](#footnote-ref-11)
12. Elizabeth Malkin, “Microfinance’s Success Sets off a Debate in Mexico,” *New York Times*, April 5, 2008, accessed September 22, 2017, www.nytimes.com/2008/04/05/business/worldbusiness/05micro.html?mcubz=3. [↑](#footnote-ref-12)
13. Pederson, op. cit. [↑](#footnote-ref-13)
14. Carlos Danel and Carlos Labarthe, “A Letter to Our Peers,” Compartamos Banco, June 2008, accessed October 5, 2017, https://www.microcapital.org/press-release-carlos-danel-and-carlos-labarthe-of-microfinance. [↑](#footnote-ref-14)
15. An article about another microfinance operation outlined such a debate: “The job of microfinance is to alleviate poverty, so the question to ask is: who’s going to benefit from the IPO?’ said Olivia Donnelly, executive director of UK-based Shivia Microfinance, a non-profit firm that focuses on India and Nepal. ‘It’s OK to do an IPO because you need to scale up, or upgrade your IT systems, but is it correct to make millionaires out of shareholders when your borrowers are so poor?,’” Rina Chandran, “Profiting from Poverty? Microfinance IPO Sparks Debate,” Reuters, April 9, 2010, accessed September 25, 2017, www.reuters.com/article/us-microfinance-india-ipo-analysis/profiting-from-poverty-microfinance-ipo-sparks-debate-idUSTRE63814G20100409. [↑](#footnote-ref-15)
16. Pederson, op. cit. [↑](#footnote-ref-16)
17. These eight strategic pillars were (1) manage the transformation process; (2) develop financial products; (3) increase knowledge and understanding of the customer; (4) drive growth by inorganic means (mergers and acquisitions); (5) operate business in an efficient and effective way; (6) develop and strengthen key capabilities and culture; (7) exploit technology; and (8) reinvent the business model. [↑](#footnote-ref-17)
18. Compartamos Banco operated with credit-granting facilities for many years without offering savings instruments, and it relied upon donations and grants, then aid monies, then some equity and debt (see Exhibit 2). Only after the IPO did it grant savings as a source of funds; some within the organization considered that, over time, these would be a significant source of funds to finance future growth. [↑](#footnote-ref-18)
19. In 2007, *Latin Finance Magazine* awarded Compartamos first place in its ranking of corporate governance, granting it the highest score available for governance; the goal of having a board that demonstrated strong governance practices was confirmed in multiple interviews with independent board members, notably Avalos and Saphire [↑](#footnote-ref-19)
20. In a joint interview, the case writer noted how they finished each other’s sentences and fed off each other’s ideas. [↑](#footnote-ref-20)
21. Listed companies in Mexico were required to have at least three committees: audit, planning and finance, and corporate practices. [↑](#footnote-ref-21)
22. One other means by which board members tried to maintain a basic level of understanding about the organization, which also provided a sense of engagement, was a rule requiring each board member to go into the field and meet clients and understand the business model. [↑](#footnote-ref-22)
23. This role was similar to that of a lead independent director, but was not recognized as such because it was a less formal role. [↑](#footnote-ref-23)