Mobile Money for the Unbanked

Organisational Design to Succeed in Mobile Money

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The importance of organisational design in mobile money

In an attempt to understand why certain mobile money programs prosper, Mobile Money for the Unbanked (MMU) has researched and developed best practice publications on a range of operational areas – including building well-functioning agent networks, driving customer usage, and fostering effective bank partnerships. However, these best practice guides presuppose that the mobile network operator organisation itself is properly structured and sufficiently resourced to deliver in these areas.

An emerging hypothesis is that underperformance in these operational areas is due in part to inadequate organisational structures and resourcing. MMU has undertaken analysis of high performing mobile money deployments across geographies and interviewed senior executives from different corporate cultures to understand the key success factors and pitfalls in organisational design. The interviews revealed that different deployments have independently arrived at similar conclusions on a number of organisational design principles. Some of the higher-level findings include:

- **The complexity of the mobile money business necessitates a degree of organisational commitment** not typically required by other VAS or supplemental products.
- **It is advisable to create an independent mobile financial service business unit, reporting to the CEO or CCO**, rather than manage mobile money within the VAS or GSM sales and distribution teams.
- **Creating a dedicated sales and distribution team for mobile money is recommended**, rather than using the GSM sales and distribution team.
- **Mobile money KPIs must be in place not only for the mobile money team but also for other senior executives**. The cross-functional demands of mobile money require buy-in and support from many parts of the organisation.
- **Organisational design must keep pace with a moving target, the natural evolution of a mobile money program**. Management will need to anticipate expanding headcount and skills requirements at least six to twelve months in the future.

This paper attempts to consolidate these and other lessons from the field to equip operators to succeed in mobile money.

- **The first part of the paper** focuses on creating the right organisational DNA for mobile money, describing the challenges facing senior management and the guiding principles on how best to address these challenges.
- **The second part of the paper** examines how organisation structures evolve over time. Organisations need to be structurally nimble to match the natural evolution of the service; operators slow to respond will find themselves without the necessary skills and resourcing to drive growth.

Part 1: Creating the right organisational DNA for mobile money

The nature of mobile money services presents operators with three core organisational challenges.

Challenge 1: Handling the inherent complexity of the mobile money business relative to a typical VAS or supplemental product

Mobile money represents an extension of the MNO business into the realm of financial services. This is a space with new competitors, a more complex customer journey, and new business risks. MNOs cannot hope to win in the space if mobile money is treated as a side project. Indeed, the most successful mobile money deployments to date have made mobile money a strategic priority, at the CEO level and throughout the organisation. How to create the right focus at every level of the organisation for such a new and complex service, especially alongside a well-understood and profitable core business, can be a substantial challenge for senior leadership.

Challenge 2: The strain mobile money can cause on external teams and support functions

Offering mobile money requires both a well-staffed mobile money team as well as extensive support from external functions such as finance, marketing, revenue assurance, risk and call centre. Mobile money may put strain on these functions and will require them to take on new and challenging responsibilities. Senior management will have to motivate these support functions to see mobile money as a priority and not an additional burden on top of their existing responsibilities.

Challenge 3: Justifying and maintaining investment in a new business that initially contributes a small amount of revenue relative to existing business lines

Like any new business line, mobile money requires upfront investment to achieve long-term benefit. Organisations that think of mobile money as an add-on product and "quick win" can be frustrated by the short-term financial results. The first few years of mobile money are focused on nurturing two important constituencies: customers and agents. Both constituencies need to be educated on the benefits of the service in stages and will only become fully productive over time. Until this point, the effort required to win in mobile money will feel disproportionately high to the immediate financial returns.

How to address these challenges

Consideration 1: Placement of the mobile money team

Whether or not mobile money should be its own business unit or managed by an existing team is perhaps the most fundamental organisational design question facing the C-level.

Some MNOs have approached mobile money as a supplementary product and managed it as a value added service (VAS), within the product or marketing team. Mobile money is then launched and grown through the typical product marketing machinery. Others have incorporated mobile money into the GSM sales and distribution team, recognising distribution capability as a critical functional need of a mobile money program. Under this approach, the sales and distribution team is given KPIs for mobile money alongside their core GSM KPIs.

