



# Putting the 'social' into performance management:

## A practice-based guide for microfinance

By Anita Campion & Chris Linder  
with Katherine E. Knotts



# Putting the 'social' into performance management: A practice-based guide

*Imp-Act* Consortium

First published by the Institute of Development Studies (IDS) in November 2008

© Institute of Development Studies 2008

ISBN Number: 978 1 85864 547 6

A catalogue record for this publication is available from the British Library.

All rights reserved. Reproduction, copy, transmission, or translation of any part of this publication may be made only under the following conditions:

- with the prior permission of the publisher; or
- with a licence from the Copyright Licensing Agency Ltd., 90 Tottenham Court Road, London W1P 9HE, UK
- or from another national licensing agency; or under the terms set out below.

This publication is copyright, but may be reproduced by any method without fee for teaching or non-profit purposes, but not for resale. The material in this guide can be photocopied and reproduced without written permission of the publisher if the original text is properly acknowledged and the objective is not for profit. If any sections of this guide are translated into other languages, please send a copy of the material to the *Imp-Act* Consortium at the address below.

## Available from:

Communications Unit  
Institute of Development Studies  
at the University of Sussex  
Brighton BN1 9RE, UK.  
Tel: +44 (0) 1273 678269  
Fax: +44 (0) 1273 621202  
**bookshop@ids.ac.uk**  
**www.ids.ac.uk/ids/bookshop**

This guide can be downloaded free of charge from **www.Imp-Act.org**

Copy-editing by Kathryn O'Neill

Cover and interior design by Rachel Folks

Artworking & printed by Barker Smith Creative **www.barkersmithcreative.co.uk**

IDS is a charitable company limited by guarantee and registered in England (No. 877338).



## Contents

---

Preface and acknowledgements .....	5
List of tables and figures .....	7
List of acronyms .....	8
Author bios .....	9
<b>Prologue</b> .....	<b>10</b>
<b>Introduction</b> .....	<b>15</b>
<b>Section 1 First steps</b> .....	<b>27</b>
1 Entry points .....	29
2 Getting started .....	35
<b>Section 2 Aligning strategy</b> .....	<b>51</b>
3 Mission, goals and objectives .....	53
4 Governance, structure and leadership .....	71
5 Effective Communication .....	85
<b>Section 3 Aligning management systems</b> .....	<b>95</b>
6 Strengthening information systems .....	97
7 Human resources management .....	121
8 Client service issues .....	135
9 Internal control .....	149
<b>Where we are now, and the road ahead</b> .....	<b>166</b>
<b>Bibliography and resources</b> .....	<b>174</b>
<b>Annex 1</b> Incofin's approach to social performance monitoring .....	<b>195</b>
<b>Annex 2</b> Sample SPM team rulebook .....	<b>196</b>
<b>Annex 3</b> Staff happiness survey .....	<b>198</b>
<b>Annex 4</b> Microfinance prohibited activities .....	<b>202</b>
<b>Annex 5</b> List of proposed common indicators .....	<b>203</b>



## Preface

---

This guide captures current knowledge and practice around social performance management (SPM) of a wide range of industry stakeholders, including microfinance institutions (MFIs), donors, investors, networks and support organisations. We gathered stories from over 100 individuals in 45 organisations across the globe, reviewed existing resource materials, and facilitated a practitioner workshop to gather input. Along the way, key themes for successfully integrating a social lens into performance management systems arose time and again, regardless of the institutional size or type. These findings form the basis of the recommendations presented in this document. Although the research process was initiated and facilitated by the *Imp-Act* Consortium, it is our hope that the result will be embraced, and carried forward, by the industry at large.

## Acknowledgements

---

We owe a huge debt of thanks to **Katarzyna Pawlak** (MFC) for her passion and vision in overseeing the development of this guide. Likewise, our achievements would not be possible without the input and reflections of **Anton Simanowitz**. Furthermore, we gratefully acknowledge **Elizabeth Rhyne**, **Gary Woller** and **Jeff Toohig** for their critical insights on the draft guide. Our thanks are also due to **Rashmi Ekka**, **Alexandra Ortega**, and **Laura Craggs** for their tireless contributions to our efforts. Throughout this process, we would not have been able to exchange our stories without our translators, **Juan Carlos Machado Puertas**, **Georgina Blanco Mancilla** and **Barbara Suarez**. Finally, we would like to acknowledge our appreciation of the following individuals for sharing their ideas, experiences, and most of all their time. No such list can ever be complete, and our thanks goes to those we may have missed. *This is their story:*

Leila Akhmisse **Zakoura Foundation** Annie Alip **CARD MRI** Kyhl Amosson **Agroinvest** Omar Andaya **Green Bank** Vivien Ashworth **MicroVenture Support** Gabrielle Athmer **Terrafina** Ayesha Baig **First MicroFinanceBank Ltd** Artur Bala **ENDA Inter-Arabe** Jahel Baldivieso **Pro Mujer Bolivia** Ewa Bankowska **Microfinance Centre** Florent Bédécarrats **CERISE** Marc Berger **SIDI** Nigel Biggar **Grameen Foundation** Olivera Bjekic **Micro Development Fund** Kanwal Bokharey **Swiss Development Corporation** Sharlene Brown **Grameen Foundation** Jack Burga **CRS/MISION** Cecilia Campero Iturralde **Fomento a Iniciativas Económicas** Mirza Cehajic **Prizma** Fabiola Céspedes **FINRURAL** Mark Childerhose **Sanabel Network** Dinos Constantinou **Global Microfinance Group SA** Katia Corroy **Al Sol** Ayleen Cortes **Sandoval Compartamos** Patrick Crompton **MiX Market** Isabel Cruz **AMUCSS** Tuan Dahn **Save the Children** Vase Davaliev **Horizonti** Gisela Davico **Cordial**

**Microfinanzas** Laure de la Lande **AMUCSS** John de Wit **Small Enterprise Foundation** Radhika Desai **BASIX** Benoit Destouches **Aga Khan Agency for Microfinance** David Dewez **Incofin** Elizabeth Downs **MiX Market** Ana Dragic **Agroinvest** Ever Egusquiza **COPEME** Alia Farhat **Al Majmoua** Hassan Faried **DBACD** Laura Foose **Alternative Credit Technologies** Sarah Forster **Alternative Credit Technologies** Luis García **Bedregal Freedom from Hunger** Ali Ghezawi **Development and Employment Fund** Milena Gojkovic **Micro Development Fund** Benoît Granger **MicFin Association** Yousra Hamed **International Labour Organisation** Anne Hastings **Fonkoze** Masami Hayashi **Microfinance Network** Kenlor Howells **REDCAMIF** Martine Jansen **Corporate Connect** Lalaine Joyas **Microfinance Council of the Philippines** Tadese Kassa **Amhara Credit and Saving Institution** Lisa Kuhn Fraioli **Freedom from Hunger** Iris Lanao **FINCA Peru** Cecile Lapenu **CERISE** Jesila Ledesma **Micro Enterprise Development Info and Advocacy** Gomby Maramba **NWTF** Reynaldo Marconi **FINRURAL** Linda Mayoux **Oxfam Novib** Gerardo Mendieta **ANED** Fulvia Mentil **SIDI** Bruce Meraviglia **MicroVenture Support** Mila Mercado Bunker **Ahon Sa Hirap Inc** Roxanne Miller **Unitus** Alok Misra **Victoria University of Wellington** Syed Mohsin Ahmed **Pakistan Microfinance Network** Ahmed Mokhtar **Alexandria Business Association** Refilwe Mokoena **Small Enterprise Foundation** Elizabeth Nava **Fomento a Iniciativas Económicas** Ilkin Nazarov **AMFA** Anja Elise Ø. Husebø **Stromme Foundation** Omar Omari **Development and Employment Fund** Martin O'Reilly **New Hampshire University** Jerome Peloquin **MicroVenture Support** Alex Pollock **UNRWA/SANABEL** Charlot Razakharivelo **FIDEV** Chevenee Reavis **Unitus** Tomas Rodriguez **CRS/ASOMIF** Norma Rosas Lizarraga **Prisma Microfinanzas** Isabel Rueda **CRECER** Davy Serge **AFMIN** Namrata Sharma **Consultant** Sachita Shenoy **Unitus** Frances Sinha **EDA Rural Systems** Anna Somos Krishnan **SKS Microfinance** Anne Sophie Houyet **Microfinance Centre** Adam Sorenson **Small Enterprise Foundation** Blaine Stephens **MiX Market** Olga Torres **AMK** Bill Tucker **SEEP Network** Andres Urquidi **Fomento a Iniciativas Económicas** Elizabeth Ventura **Edpyme Confianza** Jaime Villarraga **Microfinanzas para el Desarrollo** Sebastian von Stauffenberg **MicroRate America Latina** Peter Wall **MiX Market** Kim Wilson **Tufts University** Garrett Wyse **Consultant** Linda Yahr **MicroVenture Support** Mekonnen Yelewemwessen Amhara **Credit and Saving Institution** Svetlana Zikic **MDF**

Our warmest thanks are extended to the Ford Foundation, and in particular Frank de Giovanni, for supporting, promoting, and shaping the social performance management agenda these many years – and for their unflagging vision of a microfinance industry that really works for the poor and excluded.

## Tables in this guide

---

1.1 How to use this guide .....	34
2.1 What your action plan might look like .....	37
2.2 Integrating a social lens by area .....	41
2.3 Working out what SPM will cost – an example from Prizma (Bosnia) .....	44
3.1 How CRECER changed its mission .....	60
3.2 Setting your social objectives and performance targets .....	62
3.3 Pro Mujer's Bolivia's 'SMART' social objectives .....	63
3.4 Factors that influence whether you meet your social objectives .....	66
3.5 Typical barriers faced by women MFI clients .....	67
3.6 Balancing financial and social considerations in decision-making .....	69
4.1 SPM differences between for-profit and non-profit MFIs .....	81
5.1 Telling people why and how you are doing SPM .....	88
5.2 Developing your communications strategy .....	93
6.1 Different methods of collecting data from clients pros and cons .....	106
6.2 Sample PPI report, NWTF .....	110
6.3 Where to find information about your social objectives .....	112
7.1 Fonkoze – SPM training workshop for social impact monitors .....	125
9.1 Common Internal Audit Areas and Related Questions .....	158

## Figures in this guide

---

0.1 Social performance pathway .....	23
9.1 Relationship between risk management and internal control .....	152

## List of Acronyms

---

<b>ABC</b>	Activity-based costing
<b>AMAP</b>	Accelerated Microenterprise Advancement Project
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>COBORSE</b>	Bolivian Foundation of Corporate Social Responsibility
<b>DEF</b>	Development and Employment Fund
<b>FIE</b>	Fondo Financiero Privado para el Fomento a Iniciativas Economicas
<b>FFH</b>	Freedom From Hunger
<b>GRI</b>	Global Reporting Initiative
<b>IRR</b>	Internal rate of return
<b>IT</b>	Information technology
<b>MIS</b>	Management information system
<b>MDF</b>	Micro Development Fund
<b>MFC</b>	Microfinance Centre for Central and Eastern Europe and the New Independent States
<b>MCPI</b>	Microfinance Council of the Philippines
<b>MFI</b>	Microfinance institution
<b>M&amp;E</b>	Monitoring and evaluation
<b>NWTF</b>	Negros Women for Tomorrow Foundation
<b>PAR</b>	Portfolio at risk
<b>PPI</b>	Progress out of Poverty Index
<b>QAT</b>	Quality Audit Tool
<b>SAT</b>	Social Audit Tool
<b>SPA</b>	Social performance audit
<b>SPM</b>	Social performance management
<b>SPTF</b>	Social Performance Task Force
<b>SPI</b>	Social performance indicators (tool)
<b>SR</b>	Social responsibility
<b>SRI</b>	Socially responsible investing
<b>TRAM</b>	Training, Research and Management
<b>TSF</b>	Transparency in Sustainability and Finance Project
<b>USAID</b>	United States Agency for International Development

## Authors

---



**Anita Campion** is a financial services and enterprise development specialist with 20 years of experience in international and domestic finance and private sector development. As President of AZMJ, she provides strategic vision and oversight to this international development consulting firm, which specialises in development finance. For Chemonics International, she supervised the financial sector portfolio and was a co-founder of in-house Microfinance and Financial Services Practice Networks. In addition, she directed a USAID's Knowledge Generation project, including a global research project which focused on social performance assessment.



**Chris Linder** is a Senior analyst and researcher with AZMJ, focusing on MFI social performance and due diligence. Prior to this, he worked with Capital Link to provide technical assistance to non-profit health centers in planning and obtaining debt financing. He served as a Senior financial analyst for Fleet Bank's non-profit arm, and as a Peace Corps volunteer in Mali advising entrepreneurs, credit unions, and microfinance institutions. Mr. Linder holds an MBA from the Olin School of Business (Babson College) and a BA in Economics and Business Administration from Rhodes College.



**Katherine Knotts** is the Learning and communications manager for the *Imp-Act* Consortium. Prior to this, she served with the Banking and enterprise development group of Chemonics International, focusing on microfinance project administration and knowledge management. She has also volunteered with the Society for International Development (Washington DC) and the Honduran Office of Social Protection. Ms. Knotts is a graduate of the London School of Economics (MSc Economic History) and Drew University (MA Theatre and Political Science).

---

## Prologue

---

### Microfinance strives to balance financial and social objectives

---

The microfinance industry – borne primarily out of a desire to help the world's vulnerable and poor – has grown from a concept that the poor could be bankable (ie, able to save and repay loans) to an integral part of the formal financial sector in many countries around the world. By 2006, there were more than 133 million microfinance clients, 70% of whom were among the world's poorest people. Microfinance has become a familiar word, thanks to media attention and news articles telling the story of how microfinance is achieving its social goals and improving the lives its clients.

But with this higher profile comes a need for microfinance institutions (MFIs) to demonstrate that they are fulfilling their mission, as well as their broader social responsibilities. As social enterprises, MFIs have a dual nature, applying commercial principles to achieve social ends. This has created an inherent tension in the industry as MFIs struggle to balance social and financial objectives. The practical steps MFIs need to take to develop their strategy, set objectives and align all of their systems to achieve these dual goals are the essence of social performance management.

**Social performance management (SPM)** is an institutionalised process of translating social mission into practice. It includes setting clear social goals, monitoring progress towards them and using this information to improve performance and practice.

### Emphasis to date has been on financial performance management

---

Given that the microfinance industry primarily emerged from the non-profit sector, the emphasis to date has been on:

- achieving rapid growth to reach more clients
- improving the professionalism of MFI boards and staff
- achieving financial sustainability
- increasing commercial ties to facilitate the flow of funds for expansion.

This emphasis on growth and sustainability was also linked to an increased emphasis on monitoring and managing financial performance. But some within the industry fear that the pendulum has swung too far towards the commercial side and that many MFIs have become detached from their social roots.

### Microfinance in the media – a negative backlash

---

While microfinance still generally attracts positive media attention, the honeymoon phase is mostly over, as a backlash of negative news stories has begun to hit the headlines. A recent news story on CNN in Africa, for example, highlighted some of the overly aggressive practices used by some loan collectors of a large microfinance

NGO. Other recent headlines show what can happen when financial concerns take priority over all else:

**'Nobel winner slams for-profit microfinance', CNN Money, 28 July 2008**

"Those against commercialization, like (Mohammed) Yunus, fear the movement, born of the desire to rescue the poor from loan sharks, is losing its soul, prioritizing investors over the world's farmers, shepherders, and 'telephone ladies', many of whom live on less than \$1 per day."

**'Police investigate violent protests in Nicaragua', Tico Times, 25 July 2008**

"The protests turned violent after President Daniel Ortega told indebted protestors to march on bank offices earlier this month in a speech in a northern farming town of Jalapa. A group of farmers, called the Movement of Producers, told local press they are demanding restructured debt with lower interest rates."

**'Child taken hostage for loan', The Telegraph, 6 June 2008**

Reported on one Indian MFI that was accused of kidnapping a child and holding her ransom until the loan was repaid.

## MFI's need to be more transparent about achieving their mission

---

As these headlines suggest, MFIs need to be careful to avoid what some might call "reputation risk". Given that they often work with the poorest and most vulnerable people, they have a basic obligation to be socially responsible and, at the very least, to "do no harm" to their staff, clients, the communities they work in, and the wider environment. More importantly, MFIs with broader social objectives (whatever they might be) need to ensure that they are transparent about the extent to which they are achieving them.

Some MFIs focus on the poor, but others serve different groups of vulnerable clients, such as women, young people, or those living in conflict-affected areas. These MFIs must also demonstrate that they are achieving their social goals, as stated in their mission. MFIs that recklessly pursue growth and profitability could miss the opportunity to serve different client needs and different segments. Responding to client needs and preferences is necessary in order to build and retain a strong client base, achieve sustainability, grow and be competitive in the long term.

## MFIs need to apply a social lens to strategic and operational decision-making

---

While the microfinance sector has been growing rapidly and outreach to date is impressive, there are still millions of poor and marginalised people who remain unserved or under-served by the industry. MFIs need to work even harder to reach these people, who are often living in rural or disadvantaged communities.

Poor clients live in a state of vulnerability, and this often leads to unstable livelihoods. This is an important risk that MFIs must factor in to product design and delivery. Regardless of their specific mission, they need to ensure that they bear their social mission and objectives in mind when making management decisions. SPM is not just about collecting social performance data; it requires action – applying a social lens to all of an MFI's strategies and operations to improve overall performance.

## Social performance management helps improve social and financial performance

---

Experience from a broad range of MFIs demonstrates a positive link between financial performance and social performance. In particular, MFIs have found that deliberate management of social performance can bring significant benefits, such as:

- more appropriate products and services
- better client retention rates
- lower operational costs
- enhanced reputation, brand value and trust
- better trained and motivated staff
- stronger policies and procedures for human resources
- improved risk management
- more efficient operations.

Experience also shows that strong financial performance allows MFIs to focus on aspects of social performance that may prove to be more costly – such as reaching out to rural areas (often through cross-subsidisation), working with poorer and more vulnerable clients, or offering smaller loan sizes. Similarly, strong social performance often helps to improve financial performance. These are just a few of the organisations that have benefited from SPM:

- **Prizma**, in Bosnia and Herzegovina, tracks how many and which types of clients are lost to competition, facilitating appropriate management responses. Similarly, it uses SPM to segment target clients, and to understand how different groups of clients use and benefit from its products – thereby gaining a competitive edge as it moves downmarket.
- **SEF**, in South Africa, has benefited from improving client retention in its poverty-targeted programme, thus improving its operational and financial performance.
- **DEF**, in Jordan, streamlined its management information systems, resulting in increased efficiency and accuracy.
- **AMK**, in Cambodia, was able to restructure its internal control system to better track certain SPM procedures and monitor compliance with its social goals, such as client protection.

## Disregarding social performance has negative impacts on clients, MFIs and the industry

Beyond the potential financial and operational benefits, it is clear that MFIs cannot afford to take the risks associated with disregarding their social objectives. At client level, the risks of ignoring social performance range from excluding target clients to actually harming their livelihoods through services that don't meet their needs. MFIs also miss the opportunity to understand their clients' needs and constraints and to respond with a range of services – whether additional financial products (such as microinsurance) or non-financial ones (such as business or health training). At institutional level, clients who leave are a barrier to financial sustainability. Whereas clients whose businesses grow make strong institutions. At industry level, we risk losing credibility in the eyes of the global public, resulting in reduced flow of funds and resources to all MFIs.

## There is increasing demand for SPM assistance

---

MFIs are increasingly seeking guidance on what factors to consider when tracking their social performance. There is also a growing demand from donors and investors who want confirmation that the MFIs they support are adhering to their stated mission. With more and more microfinance investment funds coming from commercial, socially responsible investors, MFIs are increasingly being asked to report on their social performance. Donors, too, are calling for higher levels of transparency with regard to social outcomes. As a result, a range of tools and resource groups have been developed, including social performance assessments, social audits, social rating tools and the Social Performance Task Force, which is developing a common framework for social reporting.

Given this growth in social performance assessment, reporting and rating, MFIs are increasingly asking for guidance on how to improve their social performance. These factors are all contributing to an increased interest and focus on putting the “social” into performance management to ensure that decision-making is balanced – that it considers social and financial performance objectives.

## This guide will help MFIs proactively and deliberately achieve their mission

---

This guide was written for MFIs that are committed to managing both social and financial objectives in a deliberate and thoughtful manner. As such, it is also relevant to those institutions and individuals that support them, such as networks, donors and consultants. It presents a range of options to consider when ensuring fulfilment of an MFI’s stated social mission and protecting against social risks (ie, risks associated with negative impacts on staff, clients, the community, social investors, and the public in general). In doing so, **this guide draws upon the experience and lessons learnt of over 45 MFIs, networks and support organisations across the industry.**

*The time to begin putting SPM into practice is now, as only by getting started can MFIs begin to mitigate social risks, demonstrate that they are achieving their mission and produce meaningful and lasting results for their target clients.*

---

## Introduction

---



---

**Name:** Anton Simanowitz

---

**Organisation:** *Imp-Act Consortium*

---

**Position:** Director

---

“Like most people that work in the field, I am passionate about the benefits that microfinance can bring to its clients. Having said that, one experience really crystallised for me that we need to work deliberately to make microfinance as effective as possible in changing people’s lives. Many years ago, I worked for a British NGO in Kenya. Our work targeted poor people with a range of services, which included microfinance. I went with a field worker into a semi-arid area, which had suffered rain failures for two years. The situation was really desperate – livestock were dying, and people were leaving their homes because they were close to starvation.

“We went to a client meeting on a motorbike – I remember it was in the afternoon – and we spent a few hours talking to the women about how bad the situation was. During the meeting, a lot of the women were falling asleep and it was clear they were really embarrassed. They apologised, saying: ‘We’re really sorry but we haven’t eaten today, and that’s why we can’t stay awake.’

“At the end of the meeting, something really strange happened – the women reached into their blouses and started pulling out money. They collected it all together and handed it to the field worker, who wrote the amount down in his book, put on his helmet and jumped on his motorbike, motioning for me to follow. I thought: ‘What’s happening here? These women are saying that they’re starving, yet they’re giving us money?’ And the fieldworker said: ‘Don’t worry, it’s fine. It’s their loan repayment. See? There’s no problem’ and he pulled out his book to show me where he’d written: ‘100% repayment’”.

“I still had my doubts, though, so I asked if we could go back to talk to the women. We did, and that’s when they told us they had sold a chicken that morning. They were selling their food so they could make their loan repayment. What’s more, they said they had to repay their loan, otherwise they couldn’t get loans in the future.

