

Institutionalising Social Performance Management In Financial Institutions: What Does It Take? - Part 2

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July 2016

Key Points:

1. Getting a buy-in from the staff is very important for the success of SPM implementation- staff trainings help
2. SPM can be resource intensive in the earlier stages- appointing a SPM champion /SPM team, investment for customization of MIS, conducting surveys etc.
3. The benefits of SPM are not seen immediately; patience would be the key since long term benefits are many

The [Part 1](#) of this Briefing Note discussed the first two pillars required for implementing Social Performance Management (SPM) for MFIs. Part 2 focusses on the next two pillars: Staff Involvement and Investment in Resources.

Staff Involvement

a. Ensure adequate interdepartmental co-ordination: Adequate support from other departments is essential for effective SPM implementation. SPM reporting draws information (and sometimes data) from other key departments such as human resources, internal audit, operations, and risk management. Without data from these departments, information cannot be collated and reports cannot be generated. This is a key problem in some 1-Star institutions where the SPM reporting is manual and requires the SPM champion to pull out data from multiple sources to prepare SPM reports. Poor support from other departments could be due to their busy schedules, other regular reporting taking priority over SPM reporting, limited focus on SPM at the management level, new product launches, portfolio-related problems, and inter-personal relationships with the SPM champion, amongst others. Other departments tend to see SPM as the responsibility of one department and hence do not provide sufficient support. It is the role of the senior management to ensure that the key message of SPM implementation is passed on to all the departments so that they extend whole-hearted support to the SPM team/ champion.

b. Keep staff motivated – internal trainings and KPIs: SPM implementation becomes simpler for MFIs when the field staff understands and appreciates the concepts of SPM. MFI management can organise staff trainings on the benefits of SPM for their staff (including the field staff). Providing high quality training on SPM policies, reporting, surveys, and new mechanisms are very important. If this is not done properly, implementation is impacted. *MicroSave* has observed cases of poor or miscommunication during trainings which affects the quality of outputs.

In addition to training, incorporating the [social goals](#) into the key performance indicators (KPIs) for the staff at both the head office and branch

In our SPM implementation projects with various MFIs, MicroSave trains staff members in a ToT format. The staff are typically chosen from representative branches with the idea that they would go back and train their colleagues in their respective branches. Key topics covered in this training include: introduction to SPM, purpose of data collection, data collection techniques, and data entry. These short, one-day trainings help to understand the purpose of the SPM initiatives being taken at the head office.

office levels helps SPM implementation across the institution. It is often valuable to incorporate non-financial parameters alongside financial parameters to assess the yearly performance of the staff. The organisation should also share results of key SPM surveys/studies with staff, as this can help them to appreciate the importance of SPM initiatives and thus secure additional buy-in.

Some of our 3-Star partner institutions have both financial as well as non-financial parameters in the annual assessment of the staff. The non-financial parameters for field staff include: percentage of clients who are women / from vulnerable market segments, percentage of clients from rural areas, percentage of clients with no previous access to formal financial services, etc. These parameters have been directly derived from their social goals.

Investment in Resources

a. Invest in MIS: Integrating social data collection into the MIS helps faster generation of SPM reports. 5-Star MFIs generally have systems that capture SPM data in the MIS at the same time as other data through forms, such as account opening forms, loan application forms, etc. The MIS also supports data analysis and report generation. In this case, the SPM champion receives automatic reports generated by the MIS. This also reduces errors and expedites reporting. Hence, it is advisable for MFIs to [integrate social data into their MIS](#).

In 3-Star and 1-Star organisations, the SPM report is rarely generated by the MIS automatically as it is not integrated into the system. But even in these

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

cases, data collection, analysis, and reporting is still possible. These MFIs have different database systems for portfolio management, human resources, internal audit, and research. Here, the role of the SPM champion is key. S/he requests the data from various departments, collates and then enters it into the SPM reporting template, such as SPI4. Even though this manual effort can take time, it is still feasible for 1-Star and 3-Star MFIs to follow – to their benefit.