There is now clear evidence that the approaches outlined above do not create environments in which mobile money will flourish; **rather, running mobile money as its own business unit seems to be far more effective**. Of the *eight* fastest growing services in the world, as identified by the 2011 GSMA Global Mobile Money Adoption Survey, *seven* have set up separate business units for mobile money, some within the auspices of a more general mobile financial services team. Leaders of a few successful services confided in MMU that they might have grown even *faster* had they had created a separate business unit from the outset.

What is the problem with managing mobile money with a non-dedicated unit? The challenges mentioned above provide some clues. Mobile money's complexity requires focused effort (challenge #1) and the slower build up to profitability inherent in the business model (challenge #3) can result in inadequate prioritisation from non-dedicated staff with competing responsibilities.

- Organisations that have tried to manage mobile money from the sales and distribution team have found prioritisation and focus to be lacking: For anyone with joint responsibilities for the more immediately lucrative voice businesses, mobile money will too often fall to the bottom of the priority list.
- Organisations that have tried to manage mobile money as a VAS from the product marketing team have found that there simply is not enough "sales muscle" to drive the service. The cross-functional needs of mobile money (challenge #2) prove difficult for a product manager with limited influence over the rest of the organisation, especially sales and distribution.

Consideration 2: Setting the right expectations within the organisation

Expectations around mobile money's short-term financial contributions relative to established business lines (challenge #3) need to be properly managed to avoid a handful of potential pitfalls.

Budgeting for mobile money is notoriously problematic when the organisational expectations are not set properly. The mobile money business model needs to be justified to C-level executives, particularly the CFO, quantifying the two to three year investment needed to succeed in the business and a reasonable time frame for expected returns. Once the investment level is quantified, protections need to be put in place to ensure that budget remains where intended. Otherwise there will be a temptation in yearly budgetary reviews to divert resources to more immediately profitable businesses, possibly depriving mobile money of needed headcount and stifling its longer term growth. To whatever degree possible, mobile money budgets need to be ring-fenced. This can be especially difficult where mobile money budget exists outside of the core mobile money team, for example the mobile money ATL component of the general marketing budget.

"Of the eight fastest growing services in the world, as identified by the 2011 GSMA Global Mobile Money Adoption Survey, seven have set up separate business units for mobile money"

Talent management is the second area that can be adversely affected if the right expectations are not set. High calibre staff will need to be attracted to a program which may be seen as risky relative to other internal opportunities. Senior management can avoid this trap if the right KPIs and targets are set and proper recognition is given for achieving objectives – which might not all be financial – in the first few years.

A view from the C-Suite: Maarten Boute of Digicel Haiti

Maarten Boute was the CEO of Digicel Haiti during the launch of its mobile money service "Tcho Tcho."

Q. How is mobile money different from the core GSM business?
A. The business model is completely different from the core GSM business. With GSM, you can just stick a phone in someone's hand and they will start using it. Mobile money requires a slower growth path with more education for the customer.

Q. Where should mobile money sit within the organisation?
A. Mobile money needs the mentality of an independent company and should be separated from the core business. It should report directly to CEO or CCO.

Q. Why can't mobile money be managed as a VAS?
A. Two reasons: First, if you put the mobile money product manager next to the other product managers, his business would not stack up financially in the short term. Second, product managers don't have the strength to go across and drive participation from other departments.

Q. How do you get support functions properly motivated?
A. The support functions need mobile money incentives and KPIs. They need to be convinced of the churn benefits to the core business that mobile money brings.

Part 2:
Evolving mobile money organisations

The needs of mobile money programs undergo a natural and substantial shift in their first few years of operation. As the needs of mobile money programs evolve, so too must the organisational design requirements to best support those needs.

