

Institutionalising Social Performance Management In Financial Institutions: What Does It Take? - Part 1

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Key Points:

1. There are institutions at different levels of SPM implementation- all of them have different types of challenges
2. The role of the Board is very essential to provide a high level oversight, mentorship and guidance to the process of SPM implementation
3. Management of the institution can actively push the SPM implementation by initiatives such as forming a SPM Executive committee and integrating SPM costs into business planning.

MicroSave's experience in providing technical assistance to social performance management (SPM) initiatives in microfinance institutions (MFIs) across Asia and Africa shows that there are institutions at various levels of SPM implementation:

- There are the leaders in SPM, who are at advanced stages of SPM implementation, with proactive Boards, continuous social data collection, automatic dashboards for internal analysis and reporting (as well as external reporting), and use of social data for decision-making – 5 Star.
- There are some that are undertaking limited SPM initiatives and reporting on them to Senior Management and the Board periodically – 3 Star.
- Then there are those institutions that are yet to understand the meaning of SPM, despite having a socially oriented mission – 1 Star.

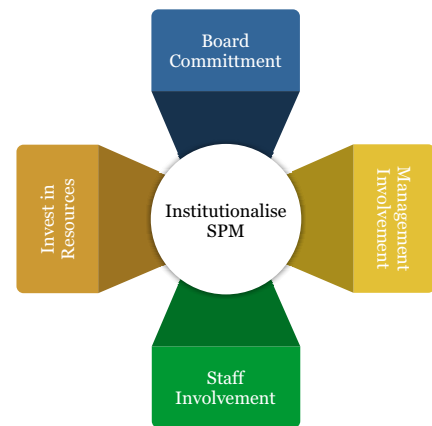
We have seen that all MFIs find it challenging to institutionalise SPM¹ – even in cases where the MFI receives technical support from consultants. In many cases, MFIs perceive SPM implementation as a stand-alone project, akin to launching a new product. They struggle to appreciate that SPM is a way of doing business. According to the Universal Standards of Social Performance Management (USSPM), developed and promoted by the Social Performance Task Force (SPTF), institutionalising SPM broadly entails: defining social goals, board/management involvement, designing appropriate/



client-responsive products, responsible treatment of clients and employees, and balancing social and financial performance.

MicroSave has conducted USSPM-based assessments and worked on SPM implementation with MFIs in all three categories. Hence, we have a very good understanding of the challenges these organisations face in institutionalising SPM initiatives.

These Briefing Notes (Part 1 and Part 2) discuss some practical points that MFIs need to consider while implementing SPM. The graphic below shows the four pillars which are essential for a successful SPM implementation in MFIs:



Board Commitment and Support

Since integrating SPM within an institution is a major strategic decision for any MFI, the role of the Board is essential to provide legitimacy, guidance and oversight. The Board of the MFI can guide the SPM implementation by the formation of an SPM committee of the Board. The SPM committee can be headed by a Board member who is an expert in SPM or responsible finance (or a

MicroSave has conducted Board mentorship and training for MFIs in the Opportunity International Australia network and various other partners. The support has entailed design and delivery of training for Board members on importance of SPM, role of the Board in SPM, defining social goals and objectives, and decision-making using social data. MicroSave also compiled a Handbook on SPM to guide Board SPM Committees on their roles and responsibilities.

¹ This note does not go into discussing the financial benefits of SPM to organisations.

representative of a social investor). The committee can guide the MFI by approving SPM policies, giving strategic advice on SPM implementation, reviewing the reports and guiding the management on key decisions, both financial and social.

Some of the ways to reinforce Board members' knowledge of, and commitment to, SPM include:

- Design a new Board member SPM orientation package. This could include materials to increase awareness and understanding of social performance issues, as well as the MFI's mission and social objectives. Organise branch, staff, and client visits to help new Board members understand and reflect on how operations are achieving the mission. Have a Board Charter or a Board Manual that can be used when new Board members join, and for refresher exercises or reading.
- Pair up newer Board members with existing ones who know the real history of the MFI to act as mentors.
- Create a standing social performance committee that guides the MFI's social objectives.
- Have a standing Board meeting agenda item to set social performance targets (annual, quarterly, and monthly), to review progress on social performance activities and outcomes.
- Regular reporting on social data is also perhaps one of the strongest ways to reinforce Board members' knowledge and commitment.

Adapted from: *Putting the 'Social' into Performance Management: Champion, Linder and Knotts, Imp-Act Consortium*

Management Involvement and Commitment

SPM implementation is, necessarily, a top-down initiative. 5-Star MFIs that have successfully implemented SPM are the ones where the mandate and drive comes from the Board and senior management. It is the responsibility of management to make the staff understand the relevance of SPM and its long-term benefits, so as to create buy-in across the institution. When this is missing, SPM implementation is unlikely to succeed. Management can foster institutionalisation of SPM through [integrating SPM in business planning](#), forming an executive committee to provide oversight on SPM activities, [measuring client satisfaction](#), ensuring interdepartmental coordination, and keeping staff motivated through trainings and KPIs.

In one of our 3-Star partner institutions, a survey that had not been implemented for months was immediately done, once a communication was sent by the CEO. It had been extremely difficult for the SPM champion to generate enough support from the field staff who were responsible for conducting the survey, prior to this communication. Once there was senior management involvement, things moved much faster.

a. Integrate SPM Costs into Business Planning:

Implementing SPM includes introducing different tools, practices and systems into the MFI's operations. Some of these include developing training materials, training staff,

conducting surveys, conducting data analysis, building SPM modules in the MIS, tweaking data collection forms to incorporate SPM indicators, recruiting SPM staff, and conducting customer training. These activities come at a cost, which most of the MFIs do not consider while preparing their annual budgets. This is the case especially for those institutions that are yet to achieve financial sustainability. In such cases, the focus of management is on achieving operational efficiency, improving portfolio quality and fund raising. SPM takes a backseat as it is viewed as a **cost centre** that does not generate direct revenues for the organisation.

MFIs often forget that SPM accrues important benefits to MFIs:

- Better client satisfaction (see *MicroSave's ServQual tool*) improves client loyalty, thus reducing costs of client acquisition.
- Staff training and incentives lead to staff satisfaction and retention, which in turn results in lower staff turnover and lower client turnover and associated costs.
- Non-financial services, which may be offered through strategic partnerships with other organisations, help improve client satisfaction scores.

Some of our typical 3-Star SPM partners conduct brainstorming sessions on SPM during the finalisation of their annual business plans. Mindful of the fact that SPM initiatives generate long-term benefits, the institutions ensure that SPM activities are budgeted for in the business plan.

b. Form SPM Executive Committee: Another effective practice is to have an SPM executive committee at management level that is guided by the [Board SPM Committee](#). This committee (supported by the SPM champion/team) must perform careful analysis of SPM data and reports, and generate action points for integration into business planning. This committee (which is also a part of the larger management committee) can provide vital inputs in decision-making.

MicroSave has assisted many MFIs in the designing of SPM dashboards (for reporting to Board and Management), satisfaction surveys, transformation surveys, calculating [net promoter score](#) and other tools that help to monitor the SPM progress of the organisation. When data from these tools is transferred into external reporting tools such as [SPI4](#), they generate a wealth of information which can be used by the management to track the progress within the organisation.

The [Part 2](#) of this Briefing Note speaks of the other two important pillars to be considered by MFIs while implementing SPM.