“So that’s when I realised how powerful microfinance is, so powerful that it can make hungry people sell their food – their assets – to repay their loans. Then I began to wonder whether MFIs were asking *how* their clients were repaying, rather than just ticking a ‘repayment’ box. I wondered how MFI managers would react if they knew that their lending methodology was having such unintended negative consequences. I mean, repayment rates are important, but so are the people, right?”

## Introduction

---

Many people within the microfinance industry have had an experience similar to the one described above. These ‘ah-hah’ moments underline the need to be deliberate about both the social and financial side of our work. Using this realisation as a starting point, this guide looks at how your MFI can integrate its social goals into organisational systems – ie., putting the “social” into performance management. To set the foundation, this chapter addresses the following questions:

- Back to basics: who are our clients?
- How do MFIs work within a context of vulnerability and poverty?
- What current challenges do we face?
- What is social performance management?
- How can you use this guide to improve practice?
- Final thoughts on the road ahead

## Back to basics: who are our clients?

---

How would we describe a typical client upon entry to a microfinance institution (MFI)? The specifics would, of course, vary by region, but generally we would find that clients have low, and often insecure or irregular incomes. These clients, usually women, live lives punctuated by occasional demands for relatively large amounts of money. Because of the nature of their income flows, they find it difficult to meet these demands, whether it's to respond to opportunities (investment), emergencies (sickness) or life-cycle events (weddings or funerals). Whatever their situation, it is the risk of loss, and of these events happening, that makes their lives so vulnerable and unpredictable. So even when they become clients and gain access to loans that can help improve their situation, they are often vulnerable to falling back into poverty.

The story that opens this chapter is about a relationship between an MFI and its clients, and about the hardships that clients face when we don't understand the extent and nature of their vulnerability and poverty. This guide has been written to help MFIs shape their performance management systems in a way that helps them understand and respond to the realities of their clients' lives.

## How do MFIs work within a context of vulnerability and poverty?

---

Vulnerable and poor clients are the focus of microfinance, but they are a risky investment for MFIs. Their inability to cope with these financial occasional demands may also mean they can't meet their other financial commitments, such as loan repayment. MFIs respond to this "threat" in different ways. Some effectively exclude the most vulnerable clients by requiring guarantees, savings records, or payment of administrative charges to access loans. Others avoid risk by moving upmarket to serve people with stronger livelihoods – typically those who have existing businesses or resources with which to repay loans. Others still will prioritise savings rather than credit – or lending to small enterprises. But there is another way. More commonly, MFIs seek to reduce their clients' vulnerability as a means of reducing the risk involved in lending to them. They focus on helping clients make small, but sustainable steps out of vulnerability or poverty, and helping them deal with crises when they arise. They do this by:

- **Facilitating growth in income and assets:** MFIs offer entrepreneurs ways to invest in the expansion of their businesses through working capital or fixed asset loans, without the usual collateral required by banks.
- **Reducing risk of borrowing:** Microfinance policies can be designed to reduce the risk of damage to client livelihoods. This can include linking loans to productive uses for those that do not currently have a regular secure income; and ensuring that loan sizes are kept small and that bigger loans are linked to growth in productivity.
- **Income and expenditure smoothing:** Low-income clients can and do save, allowing them to mitigate their vulnerability by having resources to carry them through slow income periods. MFIs can design savings schemes that require low minimum balances, and provide ease of access at reasonable costs.
- **Strengthening financial literacy:** As well as offering savings, assets, and insurance services, microfinance can reduce barriers to effective financial and business management, through training and education.
- **Empowering clients:** Vulnerability goes beyond a person's ability to manage and increase household finances. Microfinance can play an important role in increasing self-confidence or strengthening social networks, empowering clients to seek the changes they need in their lives.
- **Providing a platform for broader development:** Poor health and nutrition, lack of access to education and other services play a role in clients' vulnerability. The potential synergies between microfinance and non-financial developmental services can serve to protect poor people's livelihoods and can also protect against shocks that send them back into poverty.

Recognising what makes different client groups vulnerable is also crucial to addressing their unique needs. For example, women are usually more vulnerable than men due

to lack of land tenure, mobility restrictions, less diverse livelihood options, and traditionally weaker gender roles within the household. Similarly, there are many different dimensions of poverty that contribute to vulnerability (beyond a mere lack of income) such as lack of education and skills, lack of confidence, lack of political voice, or poor health. Groups that are marginalised or excluded within society also face unique vulnerabilities, including lack of access to resources, low skills bases, societal prejudice, etc. Gender status adds additional vulnerability factors to both poverty and exclusion.

MFIs that fail to respond to the specific risks facing different client groups limit the potential positive effects of their services. Across the industry, a number of MFIs have designed different services for clients at different levels of poverty, such as **Fonkoze** (Haiti) and **Prizma** (Bosnia and Herzegovina). In Bolivia, **CRECER** has designed its services to address the specific ways in which women are marginalised within society: by being poor, by living within traditional gender roles, and by living in rural areas.

Different client groups are vulnerable for different reasons. If you understand this, you can respond appropriately.

## What current challenges do we face?

Many MFIs around the world are now taking deliberate steps to incorporate an understanding of client vulnerability and poverty into the way that they work. Working to translate the mission into practice (the essence of social performance) has highlighted a number of common challenges for practitioners. These include:

- **Understanding whether your organisation is meeting its social objectives.** Even though there are many social performance assessment tools designed for MFIs, it is often difficult to know exactly what information you need, and how to design practical systems to collect and report information. Information analysis is another challenge, especially in the absence of clear social indicators.
- **Systematising social objectives across all aspects of the organisation.** Otherwise, MFIs risk collecting information that doesn't respond to their social objectives, or that is not used in decision-making.
- **Linking product design to an understanding of target clients' needs.** MFIs need to segment their markets, ensure outreach to these segments and deliver appropriate services. Otherwise, there is a risk that "one-size-fits-all" services don't meet all clients' needs – especially in terms of using microfinance to address the specific gender needs that women face.
- **Integrating social performance information into decision-making.** A "passion for the mission" can be a good general guide for organisational strategy, but to make balanced operational decisions, MFIs need timely and reliable information about progress towards social goals.
- **Putting client protection into practice:** As MFIs formalise their responsibilities to clients, they need to ensure that an 'ethos' of client protection is formed alongside organisational policy.

## What is social performance management?

You need to understand what social performance management is (and what it is not) before you can integrate it into good business practice. While the term 'SPM' is appearing more regularly in the language of MFIs, networks and donors, closer examination reveals substantive differences in the usage of the term. Some use 'SPM' to refer to social performance, or 'social performance' to refer to impact assessment; others use social performance management and measurement as interchangeable concepts.

Simply put, SPM is about achieving your social goals and being socially responsible. SPM related to how an organisation aligns its strategic planning and operational systems to an understanding of client vulnerability and poverty. Because MFIs work with vulnerable and poor communities, they also have an implicit objective to protect clients from over-indebtedness and harm – as well as to treat their staff responsibly.

SPM is about achieving your social goals and being socially responsible

### **SPM has three components:**

- **Setting clear social objectives and creating a deliberate strategy to achieve them**
- **Monitoring and assessing progress towards achieving social objectives**
- **Using social performance information to improve overall organisational performance.**

There are six key questions that will help you put these components in place:

- What are your social objectives and how do you plan to achieve them?
- Who uses your programme's products and services?
- Why and when do clients leave the programme or fail to fully utilise your services?
- What is the effect of your programme on current clients?
- How will you use information about social performance to improve your services?
- How do you maintain and improve the quality of the systems you use to answer these questions?

### **Component one: Clear mission and strategy**

#### **What are your social objectives and how do you plan to achieve them?**

Achieving your social objectives does not happen automatically. As with financial objectives, they require a clear definition, and a deliberate strategy. SPM helps MFIs define who they want to reach (outreach), how you plan on serving target clients (methodology) and what benefits you want to create for clients (change).

Clarity about your social objectives is key

→ See Chapter 3 for more information on clarifying your mission and strategy

**Fonkoze** has defined three levels of poverty, and has designed products and services for clients in each group. Its mission starts from the premise that financial services alone are not enough; poor people need to be 'accompanied out of poverty'. Its approach therefore integrates credit with a wide range of non-financial services. Fonkoze's strategy also considers not just what is provided, but how it is provided. At the heart of its methodology is the supportive culture of the solidarity groups and centres. In this kind of environment, field staff can facilitate problem solving and learning, and provide educational and development inputs to clients.

## Component two: Monitoring and assessing progress towards social objectives

SPM helps MFIs to manage what they measure, and measure what they value. Experience shows that data is sometimes already available within management information systems that can help answer the following questions:

### Who uses your programme's products and services? Who does your programme exclude?

Knowing who your clients are is essential if you want to serve them better. Frequently, clients' needs and preferences differ depending on their age, sex, level of education and type of business. Matching clients' demographic characteristics to the services they use will help you to adapt and/or diversify what you offer in response to distinct market segments. There are many ways to group or categorise clients, but once you determine the categories relevant to your institution, you will also want to know how each category is represented in the overall portfolio. It is also useful to know who, within your target market, does not access your services, and why. Getting this kind of information might lead you to change some existing services or develop new ones to attract these potential clients.

Know your clients

For example, **AMK** caters primarily for rural agricultural households, a market that is characterised by limited infrastructure, high seasonality, and in some areas frequent floods and droughts. Within this context, AMK plans on linking client profiling data to client satisfaction and exit studies, to understand clients' unique needs.

### Why and when do clients leave the programme or fail to fully utilise your services?

A wide range of factors can influence a client's decision to stop borrowing, leave his or her savings account dormant, or withdraw from the programme. Some factors are not directly related to the MFI's work. For example, the client's business may be well enough established that he or she no longer feels the need to borrow; personal issues or illness might be temporarily preventing them from running the business; or there may be periods of inactivity according to the season.

Yet, other explanations – such as dissatisfaction with some aspect of the programme or preference for another MFI – should sound an alarm for management. They are an indication that your programme is not meeting clients' needs in some way, and if you do not respond, the rate at which clients leave is likely to increase, negatively affecting both financial and social performance. For example, **Prizma** (Bosnia and Herzegovina) uses a short, semi-structured exit interview on a sample basis twice a

year to answer questions such as: Who leaves? What is the scale of client exits? What are the characteristics of clients who exit? Why do they leave? By understanding which client groups are leaving and why, they can take informed decisions about how to respond.

The connection between client retention and overall performance – both social and financial – is an area of increasing concern for MFIs. Beyond client satisfaction, exit rates can also be an important indicator of social performance. If clients are leaving your programme because they cannot afford to stay, you will miss the opportunity to strengthen their livelihoods. For **SEF**, in South Africa, a dramatic increase in client exit was a real “wake-up call” that social performance needed to be managed as deliberately as financial performance.

On the financial side, losing established clients is expensive because they have to be replaced, and there are costs associated with recruiting and training new clients. For example, **Mibanco** in Peru estimates that it takes four loan cycles to recover the cost of attracting a new client. Close monitoring of clients who leave is key to keeping existing clients and “retain the investment” in their recruitment. Knowing who leaves, and why, helps you gauge issues that affect clients’ satisfaction with the programme. Once you know their reasons for leaving, you can determine how to adjust your programme in response, and improve its benefits.

### **What is the effect of your programme on current clients?**

Are you achieving your social objectives? Are clients’ incomes increasing? Are their businesses growing? These questions reflect only a few aspects of client status – you must choose those that are most practical and appropriate for measuring progress towards your organisation’s social objectives. It is also important to know whether you are protecting your clients from over-indebtedness, and have systems in place to ensure compliance with your responsibility towards clients.

Understand your impact and whether you protect your clients from harm

Once you are clear on what you want to understand, you should carry out regular monitoring to get a sense of the changes that are (or are not) occurring over time. By linking portfolio data with client profile information, you can determine if the changes you observe are limited to particular branches, or linked to a particular product, for example. Such information may help you identify good practice that can be replicated elsewhere, or weaknesses that need to be addressed.

→ See Chapter 6 for more information on strengthening information systems

For example, **SEF**, in South Africa, uses a system called ‘vulnerable centres’, which tracks centre savings, attendance and repayment rates. Any centre that falls below a certain ‘trigger value’ is defined as ‘vulnerable’, and so is targeted for support and action. In this way, monitoring acts as an effective ‘early warning system’ to detect problems before they become systemic and harmful to the MFI, as well as to its clients.

Follow-up investigation is important to help you investigate and clarify issues highlighted by monitoring. Monitoring should allow you to see patterns and trends in client performance, but does not necessarily tell you why such changes are happening. Changes (positive or negative) may result from changing client circumstances, operational design or external factors. Regularly supplementing quantitative data with qualitative research will help you understand the reasons for client-level changes, and help you respond to situations as they arise to improve the effectiveness of your services.

### **Component three: Using information to improve performance and align systems**

#### **How will you use information about social performance to improve your services?**

Collecting information on the questions above is only helpful if you use it to make decisions. An SPM system includes a process for analysing and communicating information to meet the needs of various stakeholders, and to inform decisions about operations, products and service delivery. Communicating this information can range from analytical reports prepared for strategic review, to more informal (but structured) processing of observations. Social performance data can be presented to your organisation's Board; it can be organised into reports that inform the work of special committees; it can be used as the basis for staff incentives; or it can be summarised for regular staff meetings. Additionally, social performance information can be used to report to external stakeholders about progress towards your social objectives.

Decision-making is at the heart of SPM

→ See Section 3: Aligning management systems

**For Prizma**, in Bosnia and Herzegovina, social performance information has been crucial for shaping staff incentives to balance social and financial results. Field staff are rewarded monthly for performance on select indicators: depth and breadth of outreach, exit, administrative efficiency, productivity, and write-off.

#### **How do you maintain and improve the quality of the systems you use to answer these questions?**

→ See Chapter 9: Internal control

SPM is a dynamic process. An MFI's objectives, target clients and context typically evolve over time, and so must the processes by which they are monitored. Periodic reviews of the system, which are an integral part of the SPM process, ensure that the information being collected meets your needs, and is reliable.

- **Section one** discusses the various **entry points** to SPM, and provides an overview of the building blocks that each MFI needs for **getting started** on implementing, or improving, their SPM systems.
- **Section two** deals with the first part of the pathway: **clarifying your mission and developing your strategy**, and also has chapters on **governance, structure and leadership**, and **communication**.
- **Section three** provides guidance on aligning operational management systems (the second part of the pathway), including **strengthening information systems, human resources management, client service issues, and internal control**.
- The **concluding chapter** lays out lessons learnt to date and some steps for the road ahead.

**Figure 0.1: Social performance pathway**



Each chapter starts with a story, telling some of the problems (and successes) that the people implementing SPM have experienced so far. Then we set out the key questions and issues, providing case examples, practical tips and clear guidance. There's also an extensive bibliography with further resources at the end of the guide.

Where possible, we refer the reader to other materials that will support the process of integrating a social lens into the performance management process. In doing so, we aim to complement existing resources, or reframe them within the context of SPM, but not to overlap with the valuable guidance they offer.

This guide is a snapshot of current knowledge, but we hope that it will evolve over time. We will be launching a website in 2009 that will allow users to engage with each other over issues they face in their work, be it clarifying key steps in SPM, suggesting resources, or sharing experiences about what works and what doesn't.



## Final thoughts on the road ahead

---

Whatever their stated mission, MFIs are driven by both social and financial concerns. While balancing the two might seem like a big challenge, all you need is a simple shift in mindset. Just go back to basics – to your mission, and your clients. From there, with every decision you make you should ask yourself: how does this affect our clients? Does it make their lives better, or worse? If you do this, then over time the idea of ‘performance management’ will naturally cover both social and financial concerns – and by being deliberate about your objectives, you will achieve them.

**How will we get there? By beginning now, taking one small step at a time, learning from each other’s experience and continuing to move forward, always keeping the end goal in sight – a better life for our clients and their families.**

## Summary: Key lessons learnt around SPM

### *Clients are at the centre of SPM.*

- **You should understand and respond to client needs.** MFIs work in different contexts with clients of different ages, economic status and livelihoods. You need to understand your clients and adapt your services appropriately, in line with your mission.
- **Poor people are vulnerable, which creates risk for MFIs.** By understanding your clients' situation, you can design a strategy to improve their lives. In doing so, you will not only reduce the risk for clients but also reduce the financial risk for your own organisation.
- **Client protection is a fundamental to SPM.** The more vulnerable your clients, the greater the need to protect them through effective communication, fair pricing ethical guidelines for staff behaviour, and systems to monitor compliance.

### *Balanced performance management responds to clients' vulnerability.*

- **Clarity of purpose is the key.** SPM begins with an understanding of what clients you want to reach, how you plan on serving them, what changes you want to create in their lives, and how you can treat them fairly.
- **Measure what you value.** Information is the touchstone of SPM. The key is to identify what information is relevant, then systematically report and use it to improve practice. Data on progress towards social objectives is often available within your existing systems.
- **Operationalising SPM means aligning your systems.** All aspects of your operations influence whether you achieve your social objectives, including marketing, staff recruitment, training, incentives, organisational culture and Board composition.

### *Using information is at the heart of performance management.*

- **Balanced decision-making achieves a double bottom line.** Successful MFIs recognise the need to manage both social and financial performance, because neither impact nor sustainability are automatic outcomes.
- **SPM is about making strategic choices.** By clearly defining your social objectives and having information to understand what's happening in your clients' lives, your Board and management can make informed, strategic choices to balance social and financial concerns.
- **SPM is about day-to-day operational decisions.** Every day, managers make decisions that can impact on your clients. Make sure that you keep them in focus.
- **The foundation of external reporting is an information system that facilitates routine internal decision-making.** External reporting and rating are now understood in terms of social performance processes and outcomes, as well as financial performance.





# Section I

## First Steps

### Section I First Steps

---

Chapter 1 Entry Points

Page 29

---

Chapter 2 Getting Started

Page 35

---





**Cordial's mission is:** to provide innovative financial services and high quality through scale and sustainability. It focuses on small businesses without access to traditional banking and develops a trusting relationship with its customers. Cordial provides social inclusion through financial tools that contribute to the growth of clients' businesses.

**Name:** Gisela Davico  
**Organisation:** Cordial Microfinanzas, Argentina  
**Position:** Market Research Director

"I used to work as a consultant on microfinance, poverty and social issues because I wanted to help MFIs in South America improve their financial efficiency and achieve deep social outreach. When Cordial, a young MFI, asked me to join their team, I gladly took the opportunity.

"The challenge was going to be satisfying the demands of working for a for-profit MFI while balancing my personal belief that microfinance must also have a positive impact on clients' lives. Given Cordial's aggressive growth plan (reaching out to 50,000 clients within three years), I wondered whether convincing my colleagues to focus on our social mission would be difficult. Luckily, there is a real commitment to the social mission by our investors, parent company and most importantly our Executive Director. By convincing my colleagues that SPM not only helps us achieve our mission but also has a positive financial impact, their support for our SPM activities has grown even more.

"This year, for example, I wanted to find out why some of our clients were leaving the microenterprise loan programme. So I simply discussed the idea with the five department heads and my boss in our monthly staff meeting. Some saw the value of this exercise from a financial perspective, as clients who leave hurt our bottom line, but others saw it as a failure to serve our clients well.

"We started with about 50 exit cases. We found that overall, clients were happy with our services, but many did not appreciate how loan officers treated them. Some loan officers would promise a new loan after the first cycle, but did not deliver.

"When we looked into it, we realised that our training programme did not teach field staff and branch managers how clients should be treated when there was a problem, nor did we have a clear customer service model to guide staff. So with the help of the Human Resources Director and Training Manager, we rolled out training to all staff on managing customer relationships, and leadership training for branch managers.

"This was an excellent starting point into SPM, as the process was relatively easy and inexpensive and there were tangible results from both a social and financial perspective. As a small, fairly new MFI, we lacked resources, so our sample size was small (and probably not scientifically perfect!). But it was enough to enable us to make good decisions based on the needs of our clients, without overburdening staff."



## Introduction

Given MFI's varying needs and capacities, there is no one "right way" to do SPM. The context and situation of your MFI will contextualise the first step that you take, and determine which aspects of the process you focus on. This guide shows you how other MFIs have approached SPM and how you can build support and access the necessary resources to achieve successful results. This chapter answers the following questions:

- Why do MFIs become interested in SPM?
- What are the common entry points and key issues?

## Why do MFIs become interested in SPM?

An MFI's interest will depend on their goals and the circumstances in which they work. Some may initially focus on strategic level issues, aware of the need to step back and define their needs and objectives. Others may be motivated by the need to address a "burning issue" and jump straight into operational level issues, eager to develop systems to address the crisis. Those already collecting client-level information might want to systematically integrate it into strategic and operational decision-making.

For example, in the case of transformation, an MFI can be proactive about SPM to ensure they remain mission-focused throughout the process. On the other hand, a different MFI in the same situation might have a "wake-up call" afterwards if they realise they are drifting from their target client base. In this case, the approach to SPM will be more reactive to address the immediate problem. These are the most common reasons why MFIs become interested in SPM:

Your interest in SPM will be either proactive or reactive

→ See Chapter 3: Mission, goals and objectives

**1. Desire to improve overall social performance or social responsibility.** For example, the executive management team of **Agroinvest** in Serbia and Montenegro had always addressed social issues. But they decided to make their social performance efforts more systematic. So they carried out a comprehensive mission review to see how they could do more to alleviate poverty, especially for children.

→ See Chapter 6: Strengthening information systems

**2. Concern over mission drift.** By using a new poverty assessment tool (Grameen Foundation's Progress out of Poverty Index – PPI), **Negros Women for Tomorrow Foundation (NWTF)** of the Philippines found that they were not serving as many poor clients as they thought. So they changed some operational procedures and guidelines to ensure they reached out to poor clients in the communities they serve.

**3. Concern for lost and dissatisfied clients.** **Cordial**, in Argentina, became interested in SPM because they wanted to understand why some clients were exiting the programme. By making a few small changes in response to a simple exit study, they were able to improve client retention. At the same time, they raised staff awareness of the value of SPM and the need to treat clients fairly. Researching clients exit can tell you a lot about how well you are treating or serving your clients.

Client exit can be a real 'wake-up' call for SPM

→ See Chapter 8:  
Client service  
issues

**4. Need to understand and better serve clients' needs.** Meeting your clients' needs is one of the major tenets of SPM. It is, in part, a market research or customer service issue. But it goes beyond that. By really understanding your clients' needs, you can make strategic decisions about how to meet those needs through the range of products and services you offer – or linkages you make with other organisations. For example, **Enda**, in Tunisia, recently applied the MFC's Quality Audit Tool to better align its mission with its target clients. As a result, Enda restructured many of its programmes and services to be more inclusive, by offering smaller loans and easier access.