The Stages of a Mobile Money Program: Project, Growth & Maturity

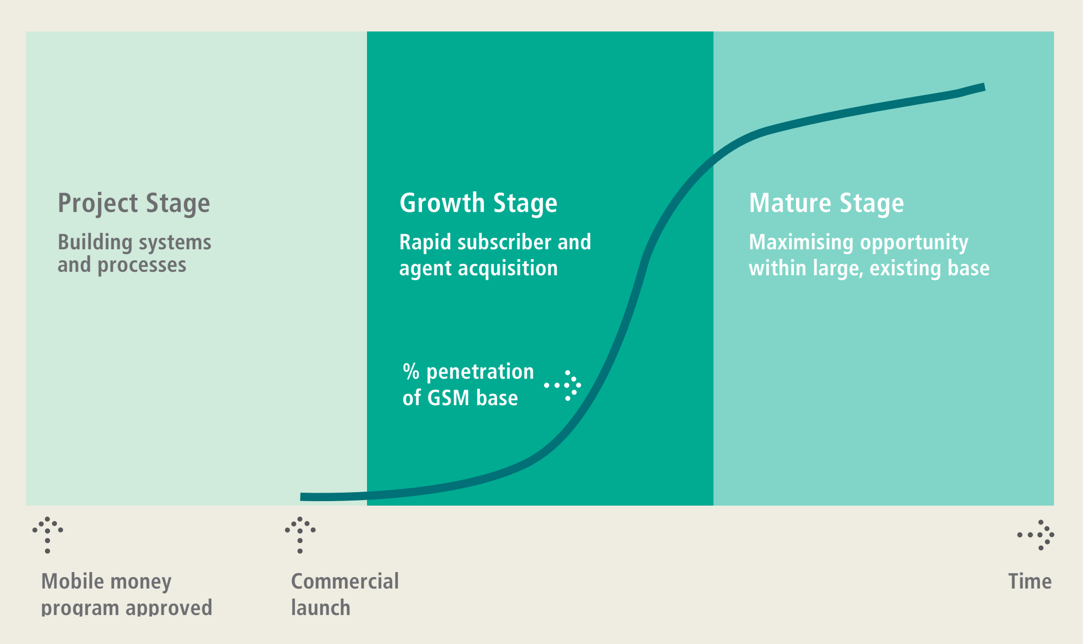
Well before the first subscriber is registered, mobile money begins its life as a **project**. Development and implementation of the platform technology is a core activity at this stage, along with designing operational processes and obtaining regulatory approvals.

After launch, the focus of the organisation shifts to field activities. In the **growth stage**, improving the technology and operational processes are still important, but the larger share of team resourcing is allocated to sales and distribution. Activities such as agent recruitment, agent training and customer registration take place largely on a one-to-one basis and the resourcing implications are significant.

Over time, mobile money services achieve a widespread distribution network and penetrate a significant portion of the MNO's base, what is termed the **mature stage**. At this point, mobile money begins to stand on its own two feet financially and establishes itself as a viable product offering contributing significantly to the company's overall financial performance. As of the time of publishing, a few deployments worldwide have reached this stage.

This part of the paper will highlight a handful of important organisational considerations at each of the three stages.

The natural evolution of mobile money



The Project Stage

Role of the group structure

At the project stage, the deepest mobile money experience often resides at the group level, making their contributions particularly valuable. There are three operational areas where group can provide substantial support to the opco: Firstly, the group brings best practice know-how from launching mobile money in other markets. Secondly, the group can assert influence in managing and negotiating with the technology vendor. And finally, group can provide valuable support is assessing the regulatory environment, and if necessary, bringing in appropriate resources to interface with the regulator.

Beyond operational support, the group plays another valuable role in early-stage deployments: Advocacy. Young mobile money programs can struggle to capture the divided attention of busy senior executives and required resourcing, particularly in cross-functional areas. Group intervention, with a strategic imperative, can focus executive attention on the fledging program. In some cases, group functions can also provide budgetary supplements to the opcos where internal resourcing is scarce.

Choice of mobile money leadership (project stage)

During the project stage, mobile money deployments often have a project manager and a senior-level **project sponsor**. The project sponsor is not meant to actually do the project work, but rather clear any internal blockages and retain the buy-in of other top executives. The project sponsor should be empowered to marshal resources and make decisions that involve trade-offs between the project and the core business. The CMO can be well-placed for this role.