MicroSave has worked with organisations that use either electronic or paper means to collect data from the field. In MFIs where their core banking system was not configured to capture social data fields, Google forms were used to input data at branch level. This data was collated at the head office-level by the transformation / SPM department, downloaded onto Excel sheets and analysed manually by the SPM champion.

b. Dedicated SPM team / SPM champion: The [SPM champion](#) coordinates the SPM process and acts as its advocate. Some organisations also use the term ‘SPM coordinator’ because he/she is required to coordinate with different departments during the implementation of SPM activities within the organisation. 5-Star institutions have a dedicated SPM team or SPM champions to coordinate the SPM implementation. In 3-Star and 1-Star institutions, typically, an existing staff member takes up the responsibility as a SPM champion. While *MicroSave* feels that having a dedicated person actually is beneficial to the organisation, this is not a requirement.

In all its SPM implementation projects in Asia and Africa, *MicroSave* has worked with SPM champions involved in implementing the SPM mechanisms and surveys. They have been instrumental in driving key initiatives such as client and staff satisfaction assessments, [Progress out of Poverty Index \(PPI\)](#) data collection, staff training, and coordination of social data collection surveys. In some MFIs, SPM champions are also involved in data analysis and reporting results to senior management. However, this depends on the analytic proficiency/skills of the individual. In some organisations, the data analysis is carried out by a separate research department. In other institutions, where the data collection and analysis is MIS-based, the SPM champion is not involved in data analysis. His/her role is to ensure that results are presented to the senior management in a concise and clear way to facilitate decision-making.

Some challenges which the SPM champions face are:

- **Lack of basic project management skills:** This leads to lack of coordination, improper communication, delays, and backlogs, and is most common in 3-Star and 1-Star MFIs.
- **Low motivation and knowledge:** Staff with no interest in, or enthusiasm for, SPM and/or limited knowledge and exposure to SPM – again most common in 3-Star and 1-Star MFIs.
- **Limited capacity:** Smaller and mid-sized 3-Star and

1-Star MFIs (especially those that are not yet financial sustainable) appoint part-time SPM champions. Hence, it becomes difficult to manage SPM implementation, oversight and reporting. These SPM champions are often overloaded, resulting in poor execution.

- **Seniority of SPM champions:** SPM champions with less experience, clout, and control within the organisation also find it difficult to manage SPM activities. This makes it challenging for them to obtain reports and data from other departments, particularly when these are handled by senior staff. As a result, coordination of field-level activities, such as data collection at branch level, also becomes a problem.
- **Regulatory laws with little focus on client protection – a key component of SPM:** In some countries, such as India, regulators (the Reserve Bank of India) have issued [guidelines for customer protection](#) to be followed by financial institutions. In these cases, it is imperative for institutions to [strengthen client protection](#). Here, since the focus on client protection is high, it is easier for the SPM champion to implement initiatives. Without these type of regulatory requirements, the SPM champion often finds it more difficult to get the necessary support from senior management and departments to implement SPM initiatives.

While it is possible to make progress in implementing SPM without a dedicated SPM champion, his/her role becomes quite crucial for coordinating some important activities such as [SMART Certification](#), Social Audits, Social Ratings, or even the process of regular reporting of social data to the Board and management.

Even though SPM implementation comes [at a cost](#), management needs to appreciate that SPM brings long-term benefits for the clients and the MFI. As every financial product has a break-even period, the positive results of SPM implementation also take some time to deliver benefits. But there is a definite link between [social performance and financial performance](#). Instead of viewing SPM as additional work, management could work towards embedding SPM practices within the institution’s regular operations, so that it becomes business-as-usual for staff. Responsible treatment of customers and employees results in increased loyalty, thereby [reducing loss of clients and costly employee turnover](#).

In the words of an SPM champion of a large microfinance bank in Africa, which was supported by *MicroSave*, “*The benefits of SPM are not very immediate, but funds are being continuously used for implementing various SPM activities. Only if management understands the importance of SPM and its long-term benefits, will they not conclude that they are wasting money by investing in SPM initiatives – even though they don’t see the results right there? But in the long run, they will definitely reap the fruits in the form of client satisfaction. Hence, patience is the key.*”