→ See Chapter 5:  
Communications

**5. Desire to expand outreach.** The President of EDPYME **Confianza**, in Peru, worked with Freedom From Hunger (FFH) and executive management staff to expand outreach to rural and poor women, reinforcing its original mission focus. To do so, they needed a typical business solution – ie, developing a new product and adapting procedures that were appropriate and valuable to the needs of poor women in rural areas. But it also took time to convince staff that this new focus would not divert Confianza away from another important goal: self-sufficiency. (See the **box below** for more tips on expanding outreach to poorer clients and women).

#### **If you want to expand outreach to poor clients:**

- Offer products that will be attractive, with low initial loan sizes and low transaction costs, linked to character or group guarantees rather than collateral guarantees.
- Avoid referring to clients as 'poor' when you communicate with them, and consider creating more positive terms for referring to this target group among staff.
- Consider using a poverty assessment tool to regularly monitor impact and adjust programmes as needed.

### If you want to expand outreach to women:

- Recognise that women have different needs and constraints.
- Conduct research to find out how best to meet women's needs, overcome constraints and market your products to them.
- Consider targeting sectors that women tend to dominate, such as textiles, crafts, and food production and services.

**6. Desire to establish a market niche.** Some MFIs undertake SPM in order to differentiate themselves from their competitors, or to build client loyalty in a competitive market. **AMK**, in Cambodia, has chosen to stay focused on rural clients while its competitors target urban and peri-urban areas. While this is not the only reason (or even one of the main reasons) for focusing on rural areas, **AMK** does see its market position as an advantage.

**7. Need to prove social performance to donors and investors.** Many donors and an increasing number of socially responsible investors require MFIs to demonstrate social performance. **Annex I** shows the kind of information required by one microfinance fund manager, **Incofin**.

**8. Interest in understanding latest microfinance trends via trainings or workshops.** **FIE**, a Bolivian MFI, first became interested in SPM as a result of a workshop presentation by the Bolivian Foundation of Corporate Social Responsibility (**COBORSE**). The MFI subsequently agreed to participate in a donor-funded pilot project, which eventually led it to integrate SPM into all levels of its operations.

## What are the common entry points and key issues?

As mentioned above, MFI take different entry points into SPM, depending on their context. **Table 1.1** provides information on how you can get the most out of this guide given the interests of your MFI. It guides you to appropriate tools, lists key issues and suggests the most relevant chapters for you to consult.

**Table I.1: How to use this guide**

What is your interest in SPM?	Entry point/tool	Key related issues	Key chapters
1&2. To improve your social performance; concern over mission drift	Strategic planning and reviews, internal social audit tools, e.g., Cerise's SPI Tool	Review mission aligned with operations. Gather data from MIS to provide evidence. Get Board and staff buy-in before making operational changes	Mission, Information systems, Governance, Communications
3. Concern for lost or unsatisfied clients	Client satisfaction monitoring, eg, exit interviews, surveys	Put policies in place to protect clients. Communicate policies to staff. Monitor compliance	Client issues, Internal control, Communications, Information systems
4. To understand and better serve client needs	Market research; client segmentation, interviews, focus groups	Assess current understanding of client needs, create or adapt reports. Put human resources in place to conduct research. Analyse results and make changes to products and delivery	Information systems, Communications, Client issues
5&6. To expand outreach to specific market segments; establish a market niche	Market research, impact assessment, poverty assessment	Identify who you are serving now, and how well. Reconfirm your mission and objectives. Conduct additional research and analyse results. Change products and delivery systems; communicate and train staff	Information systems, Mission, Governance Client issues, Communications, Human resources
7. To publicly demonstrate how you are achieving your mission	External social audit/ social rating, impact assessment	Determine external expectations (donors, investors, public) Weigh up the costs and benefits of collecting information. Collect information, analyse and create reports	Communications, Information systems, Internal control
8. To become familiar with SPM trends	External training or workshops	Participate in external training or workshop. Synthesise and communicate new learning to others. Determine plan of action for how to apply new learning	Human resources, Communications, Getting started



The **Micro Development Fund** is a microfinance-focused NGO that was set up to support improvements in the social and economic living standards of economically active and poor people in Serbia.

**Name:** Milena Gojkovic  
**Organisation:** Micro Development Fund (MDF), Serbia and Montenegro  
**Position:** Executive Director

“There was a time when donors pushed us towards financial sustainability, often at the expense of all else. But in 2005, they started to let us set the agenda. As Director, I’d been feeling for some time that we weren’t effectively fulfilling our social mission – and at that moment I knew I could do something about it.

“We’re a small MFI, so at the start it was just me. I knew that I needed to get more people on board, so my first (and most difficult!) task was to communicate the importance of our mission and SPM to the staff. I spent almost a year putting the message out: through meetings, memos, our annual report, informal discussions, branch visits, staff training. When I talked about social performance with staff and donors, some were worried that we were going to lose our focus on financial performance. It was a real challenge to communicate that the social and financial go hand in hand.

“When the message started to take root, it became clear that I needed to form a team to start integrating SPM. I brought in people from all departments and levels. We focused not just on communication with staff, but also on a social audit to highlight areas we needed to improve. We used the Quality Audit Tool (QAT), and over two months interviewed stakeholders at all levels, including Board members, managers, branch managers, loan officers and clients.

“The results showed that we were doing a good job in accomplishing our mission, but there were areas we could improve on. In a lot of ways, it confirmed my suspicions about our weak areas – and helped us form an action plan, which was approved by the Board. We made sure that each activity stated **WHO** would be responsible, **WHEN** it would be done by and **HOW MUCH** could be spent on it.

“If I had to advise an MFI that was just starting out, I’d say:

- Establish constant communication with staff to solicit buy-in, as this is the big challenge
- Invite stakeholders from all levels of the organisation to participate in an internal SPM work group, but don’t force anyone to join
- Don’t create new systems – use what you already have
- Use a mentor to keep you on track and don’t let day-to-day issues get in the way. During a crisis, SPM initiatives might have to be scaled back, but keep the action plan on the agenda
- And finally, take your time – you don’t have to do it all at once!”



## Introduction

This chapter shows you how to draw up an action plan to look at your strategy and operations through a social lens, and highlights the key success factors. A long-term process of change management requires clear, continuous communication and buy-in from all levels of the organisation. For many MFIs, this will mean building on existing systems and activities. Others will need to integrate new practices. Whatever your starting point, this chapter will help you put SPM into practice in your organisation. This chapter addresses two key areas:

- Drawing up your SPM action plan
- Where can you find support?

## Drawing up your SPM action plan

As with any initiative, you are more likely to achieve positive results if you have a clear action plan. Action plans specify who, what, when, where, why, and how. **Table 2.1** what your SPM action plan might look like.

**Table 2.1: What your action plan might look like**

SPM Action Plan	Who?	By When?	Cost?*
Establish social objectives and measurable indicators for them	Board, ED	Q1	\$
Determine SPM team action plan	Board, ED	Q1	\$
Determine how best to capture information from clients	ED, Market Research	Q2	\$
Check SPM-related data to see what information is already available	ED, Market Research, MIS	Q2	\$
Analyse findings, make decisions and prioritise	Inter-departmental team	Q3	\$
Present SP results to the clients, via brochures & posters	Branch staff	Q3	\$\$
Redefine reporting and communication systems	Inter-departmental team	Q4	\$
Define MIS indicators (especially client level impact)	Inter-departmental team	Q5 - Q6	\$
Define standardised SP reports & reporting systems	Inter-departmental team	Q5 - Q6	\$
Analyse retention rate (use focus groups to understand problem areas)	Market Research	Q5 - Q6	\$
Redesign and analyse responses on Exit Forms	Inter-departmental team	Q5 - Q6	\$
Redesign Monitoring Reports	Inter-departmental team	Q6	\$
Analyse monthly reports to identify trends and issues	Market Research	Q7	\$\$
Conduct survey on why excluded clients do not use services	Market Research	Q7	\$\$\$
Conduct survey to assess any negative impacts of loans	Market Research	Q7	\$\$\$
Extract information about market potential	Market Research	Q8	\$\$
Integrate SP into internal control systems	Inter-departmental team	Q8 - Q10	\$\$
Define SPM policies and procedures and communicate to staff	Inter-departmental team	Q8 - Q10	\$\$
Define MFI's social responsibility policies	Board, ED	Q10	\$
Train staff on SPM reporting and analysis	Human Resources	Q10 - Q12	\$\$\$

\*The more '\$' symbols, the greater the relative cost of the activity in terms of staff time.

Your SPM action plan should be incorporated into the organisation's overall business and/or strategic plan. **Here are ten key steps to drawing up an SPM action plan, discussed in detail.**

### Find an SPM 'champion'

The SPM champion is the individual who coordinates the SPM process and acts as its advocate. This person is often not chosen through a formal process but is usually a passionate employee or Board member who identifies mission gaps or needs and then decides to convince colleagues to take action.

Choose a 'champion' to take your SPM agenda forward

Often, the Executive Director is the original SPM champion, handing duties over to a team or other individuals once the action plan is well underway. Ideally, the champion should be someone at the executive management level or who is at least publicly sponsored by the Executive Director, backed up with financial and human resources to undertake the activities. It can also be beneficial to have a Board SPM champion, such as Cecilia Campero at FIE in Bolivia (see Governance Chapter), someone who believes strongly in the social mission and can hold executive management accountable.

### Build support at the top

→ See Chapter 4: Governance, structure and leadership

The champion's first activity may need to be building support for SPM with the Executive Director and colleagues who head other departments. If the Executive Director and other managers are focused on financial performance, then the champion may need to make the case for SPM using financial arguments, or build support behind the scenes with sympathetic colleagues and/or Board members. You will need to use data from the management information system (MIS) or research department to make a convincing case. Once the Executive Director is convinced, he or she will need to get the full support of the Board of Directors.

### Choose a team

The SPM champion will play an important role in integrating SPM into your MFI's operations. But no one person can do the job alone. You should organise an interdepartmental team with a limited, time-bound mandate. Ideally the team should include stakeholders from all levels of the organisation – from the Board, management, staff, clients and donors or other partners. Members of the team should join voluntarily and be enthusiastic about SPM – they'll be promoting SPM in addition to their ongoing responsibilities, so they need to be committed (rather than being "strongly encouraged" to join by their superiors, which probably won't work).

Your SPM team will provide critical support to your champion

As SPM becomes part of your organisation's normal business operations, the need for a special team will diminish over time. At this stage, you may find it best to hand over SPM responsibilities to an individual(s) or department (who, depending on capacity, may need to give up other areas of work to take on SPM). For example, AMK in Cambodia and CARD in the Philippines assigned most of their SPM initiatives to their market research departments. But some MFIs (often smaller ones) may not have the resources to do this, so will need to maintain the ad-hoc, shared responsibility approach described above.

### Define roles and responsibilities

→ See Annex 2 for a sample SPM team rulebook.

If your SPM team is to be effective, all team members (including external ones) must understand their roles and responsibilities. Your SPM action plan should clearly indicate who is responsible for what activity.

### Review current SPM processes

→ See Chapter 9 Internal control

You need to assess the degree to which your organisation's policies, processes and controls help it achieve its social objectives. This will also help you identify the greatest areas of weakness. The **box below** gives six key questions that you need to answer.

#### How well are you doing now in terms of SPM?

The *Imp-Act/MFC* SPM Guidelines set out six questions that will help you assess your MFI's current SPM processes:

1. What are your social objectives and how does you plan to achieve them?
2. Who uses your products and services? Who is excluded?
3. Why and when do clients leave or fail to fully utilise the available services?
4. How will you use information about social performance to improve your services?
5. What is the effect of your programme on current clients?
6. How do you maintain and improve the quality of the systems you use to answer these questions?

### Balance data with anecdotal evidence and hypotheses

You do not need costly scientific studies that take months to carry out. Sometimes, you may find it difficult to collect all the information you need to confirm a trend,

correlation or signal. Unitus, a support organisation, recommends that you start with the outcome – ie, what do you observe that is troubling or at least worth investigating further? Even with a minimal amount of hard data, gathering anecdotal evidence and observations can help the SPM team piece together a scenario of what may be happening in practice. This leads to concrete hypotheses that can be tested and refined.

### **Dig a little deeper to find out why there is a potential issue**

Identifying strengths and weaknesses should help you understand what other information you need to ensure your mission is being fulfilled. In the case of **MDF**, management wanted to know why it was not able to attract and retain the desired level of its target clients, especially the disadvantaged poor. After reviewing existing information, MDF decided to conduct surveys and focus groups to better understand their target clients' constraints. The SPM team also spoke with branch staff to gain their perspectives and ideas. They discovered an information gap over how many clients were leaving the programme and why. Subsequently, MDF incorporated these questions into its MIS and improved the data collection system by introducing a client exit form and monitoring system.

### **Identify priorities**

You would probably find it difficult and counterproductive to try to improve all areas at once. Answering the six questions (in the above box) about how well you are doing now should mean that you have already prioritised areas you want to improve. You should choose a few areas from your initial broad list. When choosing your priority areas, consider the following factors:










- level of importance to meeting the MFI's mission (or magnitude of the risk to the mission if not addressed)
- likelihood of positive outcomes occurring that are aligned with the mission and goals
- time and resources (human and financial) required
- level of complexity
- ease of measuring performance
- likelihood of success.

To build momentum and support, you should begin with simple, low-cost activities. You should also focus on those actions that can address a number of objectives at the same time.

## Work out what staffing and funding you need

Your SPM team should consider what resources are available – both financial and human resources. **Table 2.2** gives a rough idea of the resources you will need for each typical operational area when addressing SPM.

**Table 2.2: Integrating a social lens by area**

Area	Relative Cost	Time Required
Mission/Strategy	\$	
Communication	\$\$	  
Governance	\$	
Information Systems	\$\$\$	  
Human Resources	\$\$	 
Client Level Issues	\$\$	 
Internal Control	\$\$	 

Note: the more '\$' or clock symbols, the greater the relative cost or time involved.

### Staffing and SPM

Although members of your SPM team will have been identified through self-selection, it is important to make sure that no team member feels pressure to take on more work than they can handle. This may prove difficult, as most MFI staff members are overburdened as it is. A good rule of thumb for staff is “priority in, priority out”, meaning that if something is added to their responsibilities, then something else has to be taken off. The more realistic the team is about what it can take on, the more likely it will be successful.

When institutionalising SPM, your MFI will probably need to reconfigure the formal job responsibilities of the champion (and perhaps other team members), as these efforts will consume a significant amount of their time. The champion needs to be supported by other team members and perhaps have some of their other responsibilities taken on by other staff members. Freeing up the champion to focus on SPM is important so that the action plan can be implemented. Nonetheless, SPM is a long-term, strategic activity, which involves tasks that often take a secondary position to day-to-day responsibilities or short-term emergencies.

**Long-term staffing** of an MFI's SPM strategy should primarily come from within the organisation. Using internal resources means that SPM can more easily be integrated into ongoing activities, rather than becoming a separate function; it can also involve as many staff as possible, strengthening staff 'buy-in'. If you do not have the internal capacity, you can contract external specialists to assist staff and management. If you do so, you should ensure that one or two mid-level or senior-level staff are actively involved, so that the SPM expertise can be institutionalised and maintained beyond the contract period. In the case of contracting external SPM specialists, the MFI will want to carefully screen the consultant to ensure that the specialist understand the MFI's context and operations well as well as understand the background and predispositions for a certain approach over others.

### Fonkoze's decentralised approach to SPM

Fonkoze, an MFI in Haiti, has a Market Research and Social Performance Monitoring Unit that is integrated across the organisation rather than centralised in one operational unit. This integrated approach allows Fonkoze to create an organisational culture that has SPM at its heart rather than resting with one department. The Social Impact Monitors serve as an important resource to loan officers by providing them with feedback; they also verify the collection and analysis of reliable data. To date, Fonkoze has placed Social Impact Monitors in 7 of its 36 branches, and plans to do so in another 11 in the near future.

Over time, some MFIs choose to place primary responsibility for SPM integration within one operational unit. The unit usually combines SPM with other responsibilities such as market research, marketing, donor or public relations. **MDF**, for example, decided that for a truly integrated SPM system, its Internal Auditor should have primary responsibility for looking at performance management through a social lens across all levels of operations. In this way, MDF's Executive Director essentially passed her role as champion on to the Auditor, who already oversees internal controls related to financial performance.

But while primary responsibility for SPM may be housed in one unit, most MFIs also involve staff from other departments and especially those in the field. For **SEF**, in South Africa, the Statistics Unit and Research & Development Department is responsible for aggregating data and issuing regular programme-wide reports. However, it ensures that operational staff – field workers and branch managers – learn from the SPM data which they are involved in collecting. The **box above** gives another example of how an MFI in Haiti staffs its SPM initiatives.

### Budgeting for SPM

You should include a budget for SPM activities within your MFI's operational budget. This not only makes sure that the initiative is properly funded but also sends a signal to staff that the SPM activities are important. Bear in mind that budgeting for SPM activities can be difficult, as they are often intertwined with other operational overhead costs.

You will find that the initial implementation phase will cost the most in terms of time and money, but ongoing reviews and maintenance should cost less. The box below describes how SEF discovered that SPM activities did not necessarily cost any more than other operational expenses.

#### Do SPM activities 'cost' more? Maybe not

SEF in South Africa was in a unique position of being able to compare the cost structure of branches that had integrated SPM activities into operations with those that had not. Other than the direct implementation costs, there was no significant difference in ongoing costs.

**There are three ways you can budget for ongoing SPM activities: activity-based costing, percentage of operating budget, and funds available after expenses.**

**Activity-based costing:** Many MFIs budget for the additional financial resources that will be needed to complete SPM activities, such as the cost of hiring a market research firm to conduct a client satisfaction survey. If you decide to integrate SPM activities into one department, you will need to increase that department's budget accordingly. The **box overleaf** shows how **Prizma**, a Bosnian MFI, estimated its SPM costs (for both initial and ongoing activities).

**Percentage of operating budget:** Some MFIs work out their SPM budget based on a percentage of operations. FIE, in Bolivia, for example, allocates 10% of its annual operating expenses to SPM activities. Similarly, AMK in Cambodia, estimated that its SPM activities represented 7.5% of its operating budget.

**Funds available after expenses:** Other MFIs consider SPM as part of their public relations budget and work out the budget based on net income – ie, what is left over at the end of the year. This kind of process appears simpler, but can also send the wrong message about how important the MFI's social objectives are.

### How Prizma estimated its SPM costs

The initial development cost of Prizma's poverty scorecard system was estimated to be 47 hours of senior and line staff time as well as 70 hours of external technical assistance from the Microfinance Centre (MFC). More recently, Prizma has begun to track the monthly costs of its ongoing SPM efforts through an activity-based costing (ABC) system, including training, loan operations, reporting and internal auditing.

**Table 2.3** shows how it estimated the time involved each month to, for example, train loan officers to administer the scorecard's questions (three hours), the time it takes to administer the questionnaire during the loan application and site visit (six minutes total per loan), the time it takes the IS manager to create a report (two hours), and the time the internal auditor spends ensuring that activities are carried out properly (just under seven hours). By knowing the costs related to each staff position, Prizma was then able to quantify the estimated monthly cost in monetary terms – approximately US\$1,245, or 1% of total monthly revenues.

**Table 2.3: Working out what SPM will cost – an example from Prizma (Bosnia)**

	Time (mins)	Cost (US\$)
<b>Training</b>		
<b>Operation</b>		
Training process	180	19.42
<b>Loan operations (approx. 3,500 loans/mo.)</b>		
<b>Operation</b>		
Loan application	1.0	101.42
Site visit process	5.0	507.10
Loan approval process	0.5	49.02
Entering data into MIS	1.0	456.39
<b>Report creation and reporting</b>		
<b>Who</b>		
Loan processor	10	0.28
Accountant	30	1.16
MIS manager	120	8.70
Management team	30	38.83
SPM team	80	23.16
SPM committee (qtrly)	60	10.20
<b>Internal Audit</b>		
<b>Who</b>		
Internal auditor	400	28.94
<b>Total monthly cost</b>		<b>1,244.62</b>

## Set a timeframe

For each SPM activity in your plan, you should set a specific timeframe, with clear deadlines and a system to regularly remind team members of their commitments and responsibilities. Issues can and will arise to cause delays in the timeframe. If this is the case, you should revise the timeframe accordingly. But the SPM champion and/or management should make sure that SPM remains a priority.

For example, **MDF** faced a legal crisis that affected all MFIs in Serbia, and which slowed down implementation of its SPM action plan. However, the Executive Director kept SPM on the agenda of management meetings, reprioritising activities so that progress on the action plan could still be made.

## Create a communication plan

→ See Chapter 5: Communications  
Clear and consistent communication is key. Ideally, you should involve all stakeholders in developing your message on social performance. Create a communication plan that carefully crafts the messages for specific stakeholders, including the general public, the Board and staff from different departments. You will save yourself time in the long run.

## Take action and regularly review progress

SPM is a long-term change management process that will affect every aspect of your organisation. For it to be effective, it requires ongoing commitment, management and review.

A word of warning though – you may make decisions that do not yield the intended results or incur ‘SPM fatigue’ by taking on too much at once. In these cases, you should learn from the experience and adjust, rather than dropping the SPM initiative altogether. Fatigue can be avoided by using concrete objectives and deadlines to assess the success of your SPM activities, as well as assessing their impact (positive or negative) on stakeholders, notably clients.

→ See Chapter 9: Internal Control  
You may want to incorporate a review process into your periodic strategic reviews or engage an external consultant to evaluate and make recommendations. Whatever approach you choose, you should conduct regular assessments (at least annually) to determine how effective your efforts are. These can be carried out by line staff or internal control department, and can use tools similar to those used in the initial phase, such as the QAT. The Executive Director and Board members should prioritise these efforts until the social lens has been fully integrated into everyday business practices. Once you have gone through a careful process of reviewing your entire operations with respect to adherence to social mission, you can put systems in place that will make the process much easier in the future.

## Where can you find support?

→ Check the networks and support organisations list at the end of this chapter.

No matter who is championing SPM within your MFI, they need to use the wide variety of resources available to support the process, detailed below.

### Peer support

This will probably be the most useful kind of support, because other MFIs know and understand the practical issues you face. Many of them will have already gone through the process you are facing, and will be keen to share their experience and offer advice. You can find out what other MFIs and practitioners are doing by joining the SPM Network at [www.spmconsortium.ning.com](http://www.spmconsortium.ning.com).