The **project manager** on the other hand, will be required to do the heavy lifting to coordinate the various work streams. The skills required for this role include the ability to manage cross-functional teams, deliver complex technology implementation projects, and establish creditability with senior executives. The project manager can either be sourced from within the business or hired externally, but externally sourced candidates will have to quickly establish relationships across a range of cross-functional groups within the organisation. Financial service subject matter expertise (particularly with regard to controls and regulatory compliance) is helpful but can also be supplemented with external consultants from the banking or card industries.

Enabling responsive and well-informed governance

Mobile money impacts the full operations of the organisation quite early on in the project stage, introducing new risks across various parts of the business. As a result, it is important that cross-functional project governance be established during the project stage (see below).

Best practice in project stage governance

Patrick Crooks, a consultant who has worked with a number of project stage mobile money deployments, recommends the following approach to project governance:

1. A **project board** should be constituted comprising senior management and ideally chaired by the CEO of the MNO
   a. Project board composition should include the CMO, CSO, Head of Technology/Information Systems. The Regulatory Lead, CFO, Head of Risk/Fraud/Revenue Assurance, Customer Service, and a senior representative from the partner bank (if relevant) might also be included.
   b. The board is accountable for the overall project success, and should approve all plans, resources and deliverables, and sign off on material exceptions or risks. It is also responsible for communication with senior stakeholders.
2. The project should have a clear matrix of who needs to be consulted and any key decisions or changes, and who needs to sign off on these.
3. There should be clarity as to whether the normal MNO committee processes will be followed for sign off of capex, technology, pricing etc. or whether the project board will make those decisions. Ideally, it would be the project board as the normal MNO committees are unlikely to have the level of cross-cutting expertise required at this stage.

The Growth Stage

As the mobile money service graduates from the project stage to the growth stage, resources allocation migrates away from refining the product design and towards bringing the product to market. The growth stage requires a laser focus on sales and distribution and mobile money staffing must reflect that.

Choice of a mobile money leader (growth stage)

Given the shift in focus, **the right leader for the project-stage might not be the same for the growth stage**. While the skills for a project stage leader mentioned above (e.g. ability to influence the wider organisation, deliver technology projects, etc) are still relevant, the ability to run a sales organisation becomes paramount. Cross-pollination from other industries (i.e. banking, retail finance and fast moving consumer goods) can be valuable, provided the person has a sales and distribution background.

Distribution function: Build separately or leverage the core GSM sales team?

Distribution (agent recruitment and management) is the "make-or-break" function during the growth stage and the one that will consume the majority of available resourcing. The primary decision to be made with regard to this function is whether it will be "insourced" to the operator's core GSM sales and distribution team or built as a dedicated, independent structure. Within many MNOs, there is a desire to leverage the existing resources and relationships of the core GSM business. However the results often disappoint. The relationships and resources that exist within the core business are less valuable for mobile money than they may at first appear for two reasons:

1. Deployments relying on the core GSM sales team to build a mobile money agent network have reported that this task can get insufficient attention. Early stage mobile money revenues will never stack up to core GSM revenue in the initial few years and will likely represent a small portion of their overall KPI. Developing and motivating new mobile money agents can be an intricate and time-consuming venture. It is unlikely that an existing core GSM sales staff will prioritise mobile money over the simpler and more established business of selling airtime stock.
2. A core GSM sales team is likely to lean on existing core GSM distributors as a basis for a mobile money agent network. This might seem like an obvious place to start. However, a number of advanced deployments have reported difficulty in motivating distributors accustomed to the airtime cash cow to invest appropriate energy or capital into mobile money. The core GSM sales team will be less inclined to look outside of the airtime distribution network, where they might actually find more motivated mobile money agents.

For these reasons, **successful mobile money deployments typically set up separate, parallel structures for mobile money distribution**. These structures recruit a blend of existing GSM distributors alongside new, dedicated mobile money agents. Typically, the core GSM distributors become more interested in the business as customer bases (and potential revenues) grow. At that point – generally a few years after launch – the core GSM sales function can be better leveraged.