### Written materials and resources

As well as this guide, many other written materials, tools and resources are publicly available (see the Resources section at the end of this guide). The Microfinance Gateway offers a Social Performance Resource Centre, at [www.microfinancegateway.com/resource\\_centers/socialperformance](http://www.microfinancegateway.com/resource_centers/socialperformance)

The SEEP Social Performance Working Group developed the Social Performance Glossary and the Social Performance Map. These are comprehensive resources that not only touch upon the various issues and tools related to social performance in microfinance but also place them within the bigger context of social responsibility (SR) and socially responsible investing (SRI). The USAID-funded MicroLinks programme also has several resources on social performance: [www.microlinks.org/ev\\_en.php?ID=I2688\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=I2688_201&ID2=DO_TOPIC)

### Local, regional and international networks

As facilitators of the latest best practice information, regional networks have taken responsibility for supporting the developing of SPM. These include Sanabel (for the Middle East and North Africa), which incorporates SPM in its annual conference topics; the Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States, which has organised a regional SPM working group and developed strategic planning and social audit tools; and REDCAMIF in Central America, whose annual meeting in 2008 is themed 'Competitive Microfinance with Social Impact'.

Some national networks are also getting involved in SPM, such as AEMFI in Ethiopia, which is working with Terrafina to train MFI practitioners and local SPM consultants. The Microfinance Council of the Philippines (MCPI), a national network of

microfinance practitioners and support organisations, is supporting SPM initiatives through a working group, and capacity building of MFI practitioners, trainers and mentors. Finally, the global MicroFinance Network has facilitated virtual discussions related to SPM for its members.

## Support organisations

A number of support organisations are working on a variety of SPM initiatives. These include Catholic Relief Service's MISION project to train MFIs in Latin America, and Freedom from Hunger's efforts to develop model performance management systems for its MFI partners. CERISE not only provides social assessments with its SPI tool but also helps MFIs implement some of the recommendations and trains networks globally on how to implement the SPI.

Other support organisations, like Unitus, can help partner MFIs select industry tools that best assess their performance and client outcomes, and integrate SPM into their operational fabric so that ongoing monitoring and review become standard procedure. Finally, the Social Performance Task Force (SPTF) is open to practitioners and support organisations to participate in debates around social performance and resource needs.

## Training programmes

A number of regional support organisations are using the *Imp-Act* Consortium's SPM training materials, including the MFC in Eastern and Central Europe, MCPI in the Philippines and EDA-Rural in India and Catholic Relief Services' MISION programme in Latin America.

## Mentors and consultants

The best mentors and consultants are those that are familiar with the technical content, as well as the local context. The MCPI is currently developing a mentorship programme to facilitate the transfer of SPM knowledge and experience between its 45 member institutions. The MFC also has a team of five regional mentors and is developing a new group for Eastern and Central Asia.

Because SPM is a fairly new framework for microfinance, local SPM experts are not always available. You should therefore try to find mentors or consultants who have good listening skills, so that they can make sure they understand your MFI's specific needs and concerns before proposing certain approaches or solutions. The box below shows how one consultant working with an MFI in Central America was able to overcome Board members' concerns about the value of SPM.

### Overcoming concerns about the value of SPM

One consultant working with an MFI in Central America met with resistance when he proposed a range of SPM activities. The Board and executive management considered SPM as a 'trend', rather than a necessary aspect of operations. The consultant acknowledged their concerns and suggested that they go through a simple mission review activity to see if any interesting issues would arise. If not, the consultant would move on to other institutional development activities.

They agreed, and during the mission review, the Board became aware that the MFI's management had changed the mission statement to reflect financial performance only, without the Board's knowledge or approval. The Board felt that target clients should be included in the mission statement, so they revised it again. By going through this simple mission review, a number of SPM issues were discussed and the Board and management gained a greater appreciation of the value of SPM. As a result, they decided to systematically integrate SPM into all their operations.

### Getting started – key points

- Get out there and try things – make mistakes and learn. Don't wait for industry experts or donors to say what to do. Choose the team, draw up an action plan and act!
- Keep it simple and build buy-in with some quick, small successes. SPM is a long-term process, so only tackle one or two major initiatives at a time.
- Build on what already exists to avoid creating more work for busy people. Use the human and financial resources and the operational and technological systems already in place.
- Secure support from the top. There must be strong support from the MFI's leadership to gain credibility among staff.
- Find out what support is available, use the resources and talk to peers and support organisations for ideas and help.

## NETWORKS AND GROUPS WITH AN SPM FOCUS

CERISE (global)

[www.cerise-microfinance.org](http://www.cerise-microfinance.org)

Ms Cecile Lapenu, [cerise@cerise-microfinance.org](mailto:cerise@cerise-microfinance.org)

*Imp-Act* Consortium (global)

[www.imp-act.org](http://www.imp-act.org)

Ms Katherine Knotts, [k.knotts@ids.ac.uk](mailto:k.knotts@ids.ac.uk)

Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States

[www.mfc.org.pl](http://www.mfc.org.pl)

Ms Katarzyna Pawlak, [kasia@mfc.org.pl](mailto:kasia@mfc.org.pl)

Microfinance Council of the Philippines (MCPI)

[www.microfinancecouncil.org](http://www.microfinancecouncil.org)

Ms Lalaine Joyas, [lalaine.joyas@microfinancecouncil.org](mailto:lalaine.joyas@microfinancecouncil.org)

Microfinance Network (global)

[www.mfnetwork.org](http://www.mfnetwork.org)

Ms Masami Hayashi, [mhayashi@mfnetwork.org](mailto:mhayashi@mfnetwork.org)

Pro Mujer International (Latin America)

[www.promujer.org](http://www.promujer.org)

Ms Alejandra Garcia, [agarcia@promujer.org](mailto:agarcia@promujer.org)

REDCAMIF (Central America)

[www.redcamif.org](http://www.redcamif.org)

Mr Reynald Walter, [rwalter@fafidess.org](mailto:rwalter@fafidess.org)

Sanabel (Middle East)

[www.sanabelnetwork.org/en](http://www.sanabelnetwork.org/en)

Mrs Kris Besch, Executive Director, [director@sanabelnetwork.org](mailto:director@sanabelnetwork.org)

SEEP Network, Social Performance Working Group

[www.seepnetwork.org/section/programs\\_working\\_groups/action\\_research/working\\_groups/sp/](http://www.seepnetwork.org/section/programs_working_groups/action_research/working_groups/sp/)

Mr Gary Woller, [wollerg@yahoo.com](mailto:wollerg@yahoo.com)

Social Performance Task Force

[www.microfinancegateway.com/resource\\_centers/socialperformance/article/28257/](http://www.microfinancegateway.com/resource_centers/socialperformance/article/28257/)

Ms Laura Foose, [lfoose@alternative-credit.com](mailto:lfoose@alternative-credit.com)

## SUPPORT ORGANISATIONS WITH AN SPM FOCUS

EDA Rural Systems, India

[www.edarural.com](http://www.edarural.com)

Ms Frances Sinha, [francesinha@edarural.com](mailto:francesinha@edarural.com)

Freedom From Hunger, US

[www.freefromhunger.org](http://www.freefromhunger.org)

Ms Lisa Kuhn Fraioli, [lkfraioli@freedomfromhunger.org](mailto:lkfraioli@freedomfromhunger.org)

Grameen Foundation, US-based global network

[www.grameenfoundation.org](http://www.grameenfoundation.org)

Mr Nigel Biggar, [spmc@grameenfoundation.org](mailto:spmc@grameenfoundation.org)

MISION/Catholic Relief Services, Nicaragua, Peru, Ecuador and Colombia,

[www.crs.org/nicaragua/projects.cfm](http://www.crs.org/nicaragua/projects.cfm)

Mr Jack Burga, [jburga@crspe.org.pe](mailto:jburga@crspe.org.pe)

Terrafina, Netherlands,

[www.terrafina.nl](http://www.terrafina.nl)

Ms Gabrielle Athmer, [g.athmer@chello.nl](mailto:g.athmer@chello.nl)

Unitus, United States and India,

[www.unitus.com](http://www.unitus.com)

Ms Sachita Shenoy, [sshenoy@unitus.com](mailto:sshenoy@unitus.com)



# Section 2

## Aligning Strategy

### Section 2 Aligning Strategy

---

Chapter 3 Mission, Goals and Objectives Page 53

---

Chapter 4 Governance, Structure and Leadership Page 71

---

Chapter 5 Effective Communication Page 85

---





**AgroInvest's mission is** to serve and empower rural families through high-quality financial services and social programmes.

**Name:** Ana Dragic

**Organisation:** AgroInvest, Serbia and Montenegro

**Position:** Human Resource Manager

“Serbia and Montenegro are challenging environments for microfinance. Political and economical upheavals resulted in continuous changes in our clients’ needs. So our programme has gone through many changes and at some point we started asking ourselves whether we were really contributing to poverty alleviation, especially for children. We all agreed that microfinance is a powerful tool, but was it enough? What else did we have to do to help families in rural areas?”

“Our management team decided to work with the Microfinance Centre to conduct an internal social audit, and we carried out a comprehensive mission review exercise. It involved staff at all levels, and feedback was given in all directions. We studied the mission from three key angles: target clients, economic development and social impact. All of us – staff, management and the Board – realised that our mission was telling us to look beyond economic poverty, and to consider intellectual poverty (lack of access to education) and physical poverty (lack of access to health services).

“The next step was to integrate this new understanding of our mission in all areas of our work. I believe we have been able to better focus on the needs of children and families, by planning an integrated model of programmes and services. To improve understanding and responsiveness, we have also been working closely with the village associations to identify their needs and priorities, and developing programmes accordingly. For example, in 2004 we created the Happy Child programme to meet children’s education and health needs. We set aside part of our yearly revenue to invest in rural areas to implement this programme. Looking back on the process, I can say that real change takes time. But we are carefully going through this process, so that the entire team can share the same goal.”



## Introduction

The natural starting point for SPM is to review your MFI's social mission. Without a clearly defined mission, your stakeholders may create their own perceptions of what your MFI is and is not. AgrolInvest's story shows just how critical it is to assess whether you are actually achieving your stated social mission.

This chapter will help you clarify your social mission and develop a strategy to fulfil it. In doing so, you will consider the following key questions:

- Why is an MFI's mission important?
- What can influence the way a mission changes over time?
- Reviewing your mission – why and how?
- How should your MFI go about setting objectives?
- How do you create a strategy to achieve your social objectives?

## Why is an MFI's mission important?

Remember that your MFI's mission is not just a statement but also sets out its goals, vision and values, which are generally shared by all stakeholders. Regardless of the size or type of your MFI, the mission defines who you are and how you operate.

Many MFIs find that there is no need to change or clarify their mission statement. But before you undertake strategic planning for SPM-related initiatives, it is important to confirm that your mission statement is adequate, understood, and in line with your overall objectives (explicit and implicit).

Anecdotal evidence or occasional conversations with staff and clients are not enough to prove that your mission is successfully being achieved. Every aspect of your operations should be undertaken with your mission in mind, including procedures and policies on staff performance and incentives, how staff interact with clients, how Board meeting agendas are set, etc. The following are examples of potential disconnects in translating mission into practice:

Your mission is your compass. Before embarking on SPM, make sure it's pointed in the right direction

- When staff are asked what the MFI's mission is, a large number give different answers (communication).
- The MFI does not solely serve investors' interests, yet most of its Board meetings are taken up with financial performance reports (governance).
- The MFI was created to reduce poverty, but cannot verify that it is doing so (information systems).
- The MFI does not understand why clients are leaving, while staff performance reviews focus on taking on new clients (human resources).
- The MFI's main focus is to serve clients' needs, but it does not systematically collect and act upon client feedback (client issues).
- The MFI has developed socially-responsible policies, but has no way of monitoring whether they are being implemented correctly to achieve the intended results (internal control).

#### **Tips on clarifying missions related to poverty and gender**

##### **Poverty:**

- Be careful how you define poverty, as that will have a great impact on which clients you reach.
- Avoid referring to specific measurements for poverty in the mission statement as these become obsolete. For example, instead of saying: "50% of clients will have incomes below \$500 per month", say: "the majority of clients will have incomes below the national poverty line".
- When targeting the poor, be sure to set clear targets for initial clients served (in other words, be sure that clients who become less poor continue to have access to financial services, even if not from your MFI.)

##### **Gender:**

- While some mission statements aim to be inclusive of both men and women, remember that gender differences can still require alternative approaches to reaching and serving clients' specific needs.
- The concept of "empowering women". If revising your mission, consider instead "improving financial access for women" or "offering banking services that meet the specific needs of female entrepreneurs".

## What can influence the way a mission changes over time?

Inevitably, things change over time, so your MFI will also need to evolve. Over the past 10–15 years, the microfinance industry has transformed from a niche, small player to a major development cornerstone of many donors, governments, NGOs and even private for-profit outfits. MFIs have evolved from small organisations (with 10–50 employees) providing a single credit product (and for some, savings), to large organisations with several hundred employees and thousands of clients, providing financial and non-financial services. Some have even become regulated financial institutions, requiring them to become for-profit entities, but also allowing them to access capital markets.

Growth is a major factor that influences MFI operations and can easily lead organisations to stray from their mission, as there is often no time to reflect on the implications of growth. To expand into new areas, serve more target clients or serve a new group, MFIs need capital and investors, who demand seats on the Board and who may have profit as a primary goal, with social mission a mere afterthought. To serve new clients, MFIs must hire new employees who may be more interested in securing a steady job, rather than being committed to the organisation's mission.

Growth and transformation can affect your mission

Growth also demands that bureaucratic systems be put in place to ensure that operations run smoothly – ie, the Executive Director starts delegating certain decisions. These systems are often created as the operational need arises, without fully reflecting on the potential implications the mission. With growth, the ever-present struggle in any industry emerges – profit versus mission. Yet as the expression, “no margin, no mission” implies, the two are not mutually exclusive and must be balanced. But you have to carefully establish and monitor this balance.

To avoid mission drift as you grow, you must first consider who you invite to be involved with your MFI, whether they are donors/investors, Board members or staff, and how they are screened. **ASHI's** Executive Director, Mila Bunker-Mercado, believes this is an important part of SPM: “We only go after donors who share our mission. We have been careful not to chase funding that would take us away from our social objectives. We have seen other organisations, tempted by easy funding opportunities, that have strayed from their original mission because of different priorities that the investor or donor had.”

The management and Board must also examine their level of commitment to, and focus on, social performance. If, during meetings with middle managers and branch staff, social performance is given significant attention, everyone will understand that the MFI values social performance and that their performance will be measured against achieving the social mission.

## Reviewing your mission – why and how?

Changing an organisation's mission is a big step that should never be taken lightly. But when an MFI suspects that a gap has grown between its mission and its operations, it should conduct a mission review. This might lead to a decision to change operations, or even to revise the mission.

Mission review is powerful medicine

Below are some examples of the kind of changes that can emerge from a mission review:

- **FINCA Peru** realised that it was not fulfilling its mission to contribute to the empowerment of women, partly because empowerment was hard to measure. The mission review revealed the need for a better measurement system.
- In South Africa, a mission review highlighted a gulf between **SEF's** policy of requiring a six-month track record for clients and its poverty alleviation mission. Concerned that it was not reaching its target clients, the very poor, SEF began using participatory wealth ranking as a targeting tool and developed its own impact monitoring system.
- As detailed in "The Moneylender's Dilemma," a mission review led **CRS** to conclude that microcredit was counterproductive to its original intention to improve livelihoods. As a result, it scrapped its microcredit products and developed a new mission focused entirely on providing savings services.

As you can see, reviewing the mission is powerful medicine. While some MFIs find that there is no issue with the mission and that it is reinforced in all operational areas, most will find that the mission is achieved well in some areas, but that it is not fully institutionalised in every department or branch. Others may find that over time, as staff come and go, programmes grow and new products are offered, the MFI is serving a different demographic from the one originally intended.

MFIs have developed two common responses to address this. The first is to realign operations to meet the original mission and target demographic, as in the case of SEF. The second is to modify the mission to recognise that the MFI is now serving a new

demographic – eg, existing low-income business owners rather than the very poor. You should use the mission review process as an opportunity for your MFI to undergo honest self-evaluation as to what its true mission is. The **box below** provides one example of an MFI that revised its mission to better reflect its operational reality.

### One approach to realigning mission with operations

Having undergone periodic impact assessments, a multi-regional MFI recently learned that only 30% of incoming clients were considered ‘very poor,’ despite its mission to reach the poorest of the poor. The MFI realised it was serving a less poor market segment, as its products and services were designed to help women grow or expand existing businesses, rather than start new ones. This finding prompted a management-level dialogue, which led to a new consensus around the MFI’s vision and mission to realign them with actual performance on poverty outreach – in effect, moving away from targeting the ‘poorest people’ to targeting the ‘poorest businesswomen’ in the community. While revising the mission was certainly a simpler process than adjusting products to better serve the poorest clients, at least this change made sure that the MFI’s stated mission was now aligned with its operations.

### How should you conduct a mission review?

Your mission review should try to answer three key questions:

1. Who do you want to reach? (outreach)
2. How will you meet clients’ needs? (methodology)
3. What are the desired outcomes? (impact)

If your mission does not answer these three questions, it’s time to review it

Some MFIs may also need to incorporate aspects specific to their context, such as treatment of staff or responsibility to the wider community or environment. But if your mission statement does not clearly reflect the answers to these three questions, it is time to review it. The **box below** gives an example of how to deconstruct a mission statement to answer these questions.

### Deconstructing CRECER’s mission

CRECER’s mission in Bolivia is: “To deliver integrated financial and non-financial services, in an effective and sustainable way, to poor women and their families in rural and marginal urban areas of the country, to support their autonomous actions, in favour of the improvement of integrated health, the family economy and the exercise of citizen rights.”

The phrase “poor women and their families in rural and marginal urban areas...” defines **who** they want to reach (question 1). The phrase “To deliver integrated financial and non-financial services, in an effective and sustainable way” describes how they will meet clients’ needs (question 2). And the last phrase, “to support their autonomous actions, in favour of the improvement of integrated health, the family economy and the exercise of citizen rights” describes the desired outcomes for clients (question 3).

CRECER’s mission (see previous box) is not its original mission statement. It revised its mission during the development of five-year strategic plans (outlined in **Table 3.1**). The main impetus for making these changes was to meet regulatory requirements as CRECER transformed. The transformation allowed CRECER to expand its services, but did not significantly change its basic mission.

**Table 3.1: How CRECER changed its mission\***

Before...	Now...	Reason for the change
‘.. integrated financial and <b>educational</b> services...’	‘.. integrated financial and <b>non-financial services</b> ...’	It widens the possibilities of non-financial services from just educational ones, which gives flexibility to respond to client needs.
‘.. in a <b>substantive</b> and sustainable way...’	‘.. in an <b>effective</b> and sustainable way...’	It introduces a term that is operational with regards to SMART objectives, through measurable indicators.
‘.. in favour of the improvement of health, <b>nutrition</b> and the family economy.’	‘.. in favour of the improvement of the <b>integrated</b> health, family economy <b>and the exercise of citizen rights</b> .’	It focuses on expected changes in clients’ lives. The concept of ‘integrated health’ broadens the focus to mental health, sanitation, etc. The exercise of citizen rights was added, as it was not explicit before.

\*Bold parts highlight changes to mission statement.

Try to keep your mission statement short, while at the same time answering the three key questions. You will then need to interpret the mission and define your objectives. Clarifying the mission can also be a very iterative process of confirming and validating direction, after new evidence is presented and time elapses.

### Who should be involved in mission review?

Many MFIs choose to conduct a mission review exercise in conjunction with other planning activities, such as annual meetings or strategic planning retreats. Others arrange a special meeting for the sole purpose of reviewing the mission. The Board should be involved, as well as key executive management personnel. However, **to get full buy-in, you should consider how best to involve field staff, and even clients, in the process.** ASHI in the Philippines recently conducted a mission review exercise that involved client representatives, staff representatives from all levels and Board members, during one of their regularly scheduled quarterly meetings.

## How can you build buy-in for your mission?

Your mission (old or new) will have little value if your organisation's stakeholders do not know about it or understand it. While the easiest way to build buy-in is to include stakeholders at all levels in the review exercise, sometimes that is not feasible, especially for large MFIs. Nonetheless, once you have revised your mission, it is important to continue the process of building buy-in to it, at all levels.

**Communicating your mission with staff and clients means more than just sending out a memo or putting up posters on branch walls.** It requires thoughtful, strategic and regular efforts. Here are some tips to help you communicate the importance of your mission to staff:

→ See Chapter 5:  
Communication

→ See Chapter 7:  
Human resources  
management

- Convey the full meaning and importance of your mission to new staff through induction processes.
- Tell the story of how your MFI began. This will help ground everyone and should inspire them to serve the institutional mission and purpose. **CARD** in the Philippines holds orientation sessions for new staff that detail the hard work and innovations undertaken for it to be where it is today.
- Reinforce the mission through senior staff interactions and discussions about day-to-day tasks and how their job relates to the mission.
- Involve influential staff members from all levels (they don't necessarily have to have a formal, influential title) in planning SPM activities.
- Use taglines about your mission that can be easily remembered and displayed.

## How should your MFI go about setting social objectives?

→ Find out more about strategic planning by referring to the MFC resources at the end of this guide.

When you have confirmed your organisation's mission, the next step is to define your social objectives. Choosing 'SMART' objectives and targets is very important, as your objectives will define the activities you undertake and what aspects need to be measured. You could include concrete objectives to be achieved in the short and long term. **MFC's Strategic Management Handbook** states that you must set two kinds of social objectives, 'process' and 'results' objectives, to compare actual performance to desired outcomes.

→ See MFC's Strategic Planning Handbook for clear definitions of mission, goals, objectives, etc.

**Table 3.2** provides examples of both types of objectives and gives some related performance targets.

- 'Process' objectives have to do with infrastructure, human resources, systems, policies and procedures. They are usually a 'yes/no' objective with a deadline, such as "create a new loan product to fit the needs of rural women by the end of 2008".
- 'Results' objectives have more to do with outputs (usually outreach) and outcomes. They usually have a quantitative target with a deadline, such as "25% of our clients will move above the poverty line by the end of 2008". **Table 3.3** gives **Pro Mujer Bolivia's** social objectives, which are mostly 'results' objectives.