Roles within the distribution function

The distribution function will likely consume the majority of mobile money headcount in the first few years and encompass several sub-functions:

- **Sales**: These are the individuals responsible for recruiting and driving activity within the channel. Sales staff are often assigned individual regions and held responsible for the overall performance of mobile money within that region. This is a feet-on-the-street position with the majority of time spent in the field pushing agents to perform.
- **Back office**: This team is responsible for the administrative support of the agent network, including commission payments, financial reconciliations, and validation of customer and agent KYC. They will also respond to live support queries from mobile money agents and masteragents.
- **Monitoring, training, and quality control**: Aside from sales, the other type of field-based role relates to the training, maintenance and provisioning of the agent network. Relative to the sales function, these activities are more routine in nature and can be handled by more junior staff or outsourced to external vendors. Responsibilities include distribution of business tools (e.g. registration booklets, signage), initial training, retraining for new services and handlers, and routine agent quality checks.

Three principles of distribution team responsibility allocation

Principle 1: Sales people should spend their time selling, not supporting

Within the distribution function, the sales team are likely to be the most experienced and well paid. Their time should be reserved for the highest value work, which is identifying new agents and motivating existing ones. Having a sales person fielding routine agent support requests or handling administrative functions is a poor use of scarce resourcing. Likewise, monitoring and quality control which is more formulaic and routine can generally be handled by more junior staff.

Principle 2: Sales and monitoring functions should sit with different individuals

The priority KPI of a sales person ("sign up more agents") is naturally at odds with the priority KPI of someone involved in monitoring ("maintain high level of customer experience"). A sales person is unlikely to discipline or terminate an agent that is not complying with the basic quality and compliance standards. For example, a sales person would have little motivation to report an agent who was flaunting KYC requirements if that agent was delivering strong volumes.

Principle 3: Subscribers are supported at the general call centre. Agents are supported through a dedicated call line

No matter how well-resourced, call centres are bound to experience congestion at times. Subscribers will tolerate this congestion within reason. However, agents feel they should be treated as business partners not customers, and will be far less tolerant of delays and IVR menus. If agents feel they are not being properly supported, they will be less likely to invest their time and capital in the mobile money business.

Other mobile money functions – Build, insource, or outsource?

Outside of distribution, a successful mobile money program will have to build or source capacity in a few other functional areas. Decisions need to be made as to which functions should be 1) built within the mobile money team 2) "insourced" to another part of the organisation or 3) "outsourced" to an external contractor.

- **Marketing**: Common practice among leading mobile money deployments is to **insource marketing to the core marketing team, but create stronger-than-usual linkages to the mobile money group**. The marketing lead will need to be well-versed in the mobile money service and have a deep appreciation of the multi-step customer journey. One marketing manager described co-locating with the mobile money team for a period of time to fully understand its marketing needs. Other organisations have forced this linkage by instituting dual-reporting structures for the marketing lead to both the mobile money head and CMO.

- **Business development**: Common practice among leading mobile money deployments is to **build the business development function within the mobile money team**. Given the mass market nature of the product, the existing corporate business development machinery within the MNO is unlikely to be well-placed to develop mobile money partnerships. Sometimes business development begins as a side role of the mobile money manager, but as services grow business development becomes a sufficiently important function to justify dedicated resourcing.

- **Regulatory engagement**: While most MNOs have a dedicated telecommunications regulatory liaison, this person may not be trained or equipped for working with financial services regulator. In some cases, this person will be trained (sometimes by a group regulatory resource) to take on engagement with the financial services regulator; in other cases, the mobile money manager becomes the regulatory lead. Either way, the person responsible for engaging with the regulator needs to have the proper skills and knowledge to do so.[1] In addition, someone will need to have ultimate responsibility for ensuring regulatory compliance, particularly AML/CFT.

- **Customer and agent support (call centre)**: Common practice among leading mobile money deployments is to **insource customer support to the call centre and build agent support**. The customer support requirements imposed by mobile money are quite significant. In the first few months of launch, customers flood the call centre with general inquiries about the service. As the subscriber base grows, PIN reset and other transactional requests become quite frequent. Generally all call centre staff are trained to answer general mobile money inquiries, but more-sensitive requests such as PIN resets are handled by a specially trained mobile money team within the call centre.