**Table 3.2: Setting your social objectives and performance targets**

Process objectives	Target (example)	Results objectives (outputs/outcomes)	Target (example)
<b>Change or add to your:</b>		<b>Output</b>	
Products or product features	Create new group loan product for women	Outreach (gender, poverty, business type, geographic)	# of rural clients will increase by 50% in 2 years
Service delivery	Open 10 branches in rural areas	Loan size	Average loan size will not increase above US\$50
Human resources policies	Field officers achieve > 90% in client satisfaction surveys	Product penetration	50% of clients will use health insurance product
Training/capacity	Integrate SPM module into training for all new employees.	<b>Outcomes</b>	10% of clients move above poverty line
MIS	Modify MIS to include and monitor 5 new social indicators	Decrease poverty	School enrolment increases to 80%
Policies	Create client protection policy	Improve children's access to education	Client retention remains above 75% Clients' business capital increases by 10%
Governance systems	Recruit 2 women Board members	Meet majority of clients' need	40% of clients' children improve health

The 'A' for "Appropriate" in SMART above is one of the more complicated, yet crucial aspects to ensure when setting your objectives. You must think through whether it is really the cause for the desired objective's outcomes. For example, can microfinance really help improve the health of its clients' children (without providing direct health services)? Perhaps the village where the clients live has a new, fully staffed and equipped clinic that improves children's health, and the measure of fewer long-term child illnesses may in fact have no relation to whether the children's parents were MFI clients. On the other hand, an MFI's objectives could actually help create unintended, negative consequences. Furthermore, you should be aware that the way in which you define poverty can affect operations, including who you reach, what products are needed and how they will be designed and delivered.

**Table 3.3: Pro Mujer’s Bolivia’s ‘SMART’ social objectives**

Strategic goal	SMART objectives
<p><b>Objective 1:</b> Offer services to women who live in conditions of socio-economic exclusion</p>	<p><b>Individual outreach:</b> 95% of clients are women and male participation is no higher than 5% (ongoing).  <b>Depth of outreach:</b> At the end of 2007, at least 50% of new clients should be below the poverty line.  <b>Geographical coverage:</b> Expand coverage to 15 medium-sized towns by the end of 2008.</p>
<p><b>Objective 2:</b> Offer integrated services to satisfy the needs of the target clientele</p>	<p><b>Access to credit:</b> By the end of 2008, reach an average loan amount of US\$241.  <b>Client retention rate:</b> Achieve a retention rate of 95% by the end of 2008.  <b>New services:</b> To establish, by the end of 2008, three new alliances with institutions to offer additional services for clients.</p>
<p><b>Objective 3:</b> Support the sustainability of clients, their families and communities</p>	<p><b>Income:</b> Increase client income by at least 15% by the end of 2008.  <b>Social participation:</b> Increase the participation of clients in social organisations by 15%.  <b>Education:</b> Increase by 5% the attendance of clients’ children at school.  <b>Savings:</b> Clients’ savings will reach an average of US\$85 by the end of 2008.</p>

As you identify your desired outcomes, you should also identify potentially negative consequences, especially when debt is involved. Try to put in place a mechanism to monitor the risk of negative consequences actually occurring, such as significant defaults and over-indebtedness. For example, one study of an MFI in North Africa whose mission was “to create economic opportunities for clients” found that it was inadvertently increasing child labour as a result of its lending. This situation is probably not uncommon; a Making Cents report describes how another MFI in Egypt found anecdotal evidence that children’s time spent on work, either on chores or for the business, increased as a result of its lending. However, the study also found that such ‘informal child labour’ peaked when the loan reached approximately US\$2,000, after which it declined. This finding suggests that the size of loans could have varying impacts on child labour. The MFI in Egypt found that larger loans allowed the adult loan recipients to use them to generate sufficient income to cover additional costs of hiring other adult labour for the business and/or for their household (eg, paying for or freeing up one parent to do housekeeping, babysitting, cooking, etc.).

## How do you create a strategy to achieve your social objectives?

When you have set out your mission clearly, you should think strategically about four key questions when designing products and services:

### How do we define our target clients and ensure that we reach them?

The mission should clearly state who your target clients are. But there is still much leeway in how to define that target group. For example, an MFI that focuses on the “productive poor” must not only define what is productive – eg, an existing business of at least six months – but also what is “poor”.

How your MFI defines poverty depends on how it conceptualises the issue. Some MFIs adopt a broad view of poverty, including lack of access to health or education. They must therefore shape their service design and delivery to account for these broader definitions. The **box below** provides information on how Fonkoze defines poverty and some of the interventions used to address each aspect of poverty.

#### Fonkoze's broad definition of poverty

Fonkoze has from its inception had a holistic view of poverty, with the premise that providing financial services alone is not enough; poor people need to be ‘accompanied out of poverty.’ This broad understanding of clients’ needs has led to the development of an impressive range of interventions which focus not just on providing credit, but meeting the developmental needs of poor people — integrating credit with a wide range of non-financial services.

Another key feature of Fonkoze’s strategy is not just what is provided, but how it is provided. At the heart of the methodology is the supportive culture of the solidarity groups and centres. Within this kind of environment, Fonkoze staff can facilitate problem-solving, learning, and provide educational and developmental inputs.

You need to be very careful when choosing the tools/benchmarks to measure “poor” outreach criteria. Consider the accuracy and appropriateness of the tool for your country context. The most important challenge is to ensure that the way you screen clients for eligibility does not directly or indirectly leave out the very group you want to serve. Furthermore, even with the right screening methodology, you may need to look at the types of incentives field staff have to reach out to the target market. For example, if field staff performance is judged in terms of portfolio size and quality, this may encourage them to focus on male clients (with perceived less risk) even though your stated mission is to serve women.

## What do my clients need?

→ See Chapter 6: Strengthening information systems Applying a social lens to product development means thinking strategically about how products can be used to achieve the desired changes in clients' lives. Knowing what clients need requires a clear understanding of their lives. Often, you will need to conduct market research to get the right information.

When conducting quantitative market surveys, many MFIs ask about clients' preferences for product attributes during the research phase, but rarely try to understand how the product will be used to improve the client's life. For example, an entrepreneur has to carry her goods five miles on foot each day to market. If the MFI only asks her about product attributes, such as what repayment frequency she would like for her working capital loan, it might miss the opportunity to understand that she might need a fixed asset loan, which she could use to buy a push cart to reduce her transportation burden.

You should also consider more qualitative research methods to help you fully understand the problems clients face. This could involve simple and open conversations between loan officers and clients, or a few focus groups. You may well discover that different segments of your clientele need different types of services and interventions. For example, **Fonkoze** uses a three-tiered approach to segment its clients (poor women) and has designed products specific to each:

- The 1st tier programme – defined as those that earn US\$1–2 a day and have a business or business experience – have access to a solidarity microlending programme
- The 2nd tier programme, for those earning US\$1 a day or less, and who don't have a business but want to start one, provides a 'small credit' product. It focuses on providing financial and literacy training to permit them to 'graduate' to Tier 1
- The 3rd tier programme, serving the extreme poor – defined as those lacking any productive assets. It involves skills training but also asset transfers and other intensive assistance over 18 months, with the intention of clients graduating to Tier 1 or 2 at the end.

Here are some suggestions to help you think strategically about how your products and services can help clients overcome barriers and reduce risks.

### Identify and overcome barriers

**Many MFIs inadvertently create barriers for their clients, which add to their problems rather than help solve them.** Common barriers include the distance needed to travel to meetings, the time taken from the business or family needs, and the client's literacy level, among others. Some MFIs have requirements such as pre-existing businesses, minimum savings balances, and collateral. These may help reduce the risk profile of their portfolio, but it often does so by excluding those people who need their services the most. **Table 3.4** provides some examples of potential barriers that clients may face (these may be linked to the MFI's own programme or the client's situation).

**Table 3.5** shows barriers that women typically face in society. You should look for ways to overcome the barriers that your clients face, especially if they are excluding the very clients you set out to serve through your mission. For example, some MFIs now hold group meetings less frequently, after groups have successfully completed several loan cycles.

**Table 3.4: Factors that influence whether you meet your social objectives**

Factors that influence success of operations, products and delivery	Operational issues you may need to address in order to fulfil your mission
Gender	Females cannot leave their homes or speak to males, but most loan officers are unmarried men.
Poverty status (assets, housing, income)	The poverty assessment tool used measures poverty through housing situation, but housing is not an issue in this country – the issue is that people do not have enough to eat.
Education levels	Clients are required to keep their own passbooks but most of the target group cannot read.
Age	The MFI targets youth, but has group meetings during school hours.
Business/activity type	Loan officers visit fruit-seller clients in the villages on market days when they are busy.
Geography (rural vs urban)	MFI requires rural clients to visit branches that are often 5 miles away, taking several hours of their time a month.
Security	The client must walk through a dangerous part of town to obtain her loan disbursement.
Weather / season	Monthly repayment for farmers that only have an annual harvest.
Other: (Government or political situation, infrastructure, time of day/week, cultural or religious factors)	

**Table 3.5 Typical barriers faced by women clients**

	Individual	Household	Wider community/ national context
Financial	Women lack access to financial services in own right	Men's control over cash income & men's expenditure patterns	Perception of men as controllers of money
Economic	Women undertake activities which produce low returns Women have a heavy domestic work load	Gender division of labour Unequal access and control of land, labour and inputs Unequal control of joint household produce and income stream from this	Women underpaid for equal work - low paid jobs Stereotypes of appropriate roles for women If mobility constrained by social norms – access problems
Social/ cultural	Women not literate or educated Girls education not prioritised	Limited role for women in household decision making Polygamy results in conflict and discrimination	Women not viewed as a potential market Women's mobility constrained
Political/ Legal	Women lack confidence to claim rights	Women lack legal rights to jointly owned household assets	Lack of legal ownership problem for collateral Lack legal rights to land both traditional and formal

**Reduce or mitigate risks**

Many clients live in a very vulnerable situation in which one significant negative event can mean complete destitution. You must look for opportunities to reduce or mitigate risk for your clients. In fact, many of the strategies MFIs use to ensure financial sustainability can exacerbate the negative impacts of indebtedness, because of rapid expansion, rigid product design, and the lack of attention to local economic contexts (See the Genfinance website for more on this issue). For instance, many MFIs borrow in common world currencies, such as the US dollar or the euro, and pass on the currency risk to the client. On the other hand, MFIs in the Philippines have begun to embrace mobile banking. This reduces the amount of cash field officers and clients have to carry at any one time, thus reducing the possibility of theft and potential harm. The box above provides another example of an MFI taking care to mitigate risks for its client group (the extreme poor in this case). By reducing or mitigating the risks for its clients, the MFI's own risk profile and reputation improves.

**What mix of products and services will achieve your social objectives?**

When you are satisfied that you understand your clients' needs and the risks and barriers they face, you can make strategic and informed decisions about what services you will provide and how.

In most cases, one product will not meet all your clients' needs. Usually, clients need a mix of products and services to address their broad developmental needs (see the box on Fonkoze above). You have a choice as to what services you provide: While some MFIs choose to focus on responding to needs related to financial services (ie, savings, loans, insurance, etc), others try to provide a broader range of products and services, such as business development, mentoring, education and other social

services. You also have a choice as to how to provide those services: either directly or through linkages with external organisations. As an MFI, it is a strategic choice between what your clients needs, and what you have the skills and capacities to offer.

If you are thinking about offering a broad range of financial and non-financial services, there are a few things you should consider.

- How will you offer the non-financial services and remain financially sustainable and competitive?
- How will you avoid clients accessing one type of service (eg, business training) only because they expect it will help them access another (eg, a loan). Experience shows that knowledge is best acquired when there is genuine motivation to learn.
- One way you could address both these concerns is to link with other providers of non-financial services, who are often best placed to offer such specialised services.

### How do you balance social and financial objectives in day-to-day decision-making?

Designing client services is one way that you can apply a social lens, while maintaining an eye on the 'bottom line'. But management and staff have to take many decisions that have social as well as financial implications. **Table 3.6** gives some examples of decisions that are primarily driven by financial goals, and it highlights the associated social considerations (the top two rows). It also gives examples of decisions that are primarily driven by social goals, and highlights the related financial considerations (the bottom two rows).

In other words, most decisions must balance financial and social considerations. In some cases, this will prove difficult, which is why you should attempt to design your social and financial performance objectives in tandem. In most cases, though, social and financial performance goals can be mutually supportive. Reaching more satisfied clients, for example, tends to serve both growth and profit objectives.

**Table 3.6: Balancing financial and social considerations in decision-making**

Decision Examples	Financial goal	Social consideration
<b>Strategic decision:</b> MFI decides to move into new market, offering individual loans to men as well as women	To increase market share and improve sustainability	How will this impact ability to attract, retain and empower existing women clients?
<b>Operational decision:</b> MFI decides to reduce group visits to once per month	To improve efficiency	How will this affect group cohesion and mutual support among group members?

Decision Examples	Social goal	Social consideration
<b>Strategic decision:</b> MFI decides to expand into rural areas	To serve more underserved, poor clients	How can MFI reduce transactions costs?
<b>Operational decision:</b> MFI decides to change repayment schedule	To enhance client satisfaction	How will this decision impact MFI cash flow?

This chapter has focused on making strategic decisions to align your mission with your operations. The same principles apply to operational decision-making, which is covered in the next section.

**Summary points – mission, goals and objectives**

- Don't skip the mission review exercise. It is useful even if it just affirms your mission.
- Make sure that everyone in your organisation understands the mission through conversations, training sessions, agenda items at meetings, etc.
- Set SMART objectives. Don't just copy what another MFI has done; tailor your objectives to fit your mission and operational reality, and what is achievable given your context.
- Make sure that the definition of your target group and methodology for screening clients for outreach is valid, and does not exclude the very clients you want to reach.
- When designing your programme, don't forget the barriers and risks clients face. Try to lessen their impact.
- When thinking about which services to offer, think strategically. You don't have to do everything yourself.





---

**Name:** Cecilia Campero Iturralde

---

**Organisation:** FIE, Bolivia

---

**Position:** Board Member

---

**FIE's mission** is to be the financial institution that is preferred by micro and small enterprise clients in the country because of our recognised strengths and quality of services, attracting investors committed to development in Bolivia that is equitable and inclusive.

“In Bolivia, the industry is so well developed that it’s not enough just to say that we provide a range of financial services to our clients. To really distinguish ourselves as a market leader, it became clear that we needed to demonstrate measurable social and environmental impacts – and not just with nice anecdotes. As a result, the Board has really been pushing the SPM agenda within FIE.

“The year 2006 was key to formalising FIE’s social commitments and responsibilities. Staff began to understand that they are accountable to all our stakeholders, for all our operations and activities, but particularly to the three main stakeholders: clients, employees and the communities where we work. In 2008, we prepared our first annual ‘sustainability report’, using the Global Reporting Initiative guidelines as a framework for assessing and managing social performance.

“This year, we established a Socially Responsible Business Committee, of which I was elected Chair. We also began overseeing FIE’s participation in a social rating with Microfinanza to assess how effective we are in translating our mission into practice, in line with general social goals. In addition, we’re preparing for a new impact study to follow up a baseline study we did in 2006, and we’ve developed a three-year strategic plan on social responsibility.

“Our ownership structure focuses on socially responsible investors (49.12% ownership from the original NGO and 54.76% with social investment funds), which has played a large role in maintaining FIE’s focus on its social mission, without losing our commitment to financial sustainability. This structure has also facilitated strong governance, namely in my fellow Board members’ diverse backgrounds – from non-profit management to private sector human resource management, financial and internal control expertise.

“Even after FIE’s commercialisation in 1998, the Board ensured that FIE remained focused on microfinance: almost half of our loans are under \$1,000 and almost half of all clients are women. We’re also encouraging FIE to expand into rural areas by opening new branches and by partnering with CRECER and Pro Mujer to offer savings services and larger individual loans to their clients. By doing this, we’re able to increase savings and lending portfolios, and now rural clients represent 12% of our total clients.

“What are the next challenges for FIE? Well, to serve more low-income Bolivians, particularly in rural areas, targeting socially marginalised and/ or excluded groups/ communities with a broader range of products and services. In addition, the Board is now seriously considering transforming into a bank, and we are committed to continue monitoring and implementing our social responsibility policies.”



## Introduction

As evidenced by FIE's story, having a Board that is committed to the social mission facilitates the implementation of SPM at all levels of the organisation, and in making key decisions. While few MFIs have benefited from a Board-driven social agenda as FIE has, it is extremely important to convince the governance stakeholders, especially Board members, of the value of SPM in order to yield its full potential.

Governance issues often start with who is on the Board – eg, the selection of Board members based on their range of experience and perspective. However, given that SPM is often introduced into existing MFIs, we start with some other issues.

- How can we get the Board on board?
- What is the mandate and role of the Board in the SPM process?
- How does Board composition influence the SPM process?
- How does type of institution affect SPM-related decisions?
- How can the MFI's leadership coordinate the SPM process?

### What is governance?

By 'governance', we mean "the process through which the stakeholders (including the Board and executive management, and sometimes investors, donors, clients, etc.) guide the MFI to protect the mission and assets."

As described in the Handbook for the Analysis of Governance of Microfinance Institutions, governance is: "based on an institution's ownership structure" and "encompasses all the mechanisms by which stakeholders define and pursue the institution's mission". Source: Adaptation of the MicroFinance Network's definition, by participants of *Imp-Act's* June 2008 SPM Roadmap Review workshop in Paris.

## How can we get the Board on board?

Without the support of the Board, the SPM champion will not be able to take the SPM agenda forward, or it will receive only lip service rather than legitimate attention. The **box below** provides one example of how **CARD** rarely falls into such a trap. When it comes to reviewing an MFI's mission and strategy and institutionalising SPM, **there tend to be three kinds of problematic Boards: 1) those that are focused solely on financial performance; 2) those that are resistant to change; and 3) those that are not engaged for other reasons, such as living at a distance from the MFI.** Aligning governance with your MFI's mission and overcoming Board resistance involves strategic thinking, communication and education. MFIs frequently invest in executive management and staff training, but few spend the time and attention needed to educate Board members.

Without board support, your SPM will not be effective.

### Boards influence SPM

CARD in the Philippines is fortunate to have one Board member, a social scientist, who constantly ensures that the MFI does not focus too much on financial goals. Whenever the Board discussion goes too far in demanding only strong financial performance, she often says something like: "I am not good at numbers, but I can tell we are making profits. So, what do we give back to our clients? To the communities?"

This has prompted CARD to continue looking for ways to fund programmes and activities, such as scholarships, community projects and client assessments.

### Here are some informal but effective strategies to raise awareness of the value of SPM within your Board, based on what others have tried:

- Find at least one SPM ally on the Board to influence the other members.
- At annual meetings, ask all of the managers and Board members to write down what they think the mission statement means. Then compare answers, and discuss.
- Ask loan officers to draw or describe a typical client's life situation (where they live, what their house is like, etc) and then have Board members do the same. Compare the answers, and discuss.
- Start with a relatively simple step using existing resources to generate interest. This could be finding a way to confirm clients' income levels or conducting a client exit survey. Then share the findings and implications with the Board. Both of these examples can have a dual purpose: 1) to highlight the needs of different kinds of clients (segmentation); and 2) to confirm whether the MFI is achieving its mission.

- Remember your audience and tailor the message and argument to their background and interests. For example, if the term 'social performance' is not well received, focus on the business case for making changes, such as target market segmentation and other market research tools. Many MFIs find that they have been tracking and working towards social objectives without officially calling it social performance, or conducting such activities less systematically.

## What is the mandate and role of the Board in the SPM process?

The Board is ultimately responsible for setting policy and strategic guidelines, and monitoring management's implementation of the MFI's mission and social goals. Therefore, it should hold executive management accountable for SPM. In general, MFI Boards are responsible for hiring and overseeing the performance of the Executive Director. Most Boards acknowledge the need to have an Executive Director who strongly identifies with the MFI's social and financial goals. But most also emphasise financial management skills in the recruiting process and offer incentive packages that are focused solely on financial performance and growth.

→ See Chapter 7:  
Human resources  
management for  
more on this issue

As described in later on, what is measured and managed tends to be achieved. So, if a Board wants the Executive Director to achieve the MFI's social mission, it must have clear targets and incentives linked to social performance (see the **box below** for specific suggestions related to poverty and gender mandates). The Board should monitor social performance against such targets through periodic reports and presentations, in the same way that it regularly monitors financial performance. There should also be clear incentives to motivate the Executive Director to achieve social performance targets. Finally, the Board is responsible for protecting the MFI's social mission, such as through strategic decision-making regarding new policies, products and partnerships.

What you  
measure, and  
manage, you can  
achieve.

### Governance that supports poverty and gender mandates

MFIs with clear poverty mandates should consider:

- regularly monitoring client poverty statistics and trends
- holding executive management accountable for specific poverty improvements
- facilitating a flow of information from poor clients to the Board, which could be via a suggestion box or a client committee
- encouraging Board members to visit poor communities where the MFI works.

MFI governance with strong gender mandates, such as women's empowerment, could benefit from:

- actively bringing women onto the Board
- ensuring female representation at all levels of management
- identifying strategies and approaches to address specific gender concerns (eg, ensuring that loan officers target home-based businesses or women- dominated industries).

**Here are some effective ways to reinforce Board members' knowledge of, and commitment to, SPM:**

- Design a new Board member 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.
- Pair up newer Board members with existing ones who know the real history of the MFI. They should be able to act as mentors.
- Create a standing social performance committee, as FIE and AMK did (see box below). The committee should regularly review social performance issues, activities and progress, or designate one or two Board members as responsible for ensuring compliance with the MFI's social objectives.
- Make setting social targets and incentives for the Executive Director part of the Human Resources (HR) committee's mandate.
- Ensure that social performance issues are identified as components of the MFI's three-year or five-year plans and annual strategic and business plans.
- 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. You should at least ensure that monthly or quarterly progress reports are submitted and that issues are discussed as they arise. These reports should be generated by the management information system (MIS).

#### **AMK's Social Performance Committee**

AMK's Social Performance Committee serves an advisory role to the Board, mirroring the function and importance of the Audit and Finance Committee. It ensures that AMK is:

- meeting its social performance goals
- integrating SPM throughout the organisation
- applying best practices to social research/tracking
- guaranteeing data quality, reviewing the results and suggesting next steps.

## How does Board composition influence the SPM process?

→ See Chapter 6:  
Strengthening  
information  
systems

Supportive governance implies the right balance of experience and perspectives across all stakeholders, but especially Board members/owners, in order to protect the MFI's commitment to its mission. Ideally, all stakeholders should share a common vision. But in reality, they often represent different viewpoints, with conflicting perspectives and values. **Over time, MFIs should work to maintain a governance structure that collectively brings the breadth of knowledge and experience needed to effectively oversee the sustainable implementation of its mission.**

### Planning sale of shares to enhance governance in Mexico

Despite recent concerns raised by Compartamos' sale of equity shares through its initial public offering (IPO), Compartamos in Mexico argues that when planning to sell 30% of the shares, one of their objectives was to bring as many investors as possible in a public offering, as opposed to bringing a single investor who could potentially disrupt governance and the goal of generating social value.

In addition, Compartamos' decision to transform into a bank in 2006 was motivated primarily by its commitment to its social mission. They believed that the new legal status would allow them to expand their product offering (to address additional opportunities of growth for the client) and to access a larger number of low-income entrepreneurs.

Non-profit MFIs generally have more freedom to choose Board members that represent the MFI's values, while for-profit MFIs have to balance needs for capital injections with the desire to bring in investors that reflect the MFI's values (the **box above** describes how one MFI tried to strike this balance when it transformed into a for-profit MFI).

Nonetheless, all MFIs should be careful when considering a new investor (or even donor) to avoid bringing on a stakeholder that could steer them away from their mission. Some MFIs (such as **CARD**) have actually declined donations and investments because they came from organisations whose interests were not aligned with their mission. On the other hand, some socially responsible investors, such as **COSUDE** in Bolivia, have acted as catalysts to raise the MFI's awareness and commitment to SPM.

**Before accepting a new investor or donor, the Board and management should consider the following questions:**

- Does the investor/donor already have a commitment to, or are they at least open to, social objectives?
- Do they bring experience, resources and connections in terms of social performance?
- For MFIs with a special focus, such as on empowering women, or providing linked (non-financial services) to women: what experience does this investor have that suggests an understanding/sensitivity to women's issues, needs and developmental concerns?
- Which social issues are important to them? (You will get a good idea of their 'real' priorities from the questions they ask and the information they want.)

**Even if the potential investor is committed to social performance, you should still find out the following:**

- Do they already have a predetermined method to achieve social goals or other social agendas that may not fit your MFI's mission, culture and available resources?
- What are their 'social returns' expectations and when do they expect these returns to occur?
- How can you balance the number of requests and power this investor will have on the Board with your MFI's need to accomplish its social mission and day-to-day operations?
- What is the investor's exit strategy, and does that time horizon allow you to achieve your goals around social performance as well?
- Does the investor give more weight, less weight or equal weight to financial and social performance goals? If financial goals are more important, how can you ensure that the social performance role is not lost or just given 'lip service'?

## What Board member backgrounds might facilitate SPM?

MFI Board members are often chosen for their technical backgrounds or expertise, and usually include professionals with legal, business and banking experience. A person who is specifically brought in for a certain task may have the inclination to focus solely on that one aspect and ignore others. In addition, MFI Board members rarely come from the same demographic group as clients (except for member-owned MFIs such as cooperatives). This may hinder their ability to really understand clients' needs and perspectives. **You need to think strategically about how to address such knowledge gaps within your MFI's governance structure, using a combination of educating existing Board members, and setting term limits so that the composition of the Board is guaranteed to change over time.**

**Here are some insights into the typical backgrounds of some Board members and how they can potentially influence SPM:**

**Former staff** Former members of staff often become Board members, sometimes including the MFI's founding members. These individuals can bring an important perspective to newer Board members by reminding everyone of the origins of the MFI and the mission (and can often be the SPM ally on the Board). However, they may also be reluctant to agree to change, as they may still see the MFI as 'their' creation and may not see the need to improve. It may therefore be important to temper their influence so that new initiatives may be tried without battling age-old perceptions. An alternative to bringing former members of staff onto the Board is to offer them an advisory, non-voting role or an Emeritus-type position.

**Clients** Some MFIs, such as credit unions and cooperatives, are structured to include clients in governance and strategic decision-making. Others, such as **Grameen Bank** in Bangladesh and **CARD Bank** in the Philippines, invite clients onto the Board to facilitate greater understanding of clients' needs and perspectives. Often, Board members who are clients are either too intimidated by the experience or simply do not understand the issues at hand to make significant input or decisions, thereby limiting their effective participation.

**Enda**, a non-profit MFI in Tunisia, found a way to maximise the benefits of client involvement in governance while avoiding the downsides, by creating a non-voting client committee. It reports to Enda's SPM Committee and is chaired by one of the executive management team members. The different outcomes from the client committee meetings are used either for operational purposes (and communicated to staff) or for strategic decisions (and then presented to the Board).

Having clients involved in governance has advantages and disadvantages (see **box below**). It raises three main issues:

- How can you ensure that the person selected truly represents the target clients' profile and will represent their needs adequately?
- How do you ensure that these Board members are as informed as they should be?
- How do you ensure that client representatives communicate back to other clients and take their feedback under advisement?

### Pros and cons of involving clients in governance

#### Pros:

- It gives you a direct line of communication to understand client concerns/perspectives, and you can draw on their first-hand knowledge of their own and other clients' needs, and attitudes towards your services.
- Clients feel more ownership of the MFI, possibly resulting in a sense of empowerment.
- It's a good way to keep the social mission and related target "beneficiaries" at the forefront of what you do.

#### Cons:

- Clients tend to be less educated, sometimes illiterate and innumerate, which can limit their ability to understand and contribute.
- Clients can feel intimidated, which can also limit their contributions.
- As net borrowers, clients can have conflicts of interest and difficulty balancing the organisation's sustainability needs with their personal interests to improve borrowing terms.
- There's a risk of under-representation of the true client base. Client Board members may often be those who have been with the MFI the longest or those who are better off, so not necessarily fully representative of your target group.

**If you do decide to include clients in your governance structure, you must make sure that the selection process is fair and representative of the target clients.** Having clients vote for their representative Board members is critical, but the MFI may first want to seek out suggestions/endorsements from field staff, regional client representatives or influential clients (who may not have formal titles). **SEWA Bank** in India, for example, has a detailed process for ensuring that Board members come from the different client segments.

Also, client Board members may need intensive training to ensure that they understand the main technical aspects of the business. In the Philippines, before a person can sit on the Board of a rural bank, they have to undergo governance training. Furthermore, **CARD**'s two client Board members are required to visit a number of branches and report their observations/feedback from staff and clients during the quarterly Board meetings.

## How do institutional types influence the SPM process?

**Table 4.1** below provides some general differences between for-profit and non-profit MFIs in terms of their approach to SPM, the challenges they face, and how they overcome them. These are not absolute differences though, as some MFIs will defy these trends.

**Table 4.1: SPM Differences between for-profit and non-profit MFIs**

	For-profit MFI	Non-profit MFI
Primary reasons for interest in SPM?	<ul style="list-style-type: none"> <li>Increased interest from social investors.</li> <li>Avoiding negative impact on operations / reputation risk.</li> </ul>	<ul style="list-style-type: none"> <li>Mission/outreach fulfilment</li> <li>Historical reasons for creating the MFI.</li> <li>Socially minded Board members and employees.</li> </ul>
Challenges / obstacles	<ul style="list-style-type: none"> <li>Board members concerned about the use of funds and often see social performance only as a cost centre, much less a way to improve financial performance.</li> <li>Beyond the financial, may have a lack of understanding of social performance and it is necessary or useful; may see SPM simply as a diversion.</li> </ul>	<ul style="list-style-type: none"> <li>Board members' lack of direct investment in the MFI may cause them to ask fewer questions and generally trust executive management without challenging them.</li> <li>Long-standing Board members may resist change.</li> </ul>
Tips for securing Board buy-in	<ul style="list-style-type: none"> <li>Emphasise Board's role in overseeing the MFI's adherence to its mission rather than discussing the need to improve social performance.</li> <li>Show quick results from SPM-related activities that include improved operational or financial performance.</li> <li>Find social investors that may reward the MFI with better terms for achieving social goals.</li> </ul>	<ul style="list-style-type: none"> <li>Test Board members' perceptions about how the MFI is doing with hard evidence that may be to the contrary, such as undertaking a market segmentation or poverty assessment to verify outreach, or undergo an internal social assessment or social audit.</li> <li>Provide case studies/examples from peers – competition can be just as fierce for social performance.</li> </ul>

Recently, several MFIs have chosen a dual-structure strategy with two separate operating entities – a for-profit arm (sometimes becoming a regulated or public entity) and a non-profit arm (often an NGO or foundation). Most of these MFIs started out as non-profits and decided to ‘spin-off’ a subsidiary, for-profit sister organisation. The most common reasons for this are to:

- gain access to capital for growth and to offer a broader range of services (therefore increasing access and outreach)
- have the option of subsidising the non-profit arm’s activities with the for-profit arm’s ‘profits’
- provide a seamless way for clients to ‘graduate’ to other products and services as their needs evolve (ie, average loan size growth)
- serve all people in the community regardless of their income, gender, ethnicity, social status, etc.

**When an MFI opts for this dual-structure strategy, there are ways they can ensure that the for-profit subsidiary does not stray too far from the original mission:**

- having overlapping Board members
- maintaining the same mission between subsidiaries
- ensuring equal status among employees (having the same pay scale)
- maintaining the parent organisation of the two subsidiaries as a mission-focused non-profit.

**Fonkoze**, in Haiti, decided to split its operations in two. So it created Sèvis Finansye Fonkoze (SFF, or Fonkoze Financial Services), with a mission to reach as many clients as possible, and Fonkoze, a non-profit foundation that supports SFF by incubating new branches, developing and testing new products, analysing the social impact of SFF services on their clients, and providing educational and health services to SFF clients. (Fonkoze is also the largest shareholder in the holding company that owns SFF).

Several MFIs undergoing similar changes have also applied this dual institutional structure, including **K-Rep** in Kenya, **Partner** in Bosnia and Herzegovina, and **CARD** in the Philippines. They argue that such a structure allows the original mission to continue without limiting the potential to access other viable markets. CARD has actually been criticised in the past for having overlapping Board members that serve both the NGO and the bank. But they have found this strategy to be necessary so as

to avoid diluting the mission. CARD emphasises that it is crucial to set up this kind of dual structure in a clear and transparent way so as to facilitate the two entities and their departments working effectively together, without concern for competing markets. For example, both entities have the same mission and vision, and staff receive the same pay and status.

## How can the MFI's leadership coordinate the SPM process?

The Executive Director plays an essential role in getting all staff on board with SPM, ensuring that systems are in place to carry out the MFI's mission, and setting the tone and organisational culture. The **box below** highlights the power an Executive Director can have in raising awareness of SPM in a non-profit MFI.

### **ASHI President promotes women's empowerment through SPM**

Mila Mercado Bunker, the President of ASHI, a Grameen replicator, non-profit MFI in the Philippines, had to work hard to convince her Board that SPM required their input. Her Board members saw no need to review SPM, which they considered strictly an operational issue. By emphasising the Board's role in ensuring mission adherence and talking them through a strategy alignment session, she was able to increase their buy-in and understanding of why ASHI needed to be able to demonstrate its role in empowering the poor, and especially women, to lift themselves out of poverty.

As a result of her efforts, the Board has now recruited more female members who share the organisation's vision. They have also promoted more female employees to management positions to reflect its empowerment mission.

**The degree to which the Executive Director is committed to SPM is the degree to which SPM will be integrated in the MFI's systems.** Employees at all levels look to the executive team for clues as to what really matters. If the executive management do not talk passionately about SPM, if resources are not allocated to allow employees to achieve the goals, or if the actions/rewards do not match the communication, then employees will think that SPM is not important to them, to their career advancement or to the well-being of the MFI. In other words, executive management creates the culture or leadership 'body language' that either supports or interferes with the effective implementation of SPM. For example, there is a major disconnect if management says that it is committed to SPM, but only devotes five minutes to it at the end of each meeting, or if it becomes the agenda item that regularly gets dropped when the meeting overruns. Employees will learn through such signals that management does not truly consider SPM a priority.

Your leadership's 'body language' should say: SPM

→ See Chapter 5:  
Communications  
for more on  
this issue

In addition to recruiting the right people, and building capacity and buy-in for SPM, Executive Directors are responsible for ensuring that the SPM message is spread from senior management to line staff, as middle management are often a bottleneck in getting the message to line staff. **A decentralised decision-making structure tends to facilitate the flow of SPM-related communication**, especially from line staff up to executive management, which is needed to continually check that SPM activities are having a positive impact. Most importantly, MFIs should avoid structural silos that hinder the flow of communication across departments.

#### Summary points – Governance, structure and leadership

- Screen Board members carefully for their backgrounds and commitment to the mission.
- Appeal to different Board member perspectives to build support for social performance (eg, financial vs. social)
- Identify potential allies for social performance among Board members and encourage them to build support informally with their colleagues, as well as showing public support.
- Involve Board members in two key areas: setting the strategy for meeting social objectives, and ensuring that the executive management team is meeting those objectives.
- If you're considering becoming a commercial or regulated entity, carefully weigh up the impact of this change on your social objectives, as well as the financial impacts, so as to protect the mission.



**Name:** Elizabeth Ventura

**Organisation:** Confianza, Peru

**Position:** President

**Confianza's mission is:** to provide the most effective and reliable financial support to small and micro businesses in order to contribute to sustainable development in Peru.

“I wanted to strengthen our roots of serving rural, poor women. With the help of Freedom From Hunger (FFH) in 2005, we decided to introduce a new programme, ‘Palabra de Mujer’ (Word of Women), aimed at poor rural women, through group lending (versus our existing individual lending products). We knew it would require significant planning and use of resources, and we were also aware that it wouldn’t be profitable for the first few months. However, I strongly believed (and still do) that a commitment to the social mission actually improves the quality of services to clients, and allows Confianza to serve untapped markets (ie, rural areas). Better quality products and access to new markets can both improve financial performance.

“At first, some staff and management were unsure how the product would affect and fit with our growth-oriented focus. We didn’t have a formal communication plan to address this. Instead, I and a few other senior staff began by telling the story of how Confianza started and why the original mission was still relevant. We began by convincing department managers and other central office staff, and then talked to area managers.

“During our strategic planning workshop for 2008–2012, we concluded that one way to fulfil our social mission was to reach more women and girls (in both rural and urban areas). We decided that Palabra de Mujer would be the mechanism for this, as the very name shows an appreciation for women’s voices, recognises a strong credit culture among women, and evokes a need for greater self-esteem and empowerment. Also, with the product launch, we would be strengthening the relationship we built in the beginning with women through the small credit programme.

“We undertook other activities to gain staff buy-in too. These included: 1) visiting CRECER in Bolivia to see how other socially oriented and women-focused MFIs operate; 2) preparing and presenting financial projections to address concerns about viability; and 3) conducting a workshop where market research was presented, demonstrating demand for the product.

“After successfully piloting the product in one branch, we formed a team to roll out the new programme. They worked with area managers and branch staff to ensure a smooth roll-out. And they were in constant communication with senior management, directly and through regular meetings, to address any issues that arose. After six months of preparation, the product was successfully launched in all branches. All levels and functions of the MFI worked together to ensure that the new product was a success for our clients and our organisation”.



## Introduction

The success of your SPM initiatives depends on the commitment of various stakeholders: the Board, management, middle management, field staff, clients, the wider community and partners. **Lack of effective communication is one of the most common barriers to change management.** Deciding how to communicate about SPM can be one of the most difficult tasks, but it is also one of the most crucial tasks to successfully apply SPM.

Communication does not have to be complicated or involve expensive consultants or technology. You can start by telling the story of how and why your MFI began. To demonstrate the importance of SPM to staff, Confianza's President showed public and enthusiastic support for the new endeavour, even though she was not involved in every meeting or activity.

Communicating the SPM message and agenda can and should be integrated with a consistent message through various means: meetings, newsletters, posters, the annual business plan, and many others (see the box for an easy but effective way to spread your message). Although the Board and senior management must give clear messages about organisational direction, it is important that staff are genuinely part of the process, participating and providing feedback, in order for them to be truly enthusiastic about integrating SPM in their day-to-day work.

This chapter address:

- Who should drive your communication strategy around social performance?
- How can we communicate our social objectives and initiatives to different stakeholders?
- What should an SPM communication strategy look like?

## Who should drive your communication strategy around social performance?

To ensure that the message is consistent, appoint someone to be in charge of SPM communication. This could be the SPM champion, a small working group, or the communications department. For example, the communications team of one MFI in Mexico attends all major functions to ensure that what is communicated follows the guidelines. The Communications Director for **Enda**, in Tunisia, attends all of the SPM Committee's meetings and disseminates information through an internal newsletter and e-mail notices (all employees have online access). But it is also important that senior management, especially the Executive Director, are fully involved in communicating with external stakeholders.

Even if the Executive Director is not involved in managing day-to-day activities, he or she will still need to be part of the public communications campaign to staff and will be the primary advocate to the Board. This executive management stamp of approval adds credibility, which will encourage staff to take the messages seriously and begin to adopt them in their work.

Philip Kotler, a marketing expert, suggests that you print your mission statement on the back of your business card to remind your staff and your customers what you stand for.

Source: MFC

Spotlight #5

## How can we communicate our social objectives and initiatives to different stakeholders?

You should repeatedly communicate your social message, using different media (formal and informal) your stakeholders, typically staff and the Board, clients, partners (including donors and investors) and the communities you work in. **Table 5.1** shows common ways that MFIs communicate their SPM plan to different stakeholders.

**Table 5.1: Telling people why and how you are doing SPM\***

Internal: Staff and Board	External: Clients	Partners and community
<b>Face-to-face</b> Branch/site visits Orientation/training Annual performance reviews Staff meetings/Annual meetings	<b>Face-to-face</b> Client visits/meetings Branch transactions	<b>Face-to-face</b> Community events
<b>Indirect</b> Strategic and/or Business Plan Newsletters Memos (paper or electronic) Organisational performance reports	<b>Indirect</b> Marketing materials: e.g. fliers, posters, banners Marketing campaigns: e.g. radio, television, newspapers	<b>Indirect</b> Annual report Website Press releases

\*These are typical methods only; one category may apply to another, depending on the MFI.

## Communicating with staff at all levels

There are several layers of internal stakeholders: Board members, executive management, head office staff, middle management, and field/branch staff. You may need to tailor the message to each layer. While support from the top is essential, the ultimate success of your SPM activities will largely depend on the understanding and enthusiasm of field staff. Middle management, especially within larger, geographically dispersed MFIs, can be a bottleneck, as they are often responsible for convincing field staff of the importance of social performance. So you may need to make special efforts with the middle management layer.

Avoid the middle management bottleneck: communicate

### Field staff will want answers to the following questions:

- Why are these social objectives being addressed?
- How does SPM affect my current job and performance expectations?
- How do I carry out the new tasks properly?

### For example, if you need to collect more information on whether your MFI is reaching its target clients, field staff need to know:

- How this activity will help achieve the mission.
- How to collect the new information and analyse reports.
- How the information they collect will be used.
- How they can send feedback to management about what works and what doesn't.
- How this will affect their day-to-day duties. For example, if they're being asked to take on new tasks, are they being relieved of others?
- How their performance in carrying out the task will be assessed.

### Here are some techniques that MFIs have used to successfully communicate to field staff, to enhance their understanding of, and enthusiasm for, SPM initiatives:

**CARD**, in the Philippines, involved field staff in a research activity. This gave them a better appreciation for their roles and responsibilities toward clients.

The Executive Director of **MDF**, in Serbia and Montenegro, gets head office staff together in an informal setting after each SPM training to summarise the findings and discuss any new ideas. Executive management then shares the lessons learned and new ideas with branch staff.

**AgroInvest**, in Serbia, used to disseminate information about SPM initiatives through its bi-annual staff meetings. But feedback from staff revealed that this was not effective. They were reminded of the key aspects of effective communication:

- Ask individuals to repeat the message back, so that you know if it has been properly understood.
- Use several types of communications methods, as people absorb information in different ways.
- For the message to get through, communication has to be repeated regularly.
- Field staff tend to absorb information through informal question and answer sessions rather than through formal presentations.

→ See Chapter 7:  
on Human  
resources  
management

**You should work closely with your communications and human resources departments to get the message out to field staff.** For example, **SEF**, in South Africa, conveys most of its SPM messages to field staff through its orientation and training sessions. While face-to-face communication is essential, especially when you're getting started, you can use other methods as you go along – SEF has begun to use text messages to relay some SPM-related announcements, such as upcoming training opportunities.

Information  
feedback loops  
are essential for  
building buy-in

**You should avoid structural factors that hinder the flow of communication across departments.** MFC's Strategic Management Handbook provides an example of how one MFI in Guatemala, **Genesis**, learned this lesson the hard way. At first, their SPM team decided to use MFC's Balanced Score Card as a way of measuring social and financial performance. But they didn't get any input or build buy-in from other staff. As a result, the very first attempt to communicate to head office staff about the new strategy caused significant confusion and misunderstanding. To avoid the same mistake when they rolled out the concept to the field, they wrote an explanatory memo describing what the Balanced Score Card was and how it should be used, and sent this to all regions. Staff in the regions were thus already familiar with the concepts before a videoconference took place to roll the score card out. To reinforce field staff's knowledge and understanding, the SPM team then communicated the strategy, objectives, targets and activities related to the score card with all departments via the intranet, so that each department manager could publicly update their results against the objectives.

**If you want to achieve true staff buy-in, you need to fully involve field staff directly in SPM activities, and listen to and act on their feedback** (ie, communication should be bottom-up as well as top-down). This really is crucial, and you need to find effective ways to do it (suggestion boxes, for example, are often ignored). Having an ‘open door’ policy for written feedback from staff is not worthwhile if management then confront (either publicly or privately) those who give the feedback. **Negros Women for Tomorrow Foundation (NWTF)**, in the Philippines, set up an SPM Committee that is largely composed of field staff, including area managers, branch managers and loan officers, thereby ensuring that feedback from all levels of staff is heard and acted upon.

### Communicating with clients

Within any service industry, indirect communication methods (such as fliers or newspaper ads) can raise client awareness. **But to truly build trust and understanding, direct contact with the clients is essential.**

For MFIs, direct contact usually occurs during a branch transaction or at a client visit/group meeting. This is why it is critical that field staff fully understand and support your SPM objectives. It is also important that your marketing materials and communications include transparent information about the true costs clients are required to pay for your services. The **box below** gives some tips about appropriate language when communicating directly with poor clients and women clients.

→ See Chapter 8:  
Client service  
issues

#### Poverty and gender-specific communication

**When communicating with poor clients:** Avoid staff referring to clients as ‘poor’. Use more positive terms, such as ‘Tier 1’ or ‘priority clients’

**When communicating with women:** Use language and examples that they can relate to from their everyday life. It is also important to use gender-neutral language.