Agent support is typically dealt with through a dedicated support line. Some deployments house this hotline in the back office of the mobile money team. Others house it within the call centre. In either case, the function needs to be newly built within the organisation.

Functional capacity will need to be built or sourced for other areas such as business intelligence, product design, fraud & risk[2], compliance and IT. Where these functions are located and whether they require dedicated resourcing will largely depend on the stage of the deployment and structure of the rest of the MNO's organisation.

As many of these functions outlined above are insourced to other business units at the MNO, **buy-in and incentives at the executive level become important for this coordination**. MMU research has found that many senior executives, including CEOs, now have mobile money KPIs.

Headcount

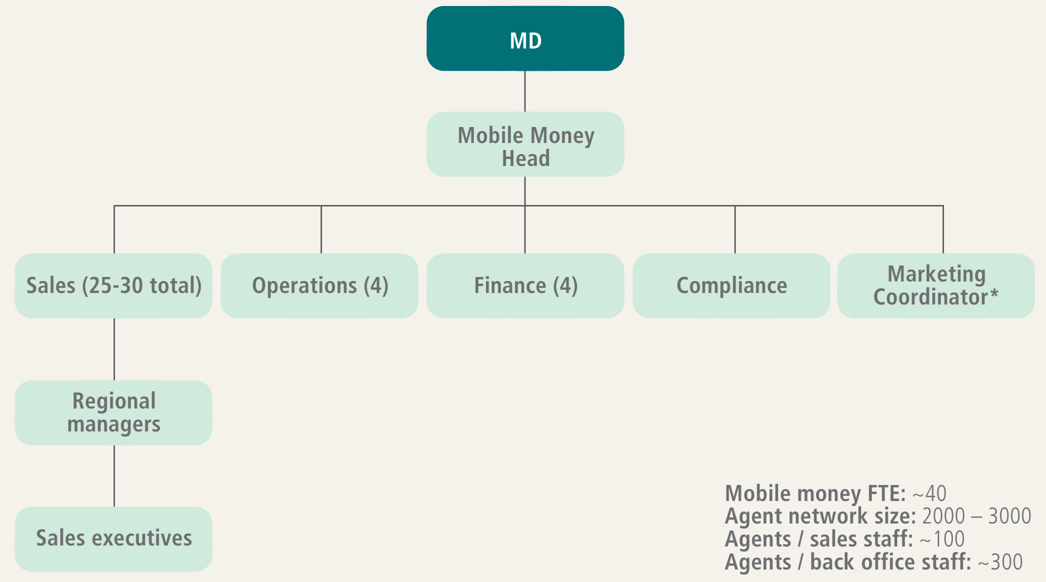
If you ask a mobile money head about his or her organisational challenges, you are bound to hear complaints around headcount and the never-ending "fight" for staff. You will often find multiple roles being played by single individuals, overstretched distribution team trying to triage issues on an ever-expanding agent network, and backlogs of administrative work. Right-sizing a quickly growing mobile money program can be a significant challenge.

Below are some benchmarks to help operators size their teams relative to other successful deployments. These benchmarks come in two forms: First, we have given scaling factors to help determine how many of each type of staff are needed as the program grows. Second, the structures of actual mobile money organisations are provided anonymously as a reference.

Benchmarks for sizing mobile money teams

Role	Scales with...	Benchmark ratio	Rationale
Sales	# of agents	50-150 agents per sales person	Sales staff are able to visit about 50 agents per week. Maintaining this ratio allows an agent visit every 1-3 weeks, which is the minimum for a young network. Masteragent structures[3] can lighten these requirements by providing their own sales push.
Back office	# points of contact (either agents or masteragents)	100 – 200 points of contact per back office staff	Agent support needs are frequent. In deployments with no masteragent structures, all agent queries will all come to the back office. Introduction of a masteragent structure will reduce the number of points of contact.
Call center capacity	# of registered subscribers	300 – 400 monthly inbound calls per 1000 registered subscribers	

East African mobile money service
Growth stage

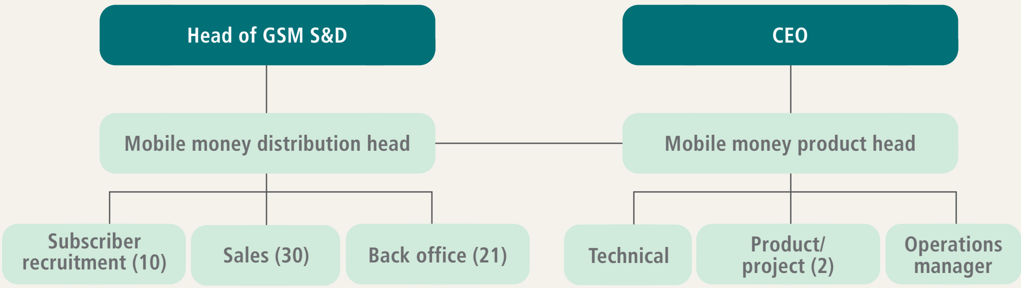


This service houses all mobile money staff under a business unit reporting directly to the CEO. Marketing has a dotted line reporting relationship back to the GSM Head of Marketing. The deployment maintains adequate ratios of sales staff to agents (100 agents per sales staff) but falls slightly short of recommended back office staff ratios to agents (300 versus a recommended range of 100 – 200).

1 MMU does offer operators training resources for regulatory engagement. Please contact us directly for more information.
2 See MMU publication "Managing the Risk of Fraud in Mobile Money" For more information on how MNOs can manage mobile money fraud

3 See MMU publication "Managing a Network of Mobile Money Agents" for more information on masteragent structures

Southern African mobile money service
Growth stage



Mobile money FTE: ~65
Agent network size: 1000 - 2000
Agents / sales staff: ~50
Agents / back office staff: ~75

This service splits the mobile money team between a distribution function and a product function. Importantly, despite having the mobile money distribution structure housed within the core GSM sales and distribution team, the individuals are completely dedicated to mobile money. The deployment maintains strong ratios of agents to sales staff (50 versus recommended range of 50 – 150) and agents to back office staff (75 versus a recommended range of 100 – 200).

The Mature Stage

To date, few mobile money deployments have entered the mature stage. Nationwide distribution structures take significant time to build and even for the captive GSM base, customer acquisition can be time consuming. However at some point, these tasks will feel largely complete. Alongside this operational success, mobile money programs will begin to see an equal amount of financial success. Five years from launch M-PESA in Kenya now accounts for 15.8% of Safaricom's revenue.[4]

Organisations should gradually reorient their structures to fit this new reality as it appears. Below are a few areas to consider:

Potential to reintegrate mobile money distribution into core GSM units

When the overlap between core GSM and mobile money distributors becomes large and mobile money revenue begins to compete with traditional GSM products, the logic for keeping a separate mobile money distribution structure begins to erode. Core GSM will now have sufficient incentive to push mobile money to achieve their sales targets. It will no longer make sense for distributors to have two separate points of contact within the MNO.

In 2010, Safaricom integrated M-PESA into the Consumer Business Unit and Enterprise Business Unit, which drive the consumer and business sales respectively. Strategic decisions are still made by the separate Financial Services Business Unit.

A shift to partnership and product evolution focus

In the mature stage, the challenge of sales and distribution is replaced by a new challenge of maximising opportunities from an existing base. Money programs will generally look outward for these new opportunities – new products, new partners and B2B opportunities. With this shift in focus comes the need for more resourcing in business development, business intelligence and corporate sales. These activities will attract more headcount and consume more managerial time.

Conclusion

Organisational structure is one area where the mobile money industry has arrived at best practice through trial and error. Seasoned operators have identified the importance of establishing separate business units for mobile money, creating separate sales and distribution teams to drive the mobile money business, and adequately aligning the other MNO functions to create an environment whereby mobile money can flourish. The hope is that newer deployments can benefit from these lessons and be able to trace, from project inception to maturity, the organisational requirements to succeed.

4 As reported publicly in Safaricom's 2012 Annual Results Presentation reflecting March 2012

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