For its regular communication with clients, **Compartamos**, in Mexico, provides a bi-monthly newsletter. But to tell them about its transformation into a bank, it sent out a special letter, to address clients’ concerns (see **box overleaf**). A number of MFIs in the Philippines post their mission on the wall of every branch. **CARD** has gone even further and recently launched a ‘CARD Hymn’ that reflects their vision and mission. Officers, staff and clients are encouraged to memorise the hymn and take its message to heart.

### Compartamos' communication about becoming a bank

To prepare clients for the MFI becoming a formal bank, its main message to clients was: "We will continue as usual, with the same mission and vision, with our deep sense of purpose and our strong shared values. Becoming a bank is a means by which we can best fulfil our commitment to serve our clients." This message was communicated by personal letters to clients and reinforced with messages on posters and links on the intranet, explaining the reasons for the change of status:

- because we want to be an institution that works to develop society as a whole
- because we want to offer adequate products to our clients
- because we want to accompany our clients in the development of their businesses
- because we want to reach more people who don't have access to financial services.

### Communicating with external stakeholders

External stakeholders include your donors, investors, and the communities you work in, among others. MFIs generally use formal communication methods for external stakeholders, such as annual reports, the website, or resource websites such as MIX (Microfinance Information Exchange: [www.mixmarket.org](http://www.mixmarket.org)). The SEEP Social Performance Map (Chapter 13) provides information on the most common reporting formats ([www.seepnetwork.org](http://www.seepnetwork.org)).

### Try to avoid two common pitfalls in your external communication materials:

- Reports should provide more than just colourful language and anecdotes, and individual client profiles. Donors and partners want substance and proof of systematic impact.
- Avoid tailoring your message and mission objectives too much to appease a particular donor's agenda, as this could be detrimental to achieving your social objectives in the long term.

**FIE's** 2007 Sustainability Report offers a good example of how an MFI can communicate about its SPM activities to its external stakeholders and the broader community. The report (in Spanish) covers: FIE's history, mission and values; its overall SPM strategy; its responsibilities to staff and clients; and the Global Reporting Initiative Social Responsibility reporting format and indicators (download the report at [www.ffpie.com.bo](http://www.ffpie.com.bo)).

## What should an SPM communications strategy look like?

Your SPM communications strategy does not have to be a formal, written document to be effective. What is important is that your organisation has thought strategically about the messages it wants to convey to its stakeholders, and why. When communicating with the Board, for example, the SPM champion or SPM team might emphasise SPM's importance in terms of risk management. When communicating with clients, they might emphasise its benefits in terms of improved products and services.

**Table 5.2** gives an example of an MFI's communications strategy. It outlines the main factors you need to consider: who you are communicating with, why, how, how often, and who is responsible.

**Table 5.2: Developing your communications strategy**

To whom?	Why?	How often?	Where and how?	By whom?
Senior leadership	Gain commitment, remove obstacles, report progress, prevent surprises	Bi-weekly	Direct contact	Sponsor
Board members	Gain commitment, remove obstacles, report progress	Monthly	Direct contact	Sponsor
Middle management	Communicate objectives, introduce concepts, report progress, gain commitment	Bi-weekly	Email, staff meetings, articles, intranet	Champion/team members
All staff	Communicate objectives, introduce concepts, report progress, eliminate misconceptions	Monthly	Email, newsletter, meetings, intranet	Team members
Project team	Track progress, assign tasks, review objectives	Weekly	Team meeting, status memos, intranet	Champion
Clients	Gain commitment and understanding of why we collect additional information	Daily	Posters on walls, branch and home visits, group meetings	Field staff

Source: From Mission to Action: Strategic Management Toolkit Handbook, Microfinance Centre for CEE and NIS

### Summary points – Effective Communication

- Most efforts require strong communication to achieve the intended outcomes.
- Keep it simple – start by telling the story of how the MFI began, or of one of its clients. Don't overwhelm staff with too many messages or initiatives all at once.
- Those in charge of communicating about SPM should be responsible for the messages through all media (newsletters, meetings, etc) or at least be consulted, to ensure consistency.
- Communication must be continuous, sensitive to gender and cultural issues, and adapted for different audiences.
- Create feedback loops between all levels of staff (not just one-way, top-down communication).
- Communicating about SPM initiatives to staff should raise awareness, educate, build commitment (buy-in) and encourage participation.



# Section 3

## Aligning Management Systems

### Section 3 Aligning Management Systems

Chapter 6	Strengthening Information Systems	Page 97
Chapter 7	Human Resources Management	Page 121
Chapter 8	Client Service Issues	Page 135
Chapter 9	Internal Control	Page 149





**Name:** Ali Ghezawi

**Organisation:** Development & Employment Fund (DEF), Jordan

**Position:** Director

**DEF's mission is** to enable poor, low-income or unemployed individuals, families or groups to participate in productive activities to contribute to the struggle against poverty and unemployment.

“We constantly improve our services for clients to ensure that we are meeting our mission. In the past, one of our partners even accused us of being too socially focused, despite being financially sustainable since our inception! It takes effort, and an integrated and well-designed system. And I don't just mean the technology, but also the way in which data are used, how decisions are made and how they're communicated to staff.

“We started off by asking, ‘what information do we collect?’ Over time we've developed a small set of social indicators that match our needs and social mission. We have found that some indicators are too difficult to measure and others are not as relevant now - so we modify or remove them. However, the most important thing is to experiment and learn from mistakes.

“We've come up with a system for data collection that is simple and as error-free as possible. Most information is collected during the loan application process, but we also assess long-term social impact by doing rolling client assessments every 3–4 years. We've trained our staff extensively and have built safeguards into the software to flag possible errors. To avoid overburdening staff, we actually dropped a few forms we used to collect data previously. Thanks to efficient data collection, we have only had to increase staff by 20%, while the number of clients has grown by 80% since 2002.

“Because we were growing so quickly, we decided to become fully computerised. All our branches now have real-time information on operational, financial and social statistics. We were lucky because we didn't have to add a new system, we just adapted our existing system. We listened to each department's data and reporting needs to make the new system a success. Because each branch has real-time information, branch managers and loan officers can compare their social goals to actual performance and adjust as needed.

“Interdepartmental cooperation and coordination has been very important. Our Computer Unit (IT) was responsible for feeding and reporting data from and to other units. For example, our Direct Lending Operations Unit and loan officers are the front line for collecting social data from clients and for receiving data on how to improve social performance. The loan officers are in turn carefully trained on how to collect and analyse the data. Our Planning Unit conducts the periodic impact assessments with an outside market research firm. Finally, our Control and Audit Unit uses the results from the daily information collected by loan officers and the periodic data collected by Planning to compare our social goals to actual social performance. The results are then reported back to each department.”



## Introduction

This chapter uses a broad definition of management information system (MIS). It includes the processes of data collection, reporting and dissemination of information, as well as the tracking, analysis and decision-making involved once the information is reported. We don't make specific recommendations on the technology you need to address SPM, as these will be specific to your MFI and are therefore beyond the scope of this guide.

Nor do we suggest specific social indicators you should use. The reasons are threefold:

1. The Social Performance Task Force (SPTF) has already generated extensive research and feedback on potential standard social indicators.
2. Even when there are accepted, industry-wide standards for social indicators, each MFI will still need to choose and adapt indicators that meet their mission and broader information needs.
3. SPM is more than the indicators or information technology you use. It's about how you use the available tools and information to effect change throughout your organisation, operations and staff, and how those changes translate your social mission into practice.

Just as you manage and measure performance against budget and financial projections, it is also important to systematically manage and measure performance against your social objectives. An effective MIS allows for the collection of relevant and timely social performance information that is processed and disseminated in a way that facilitates decision-making. But to be effective, decision-makers must be able to use the information to make the necessary adjustments to operations. In some cases, new information might even prompt a rethink about strategy. This shows just how vital an effective MIS can be to linking strategy and operations.

This chapter covers:

- What steps should you follow when applying a social lens to the MIS?
- How should you integrate changes into the MIS?
- Do I need new indicators to track social performance?
- What typical challenges do MFIs face when adapting MIS for SPM?
- How can you overcome these challenges?

## What steps should you follow when applying a social lens to the MIS?

If you want to undergo a rigorous MIS assessment to be ready to track your social performance, here are some steps we recommend you follow.

### Don't skip the mission review exercise

→ See Chapter 3:  
Mission, goals and  
objectives

If you have limited resources and time, we recommend that you at least ensure that the mission is in line with organisational and business plan objectives. This will help you define the kinds of information needed to track performance against social objectives.

**It can be risky to jump straight in to adapting the MIS for SPM without confirming the organisation's overall direction.** Resist pressure from donors or third parties to skip this step in order to move quickly – it would be unwise for them to make a significant investment in SPM without first clarifying the mission. In essence, it would be like starting out on a trip before deciding where you're going.

### Review your existing MIS and identify your information needs

You need to review your existing MIS – assess the current intake processes, information sources, technology, and reporting systems – and interview key staff from each department about the types of information they need. A 'process mapping tool' will help you assess your existing system. It not only reviews the actual technology

platform but also the process for collecting and reporting the data, including who collects and uses the information. (See the resources section at the end of this guide for information on process mapping tools.)

There are nine questions you need to consider in order to make a thorough assessment of your information needs. The **box below** lists these questions, and gives an example of one answer for each. **Answering these questions before you choose tools or indicators, or make changes to the MIS, will save you both time and money.**

Answering these questions will save you money and time

### Nine essential questions on your information system

1. What information is needed and by whom?
2. Who will use the information and how?
3. Who will the MFI collect data from?
4. How often will data be collected and analysed?
5. Who will collect the data and how?
6. Where/when should data be collected?
7. Who will process the data and how?
8. What data analysis will be done and who will do it?
9. How will the information be communicated and reported?

### Question 1: What information is needed and by whom?

Since microfinance is all about serving clients, most of your information needs will relate to understanding your clients' needs and capacities. For many MFIs, the mission implies targeting a specific type of client (eg, poor, rural, female, etc.) and achieving certain outcomes and impacts on their lives or businesses. Therefore, SPM requires that **information on client needs be analysed and understood from this mission perspective**. MFIs with a mission to reduce poverty, for example, will need information to determine what support will help clients move out of poverty, whereas an MFI with a mission to increase financial access for women micro entrepreneurs will need information on the barriers that prevent women from accessing and using finance to expand their businesses. Regardless of their mission, all MFIs will want to know the following:

- Do staff members apply a consistent definition of the target group and related sub-groups?
- Is the current marketing and product delivery strategy reaching the target clients?
- Are our products helping clients to improve their lives, and if so, how?
- How could the product and delivery mechanism be altered to provide the maximum benefit for the minimum cost?

It is also likely that you will be serving several different client segments, whether by age, gender, business type or geographic location. It may be expedient to treat all clients the same in terms of the information system; however, **segmentation is essential so that you can understand the needs of different client groups, and therefore effectively achieve your social goals.**

**Question 2: Who will use the information and how?**

Stakeholders at all levels of the organisation, from the Board to field staff, play an important role in organisational performance management, but they will need different information at different times. The IT Department, working closely with the SPM champion and Executive Director, should **think about the specific needs of various stakeholders** and invite each department to identify their SPM information and reporting needs.

The SPM champion and the Executive Director should act as go-betweens, ensuring that the IT department understands and buys in to the organisation's social goals and that the other departments make reasonable and relevant information and reporting requests. It is crucial that the SPM team and IT department understand the purpose of the information need so that collection and reporting can be streamlined.

**Broadly, you can use performance information to:**

- track performance against targets: monitoring information can be used as a part of a performance management system or just for annual reporting
- signal early warnings: identifying and responding to problems at an early stage
- segment the portfolio: breaking down performance to examine differences by client group, loan officers or regions. Such segmentation improves understanding of different markets and allows for targeted responses to specific problems or opportunities – for example, helping you identify and understand the profile of clients with the highest exit rates
- help clients reflect on changes in lives over time
- analyse clients' use of services: are the services appropriate to clients' needs? By monitoring client use and response to services, you can improve the quality of the services provided.

**Performance information is useful to all stakeholders, but they might not need the same level of detail.** For example, clients could track their individual progress, field officers could assess whether they are reaching their own outreach goals, branch managers could determine if the branch is achieving desired outreach and exit rates to estimate whether they are on track to receive a branch-wide bonus. The Board and executive management would probably want to see information at both the branch and organisational level in detail.

### **Question 3: Who will the MFI collect data from?**

**Clients** Many MFIs collect client feedback, but few consistently use it to make decisions and effect positive changes. You need to be more strategic in determining what information and feedback you need from clients and then collect only that information.

Think about whether you need information from all clients, or if a sample will be sufficient. The **box below** describes situations where it is best to use sampling or census data collection techniques, when the daily monitoring system cannot provide enough information. When using samples, think about whether there are particular groups of clients you want to use and consider gathering information from non-clients as a comparison group.

#### **Census or sample for data collection? It depends....**

A representative sampling of clients may be most appropriate when: an issue arises from the ongoing monitoring system; the budget does not allow for a complex study; the issue needs immediate attention. Typical methods would include focus groups, client interviews or client satisfaction surveys. A census, collecting information from most, if not all, clients, is often used when the information is readily available, (from client files and loan application forms, for example).

**Staff** can also provide valuable insights into emerging issues, concerns and opportunities, especially loan officers and other field staff who regularly deal with clients. Field staff can help you fully understand and interpret client feedback, along with its various nuances and implications. Listening to field staff has other benefits too, as they are likely to feel more involved and satisfied, and may stay in their post longer. The **box overleaf** gives an example of what can happen when management does not heed the advice of its staff, and makes decisions without conducting market research.

→ See Chapter 7:  
Human Resources  
management

### Management learns to listen to staff – the hard way...

An MFI in West Africa noticed that its clients were not graduating to the next loan size. This was because of the increased risk they would have to assume for themselves as well as put on their other group members, who were co-guarantors. After conducting research, the MFI found that many female clients were not able to accumulate assets, particularly market stalls, for their businesses, which would allow them to qualify for standard individual loans requiring guarantees.

Loan officers and all department heads were involved in designing an individual loan product so that clients could purchase fixed assets to tackle this problem. However, management did not take to heart the loan officers' warnings that the clients would not accept a guarantor requirement for this larger loan product. Needless to say, the initial results were below expectations, and despite significant marketing efforts, few clients were interested. Eventually, management dropped the guarantor requirement and product sales improved.

#### Question 4: How often will data be collected and analysed?

This depends on the kind of analysis you undertake, and how often your stakeholders want to use or report on the data. Practical considerations, such as the existing operational systems, may also affect this decision. Often, these considerations lead MFIs to collect information more frequently than is needed. **Remember: how you use information, and how often, will drive how often you collect it.** For baseline information, consider whether you want to collect it on a daily basis as clients enter, or on a sample basis (either annually or more frequently). For follow-up information, think about how often you need it: annually? After every loan cycle? Every five years? Whatever you choose, **be careful not to collect information more often than it is needed.**

#### Question 5: Who will collect the data and how?

Your SPM team (or the department in charge of SPM, such as market research) could undertake periodic or annual surveys. Or you could outsource to a local research firm. Day-to-day data collection is likely to be carried out by branch staff, with the data then fed systematically into the MIS. But you will need to weigh up the advantages and disadvantages of having loan officers collect non-loan related data.

Having a separate person collect the social performance information could help avoid conflicts of interest or bias, by allowing clients to answer as frankly as possible without fear of negatively impacting credit decisions. But it might also be the case that clients are less likely to talk openly to someone they don't know. If you do choose this method, be aware that it tends to cost more and involves some logistical planning.

Tip: Look at how financial information is collected as a guide to how to collect social performance information

**Here are some other issues you need to address when considering who should collect the data:**

- Is it a priority that field staff be involved and learn from the process?
- How much time and disruption would it take to complete the task?
- Do staff members have the ability to collect the data correctly? Are they motivated to do so? (Will they be penalised for shifting away from their normal duties?)
- Is there a local research organisation or university that can commit to regular data collection that is not too costly?

#### **Why should staff be trained on data collection?**

One of the most critical steps in adapting your MIS for social performance involves training staff. If you don't provide good training and follow-up, staff might interpret the same data collection questions differently (such as for client income and expense data), which would limit the use of the data for decision-making. Training should not only enable staff to properly collect and analyse the data, but should also be used as an opportunity to explain the purpose of the changes to build staff commitment and buy-in, which ultimately tends to improve consistency of data collection and quality.

You can collect information as part of the loan application process, as part of other existing forms, or with a new form. There are pros and cons of every method of collecting information from clients (see **Table 6.1**). But remember that you should also collect information from other groups, such as competitors and non-clients.

**Table 6.1: Different methods of collecting data from clients: pros and cons**

Method	Pros	Pros	Cost*
<i>Routine / Regular</i>	<i>Comprehensive and covers all time periods</i>	<i>Data needs to be entered into database to be useful</i>	<i>\$\$</i>
Loan applications	If trained and supervised properly, loan officers can collect important baseline/market profile data at little cost additional cost to MFI. This builds on existing processes and is easy to conduct quality control.	Adds to time taken to complete loan application and may have data quality issues without proper field staff training.	\$
Client visits	Visits by staff, such as internal auditors, can collect information on staff performance and satisfaction with the MFI's services that can be used to improve policies, products and procedures.	Clients can feel uncomfortable giving critical, yet constructive, feedback to MFI staff.	\$\$
Suggestion boxes	Creates a format for clients to share new and innovative ideas, as well as how to improve in ways that can save money and increase outreach for the MFI.	A lot of information goes unused, as the open-ended format can be hard to make comparisons, and it is difficult to know when a recurring complaint is a big issue. Many clients may not be able to read; or putting a suggestion in the box involves visiting the branch, which may be far away.	\$
Exit interviews	Good way to understand reasons for exit, and serve as a last chance to retain client.	Difficult to get disgruntled client to take time to give feedback.	\$\$
Informal feedback	Through field staff interactions, and discussions during monthly/quarterly staff meetings.	Need to structure and report information systematically and loan officers may simply not have the time.	\$
<i>Occasional</i>	<i>Can be adjusted for new and specific inquiries</i>	<i>Can be expensive and time-consuming</i>	<i>\$\$\$</i>
Surveys	Can be used to monitor client satisfaction as well as to conduct market research for new potential markets and products	Results depend heavily on whether the right questions were asked, in the right way, to a representative sample.	\$\$\$
Focus groups	Helps to better understand survey responses, capture concepts in clients' words/perspectives.	Requires clear guidelines, good coordination and strong facilitator and rapporteur to yield usable information. Can be expensive if try to have a representative sample. The tool overall is qualitative in nature, so the results cannot be validated in a statistically significant way. Infrequent application means not useful for day-to-day management decisions.	\$\$\$
Impact studies	Good for identifying broad range of impacts on client's family.	Can be expensive if done in statistically significant manner (with a non-client comparison group). Important to account for drop-outs. Prone to criticism due to difficulty with attribution.	\$\$\$\$

\*The more \$, the more expensive in terms of direct costs and staff time.

### Question 6: Where and when should data be collected?

The three most common places to collect information are:

- at the client's home
- at centre meetings
- at the client's business premises.

Visiting the client's home or business is imperative as answers can be visually confirmed, which is important for protecting data quality. But such visits can be costly in terms of time and money, which may limit the sample size.

If you provide microenterprise loans, it's essential to collect information at the client's business or home

### There are certain times when it is important to collect data:

- during the loan application process, loan disbursement or loan repayment
- after a client has exited the programme
- during loan supervision visits
- during group meetings
- during special group meetings or through visits (eg, focus groups).

The most common and probably most efficient way is to collect data during normal operations (such as the loan application process). But it's important to bear in mind that the timing of data collection can influence the client's answer. For instance, during the loan application process, the client may be short of cash and may give a different answer in order to get a larger loan.

**Fonkoze**, in Haiti, has employed social impact monitors who are located in branches. Their role is to analyse the poverty status of incoming clients and track changes over time, and to research client needs and experiences (focusing on client satisfaction and retention). Based on their findings, they recommend ways for Fonkoze to improve existing services and introduce new products. The social impact monitors use a number of tools, including:

- An Evaluation card, which has an embedded Progress out of Poverty Index (PPI) set of questions. They also use their own tailored questions that allow them to place clients in the right programme (based on their poverty level), and monitor their progress over time.
- Regular focus group discussions, which explore issues relating to the design and delivery of products and services.
- Exit interviews, which find out why individuals leave the programme and what changes might have kept them in.

### Question 7: Who will process the data and how?

Whoever has the responsibility for collecting the data will usually also process it. How to process the data will largely depend on the resources you have available, in terms of staff, time and money. Ideally, field staff will have electronically entered the data, in real time, while talking to clients. However, in reality, very few MFIs have this capacity; often, they use a two-step process, whereby field or administrative staff write clients' responses on the paper form, and then enter the information from the form into the database. The data can be entered into an integrated database (preferred method) or a separate database set up for the sole purpose of social monitoring. (Alternatively, the data may be kept in manual form.)

**Here are three tips to consider in terms of who will process the data and how:**

- Make sure that procedures to ensure checks and balances are in place so that responsibilities and lines of supervision are clear.
- Manual systems are simple and less costly, but are time consuming. They may be most appropriate for an annual survey.
- Some MIS systems only process and analyse group data versus individual client data, causing some group lenders to begin tracking all individuals within the groups.

### Question 8: What data analysis will be done and who will do it?

When deciding how to analyse social performance data, it will be helpful to consider how your financial performance is monitored and analysed. Data on financial performance is used by staff at all levels of the organisation, and staff are generally able to analyse information relevant to their job. Rather than centralising information and communicating results to field staff and branch managers, they are able to see information themselves and carry out their own analysis.

Your MFI needs to monitor data and trends, using trigger points to flag worrisome trends. These should be explored using follow-up investigation to understand the reasons behind the trends. This can mean using more qualitative techniques, such as staff and client interviews, focus groups, but it doesn't have to be a complex or long-winded process. The **box overleaf** provides an example of how Unitus, a support organisation, helped partner MFIs analyse social performance data and take simple actions to address the issues.

### Unitus helps MFI partners get to the root of the problem

Unitus advised its MFI partners to construct “use cases” – best estimates of causes, and how they may affect certain observed results, much like a process mapping exercise. Unitus recommends that the MFI start with the initial observation: What do we see that is troubling or at least worth investigating further? (Eg, the MFI finds out that new clients are above the poverty line, contrary to the desired result.)

Using the best means available, the MFI then traces back to a probable underlying cause, often one aspect of its operations, such as incentives that encourage outreach to better-off clients. If an operational procedure is linked to a gap between actual results and desired results, the MFI can then realign the activity to its mission and strategy (eg, “Our mission is to provide the poor with financial services, therefore we will redesign the incentive system to reward loan officers for their success in reaching out to poorer clients.”)

### Some types of analysis can be conducted by both field staff and management, such as:

- tracking performance against targets
- identification of patterns and trends
- understanding of issues related to clients
- simple portfolio segmentation (identifying clients with big, small, or no changes)

### However, senior management (or external specialists) should take responsibility for more detailed analysis, such as:

- analysing the percentage of clients experiencing a positive or negative change
- time series analysis which tracks client progress over significant periods of time
- complex portfolio segmentation looking at what changes are linked to certain client variables, or identifying characteristics of clients with greatest or least change or exit.

Different level of staff manage performance in different ways. Make sure they have the data they need

These types of analysis may be needed to explain certain results and to link changes to specific factors. Find out if local consulting organisations or your regional microfinance network can provide help in this area.

Remember, you need to implement a formal process for analysing data (including deadlines and specific responsibilities for staff) and a detailed policy on how the organisation will use the data and related recommendations.

### Question 9: How will the information be communicated and reported?

When staff understand that information is used to improve performance, and see the practical results of data collection, the quality of the data they collect will improve. You can facilitate this by designing effective mechanisms to report social performance information. Start by thinking about how you communicate and report on financial information, and look for ways to build on this. Make sure you create feedback loops for field-level information to go up to management, and back down again to staff and clients. **Good reporting formats are designed to facilitate analysis and understanding by those who are going to use the information and make decisions based upon it.**

For example, **Table 6.2** presents a sample report from NWTF in the Philippines. The table presents poverty status (collected through the PPI) by loan cycle. They are also able to disaggregate poverty status by loan size, type and age of business, number of businesses, poverty level on entry, repayment rates and movements out of poverty. By having timely and clear information on which types of clients are making progress and when, management can make more effective decisions about how to adjust their services, and respond to problems as they arise.

**Table 6.2: Sample PPI report, NWTF**

Loan Cycle	No. of Clients	Bottom 50% below national poverty line	Top 50% below national poverty line	Between national poverty line and \$2/Day	Above \$2/Day
1	13,730	<b>35.90%</b>	23.34%	8.26%	32.48%
2	5,625	<b>36.35%</b>	23.59%	8.35%	31.70%
3	3,306	<b>35.85%</b>	23.76%	8.36%	32.02%
4	3,002	<b>34.68%</b>	23.08%	8.42%	33.81%
5	2,477	31.40%	22.96%	8.75%	<b>36.88%</b>
6	2,133	31.27%	22.57%	8.68%	<b>37.47%</b>
7	1,816	30.00%	22.28%	8.72%	<b>38.99%</b>
8	1,883	29.10%	22.42%	8.84%	<b>39.63%</b>
9	1,735	27.98%	21.68%	8.94%	<b>41.40%</b>
10	5,481	24.52%	20.91%	9.18%	<b>45.38%</b>
	41,188				

## Building a robust MIS – Prizma’s experience

Prizma's social performance information system consists of three core components:

**1. Poverty status monitoring** (see box on ‘Prizma’s poverty scorecard and social indicators’)

**2. Exit monitoring** Using a short, semi-structured interview, field staff conduct exit monitoring twice a year, to find out: Who leaves and why? How many clients leave? What are the characteristics of clients who exit?

**3. Focus groups** Provide information on how Prizma is reaching and serving its target clients, and how its services are changing clients’ lives. Questions discussed include: Which groups does Prizma reach? Which groups are excluded? What kind of products and services should it develop to better reach and serve its target clientele?

The MIS can generate a custom report that provides aggregate poverty scores for any segment of the client base, or by any of the 30 other variables in the system. Its capacity to segment its market helps Prizma to design the right products and services for its target clients. For example, the poverty status and exit monitoring data enable Prizma to segment its market to identify the characteristics of clients who are most vulnerable to performing poorly and eventually leaving the programme. If these vulnerable clients are strategically important, more attention can be invested in retaining them.

The MIS also supports: the staff incentive schemes; delinquency management; business plan projections; and branch performance comparisons. It strengthens ongoing market research activities, strategic positioning, product promotion, and branding. Focus group discussions enable Prizma to investigate the reasons behind the patterns and trends in client status highlighted by the monitoring data.

Overall, the new system has provided stronger, more timely and more accurate reporting, tighter internal control, and the ability to manage multiple products and increased scale. All employees are able to monitor branch and loan officer performance, portfolio quality, or other institutional or client data. Staff access to critical performance data has been at the heart of Prizma’s effort to build strong decentralised profit centres, greater staff ownership of and accountability for individual and team results, and consensus for management decisions intended to strengthen both the institution’s financial health and its ability to fulfil the mission.

## How should you integrate changes into the MIS?

When you have identified your information needs, you should look at how to meet those needs. MFIs currently integrating SPM have opted for one of three ways of doing so:

**1. Extract information from existing sources.** The first, and most cost-effective, approach – using the information you already have – involves extracting data from sources such as the loan application form, targeting and performance tools, exit surveys, impact assessments, and many others, in order to track social objectives.

Build on what you have

**Table 6.3** shows some common examples of potential information sources. Once the management team knows what information is currently available, they can make an informed decision about gaps that require new data collection efforts.

**Table 6.3: Where to find information about your social objectives**

Administrative systems	Client information	Organisational information
Loan application form	External impact survey	Management meetings
Client intake form	Internal impact survey	Interviews with members of the Board of Directors
Loan utilisation checklist	Participatory research (eg, participatory wealth ranking)	Individual conversations with staff
Loan appraisal	Progress out of Poverty Index	Focus groups or other types of meetings with field staff
Client passbook	Cashpor Housing Index	
Internal audit report	Means test	
External audit report	Focus group with clients	
Financial reports	Individual in-depth interview	
Client monitoring system	Client satisfaction survey	
Credit report	Visits to clients' businesses	
Strategic plan	Visits to clients' homes	
Business plan	Client performance assessment by international agencies or government	
Annual operating plan	Internal social audit	
External donors report	External social audit	
Regulatory body report		
Management information system		

Source: Imp-Act Consortium SPM training course

**2. Improve upon existing technology.** Some MFIs may stop at the first option above. However, after further investigation, management may realise that the social data being collected is inadequate, or the data quality is insufficient (see section on 'typical challenges' below). Improving the current system would probably take a fair amount of staff time over a couple of months (compared to the option below or a complete overhaul). You might decide that certain data need no longer be collected in order to reduce the volume of information required and the demands on staff time.

### **Improving MIS – the experience of the Micro Development Fund (MDF) in Serbia**

One of MDF's first tasks around SPM was to review its current information system's ability to track and report on social performance. The review identified a gap in effectively tracking client income levels over time. MDF collected indicators around consumption level and poverty status. However, the MIS was not designed to track what happened to a client between the first loan cycle and subsequent loan cycles.

The information was in the MIS; but the only way to analyse the data was to extract samples and analyse each case individually – a manual and time-consuming process.

Ultimately, MDF decided to analyse data for a small sample of clients, as this was the only way to produce crossover reports, owing to the technical limits of the MIS. They decided to take a sample from the current system in order to produce immediate results, and to avoid incurring significant costs at this stage. For more efficient reporting options with long-term effects, they would need to upgrade the existing MIS to produce crossover reports.

**3. Build on the existing technology platform.** Some MFIs find that their current system and processes cannot support all the identified social performance needs, regardless of the amount of tweaking. In these cases, they decide to add new tools, such as the Grameen Foundation's PPI, on to the existing MIS. This would involve significant reengineering of processes, taking up significant staff time, and may also require external technical assistance in the implementation phase (as well as training time for field staff).

**If adapting the current technology platform or building add-ons to it is too difficult or too costly, you could consider setting up a smaller, separate database to track social performance.** You need to weigh up the benefits of starting from a blank template (thereby being able to add several features that may not have been possible with the existing MIS) with the potential negative consequences of trying to maintain multiple datasets. There are four main **potential disadvantages**:

1. Separate, unlinked databases limit the extent to which you can conduct correlation exercises with other data you have.
2. Databases that are fed from different sources for different purposes often duplicate certain data, such as a client's name or address. These often evolve into non-standard formats that make it difficult to merge the two when required.
3. Separate databases in separate departments be a barrier against communication or collaboration between departments. Departments may think in terms of 'theirs' and 'ours', rather than all data being 'ours'.
4. Separate databases are not conducive to the core aim of SPM, which is to integrate a social lens into the existing operations and performance management system.

We therefore recommend that you try to integrate social performance data into the main database. But you may want to create a separate database as an interim solution before tackling the process of adapting your current MIS. If you decide to do so, ensure that 'linking fields' are incorporated, so that the new system can talk to the existing one. Eg, a linking field might be a unique identifier (such as client identification number or loan identification number) that allows you to make use of integrated datasets on clients or loan products.

### Where can you find help to adapt your MIS to SPM?

Redesigning or modifying the technology platform can seem overwhelming, especially when faced with technical and financial constraints. Your MFI peers, regional networks and other support organisations could be a good place to find help and guidance. CGAP (the Consultative Group to Assist the Poor) also has an Information Systems Fund that can provide up to US\$15,000 for a consultant to help improve the management and reporting of social performance data.

Visit  
[www.isfund.org](http://www.isfund.org)  
 for more  
 information

## What does it cost to modify your MIS for SPM?

As noted in Chapter 2 on ‘Getting started’, adapting your MIS to SPM will probably be the most costly undertaking, in terms of staff time and money, compared with other operational areas. But it is difficult to accurately estimate the costs of integrating SPM into the MIS system. Notwithstanding this difficulty, it has been estimated that a robust SPM review and resulting changes to the MIS could cost US\$10,000– \$20,000, not counting staff time. CRS’s MISION project helped FINDESA to adapting its MIS system for approximately US\$40,000. For ongoing expenses, NWTF in the Philippines found that integrating the PPI into its MIS cost approximately 1.4% of its annual operating budget, or US\$0.50 per client per year. The Grameen Foundation has approached the issue by creating an information system (Mifos) that incorporates a survey module directly and allows for extensive flexibility in incorporating new data.

## Do I need new indicators to track social performance?

If information gaps mean that you need to build on your current MIS, you should only consider which indicators to choose when you have completed the process of answering the nine questions on your information needs. Jumping too quickly to selecting and implementing social performance indicators, without thinking through your specific information needs, will cost more time and money in the long run. When starting out, we recommend that you identify just a few critical information gaps to focus on: those that are essential to understanding your social performance. The SPM team should consult the executive management when choosing indicators. One option is to follow the approach used in a recent SPTF survey, which asked MFIs to prioritise the indicators based on organisational relevance, ease of collection (including financial costs), and likelihood to yield quality results.

### What kinds of indicators should I consider?

MFC’s Strategic Management Handbook states that indicators are considered to be either ‘process’ oriented (covering intent and design and internal systems) or ‘results’ oriented (covering outputs, outcomes’ and impact’). For results-oriented indicators, you will want to track social performance according to three areas:

- outreach to target clients
- clients’ use of services
- benefits created for clients.

→ Annex 5 contains the proposed common social performance indicators

Make sure that you think through the technical and resource implications when choosing certain indicators. For example, the way in which exit rates or poverty levels are defined can have significant implications on costs and resources required for data collection and reporting. In some cases, you may be able to identify proxies for measuring impact, which can simplify the data collection process and reduce related expenses. Furthermore, some indicators, even the ones being developed by the SPTF, may not be relevant for every MFI. **The key is to measure what you value – because you can only manage what you measure.**

#### Prizma's poverty scorecard and social indicators

Prizma, in Bosnia and Herzegovina, has developed a poverty scorecard to measure clients' poverty status upon entry and over time. It chose seven indicators to track: three reflecting poverty risk categories (education level, residence and household size) and four tracking indicators of livelihood (household assets, transport assets, meat consumption and sweets consumption). Prizma validated these indicators with the 2002 Bosnian Living Standards Measurement and found that they were some of the most robust measures in the country.

Five of the seven indicators have possible scores from 0–1, and two of them 0–2, with a total of nine possible points. Clients are then assigned to one of three poverty categories:

1. 0–2 (poor and very poor)
2. 3–4 (vulnerable non-poor)
3. 5+ (non-poor)

These indicators have several advantages, including accuracy, credibility, adaptability, and cost-effectiveness (as four of the seven indicators already existed in the MIS).

## What typical challenges do MFIs face when adapting MIS for SPM?

As DEF's story shows, the real challenges around MIS and social performance often involve the need to use information effectively. Other challenges typically faced by MFIs include:

**Data overload.** There is a constant need for MFIs to balance having too little data with having too much.

**Unreliable data.** The data collected to track social performance is often found to be unreliable or missing, and therefore is insufficient to draw conclusions. This is often a human resources issue. The quality of data collected on loan application forms may be suspect, due to incentives on the part of the client as well as the loan officer to distort the information (for instance, by overestimating client income).

**Ensuring staff capacity to collate and analyse data.** In many cases, MFIs will need to hire staff with strong analytical abilities and/or provide detailed training on how to conduct analysis. Think through how the data will be collated and analysed, to make sure that the information collected is meaningful and compiled in a way that will be useful for the analysis and decision-making that should follow.

**Off-the-shelf versus customised, 'in-house' technology.** MFIs who acquire pre-packaged platforms may find that the technology falls short of their social performance data analysis and reporting needs, which means they have to spend even more time and money making adjustments. 'In-house' technology can be ideal, but can require significant upfront and ongoing costs that involve external consultants and internal specialists.

## How can you overcome these challenges?

We recommend a number of tips to address the challenges identified above.

**Just get started!** Don't wait for industry experts and forums to debate and agree on standard social indicators and other measures of social performance. As long as you have done the necessary preparation, you should be able to choose indicators that are important to fulfilling your mission, while making use of the reference material available from the SPTF and other resources.

**Accept that mistakes are part of the learning process, but make sure you learn from them.** SPM, especially in terms of information systems, needs to be a highly iterative process, and you will make mistakes along the way. What is important is that the organisation learns from those mistakes and adapts as needed. Pilot testing will allow you to make mistakes while not adversely affecting the organisation's entire operations.

**Use what you have.** Using technology and systems already in place will help to avoid high hardware/software and consulting costs, as well as training and other demands on staff time.

**Prioritise what data you want to collect and keep it as simple as possible.** When starting out, you may want to track and analyse just a few indicators (3–5). Smaller or less well established MFIs may find it easier to adapt their MIS to meet SPM demands; however, they often have limited financial and human resources, and might need to add them gradually. The **box below** gives an example of how one MFI successfully streamlined its MIS.

### ASHI simplifies its MIS

After conducting a social audit using MFC's Quality Audit Tool, ASHI, an MFI in The Philippines, found that it was collecting significant amounts of data that were rarely used in decision-making or general reporting. Staff members were especially concerned, given the amount of time they spent collecting the data.

Using Grameen Foundation's process mapping tool, ASHI was able to identify critical steps to ensure the data they did need were included in the MIS, eliminating data points that were redundant or unnecessary. ASHI now tracks just under 10 social indicators, collected on one simple "business rating sheet", and is now able to enter the data consistently after every loan cycle.

**Improve data quality through communication, training and internal control.** Clear and effective communication – especially clear explanations of the purpose of the data collection – will help you achieve staff buy-in. This will in turn facilitate client buy-in and ensure the flow of important feedback to management. Human resources' recruitment and training efforts can help ensure that staff members know how to collect and analyse data correctly. Finally, internal control mechanisms will help you to verify the quality of data entered, and flag important issues related to data quality.

### Summary points – Strengthening information systems

- Start by assessing your information needs and using the systems you already have.
- Try to integrate SPM data into existing databases (only rarely will a completely new technology platform be needed).
- Cut back on data that is collected but not used.
- Data analysis requires you to understand the reasons behind a certain trend, and qualitative approaches will be most useful to you in this instance (such as focus groups and client interviews).
- To ensure data quality:
  - Be clear about why you're collecting information. If it's to report to donors, be strict about data quality. On the other hand, rigour is probably less of an issue if information collection is simply a means to facilitate a conversation between field staff and clients about changes in clients' lives.
  - Carefully plan the data collection process, avoiding unnecessarily complicated methods or approaches that might bias clients' responses.
  - Through your internal control processes (and the technology platform if possible), create systematic checks for data quality, such as screens that will not allow the user to proceed unless certain information is entered.
  - Provide adequate training and follow-up for staff on how to collect, analyse and use the information for effective decision-making.
- To build buy-in and ensure better results, explain to staff and clients why you are collecting data and how you will use it.





**Name:** Annie Alip  
**Organisation:** CARD MRI, Philippines  
**Position:** Director of Research Unit

**CARD's mission is:** To build sustainable financial and capacity building institutions owned and led by socially and economically challenged families

**To provide** continued access to integrated microfinance and special development services such as Credit with Education, leadership with a heart and innovative community programmes to an expanding membership base by organising and empowering women and their families

**To continue** upholding the highest standards of stewardship of financial, human and institutional resources.

“Recently, CARD Bank and NGO have undergone tremendous growth, from 26,000 clients eight years ago to 600,000 now. We have focused on financial performance and sustainability – with a few mis-steps along the way. At one point we had a significant exodus of clients. It seemed like a problem of ‘good clients’ versus ‘bad clients’, but when we looked closer it turned out to be a human resources problem.

“We discovered that some clients were being mistreated by staff. Exit rates were unusually high, so we decided to conduct an exit survey, and found that field staff were overly concerned with disbursement and repayment of loans. So, when clients ran into trouble, some staff forced other members to take out new loans in order to cover for those that had defaulted. We learned that in some cases staff even used abusive language. Furthermore, they did not always record the payments they collected properly. When we discovered this, we fired a lot of people, because their behaviour went beyond ethical limits. We also retrained everyone in the organisation – from top to bottom – on their responsibilities towards clients, and created monitoring checklists for each transaction.

“In the end, although it was a difficult time, it was a wake-up call. We realised we needed to refocus on our core mission and values. We devised a clear action plan, which we have been implementing ever since. But one of the most difficult challenges continues to be field staff buy-in to the process.

“We wanted to shift our focus back to the poor. Our new goal is to have at least 10% of clients who are very poor, and a majority of clients below the poverty line. Many staff resisted this at first because it meant shifting from joint to individual staff accountability. To overcome this, we did three things: 1) trained staff on achieving why our mission is important, and involved them in setting and achieving our social goals; 2) established clear communication with field staff about our action plan; and 3) created a working environment that meets our staff needs and makes them proud to be a part of CARD.

“We’re serious about our mission. It doesn’t matter whether you work for CARD Bank or the NGO – staff members have the same responsibilities, rank, and pay scales. Also, in our management communication monitoring forms, we’ve incorporated social indicators, such as the extent to which branch staff conduct exit interviews of all exiting clients and administer the PPI tool for all incoming clients. We also invest in staff – for instance, by offering school scholarships for them to pursue postgraduate courses.”



## Introduction

**CARD** offers an example of how important human resources are to achieving the social mission. Resistance and misunderstanding from internal stakeholders (the Board, management and staff) are probably the most common issues faced by MFIs trying to undertake SPM, particularly in the context of growth. Not only do employees need to believe in the social mission and be committed to achieving it, but the MFI must also recognise that it has a social responsibility toward its employees.

This chapter highlights the many challenges MFIs face in applying a social lens to all aspects of human resources (HR) management. It answers key questions about how you can adapt your human resources systems and procedures for SPM:

- How can you make sure that your staff share your mission?
- Why is staff training on SPM important?
- Why should you link staff performance to SPM?
- What non-financial staff incentives can support SPM?
- How should you integrate SPM in staff performance reviews?
- How can you ensure that your MFI is socially responsible toward staff?
- How can you make sure employees are satisfied?

## How can you make sure that your staff share your mission?

Your staff need to be fully committed to your social mission. **Effective recruitment of new staff plays a key role in this.** While many skills can be learned on the job, **CARD** believes that being motivated to work with poor people is an ingrained attitude that is difficult to develop if someone doesn't already have that commitment. As a result, **CARD** actively recruits graduates directly from college who have the right attitude toward working with the poor, as well as the aptitude and willingness to learn.

But it's not always easy to convince college graduates to work in communities and areas they don't know (such as rural areas or poor urban neighbourhoods). Many new loan officer recruits see themselves working at a desk in an air-conditioned bank branch, rather than riding a motorcycle out to villages to meet with clients. As a result, some MFIs focus on hiring locals from the area and training them on microfinance. Others hire two types of loan officers: non-college educated locals, primarily for group loans, which require less financial expertise; and college graduates who demonstrate an affinity to the MFI's social mission, for individual loans, which can require more complex analysis.

While MFIs want to hire people who fit the corporate culture and values, they must also have the technical skills and background needed for the position. It can be difficult to be too selective, especially given the limited pool of qualified candidates for certain positions (such as internal auditors) in many countries. Even so, when you are hiring staff, bear in mind that their background and attitude should reflect the social values and/or target clientele that you are aiming to serve.

Once you've hired staff, their job descriptions should be clearly written to identify the links between the position and the MFI's social mission. For example, **ASHI**, in the Philippines, even changed loan officers' job titles to 'Development Officers' to send a clear message that they are integral in achieving its development-oriented mission.

## Why is staff training on SPM important?

Commitment to the MFI's social mission is a good start, but to get the best out of your staff, you will need to provide training on SPM to build buy-in and ensure that staff understand how their work helps the organisation achieve the social mission. All employees can benefit from regular training on SPM, and MFIs can use training as an opportunity to capture staff feedback, enabling it to make changes where necessary so that its management systems are fully aligned with the social mission.

Here's six key points to remember:

- Use orientation or induction sessions to communicate your social objectives and expectations to new staff.
- Provide refresher training to existing employees to maintain the dialogue on SPM and address any issues and employees' concerns that arise.
- Provide training for middle managers as well as field staff, as they are often the bottleneck that hinders effective SPM.

→ See **Table 7.1** for a sample SPM training agenda

- Review the content of your SPM training as your MFI evolves.
- Introduce SPM concepts in small, digestible bite-sized pieces. This could take several months or even years to complete, but it is likely to produce the best results.
- SPM concepts and techniques must be communicated to staff in language that they understand, that is directly relevant to their jobs.

For instance, **CARD's** branch staff were surprised to learn that tracking client exits is considered part of SPM – “Aha,” they said. “So we have been doing SPM in little ways all along!” Similarly, after a training seminar in Mali, one of **Kafoginew's** loan officers exclaimed: “For the first time, I understand the link between my job and economic development!”

Because **ASHI's** mission involves empowering women and their families, it does a lot of staff training on gender awareness and equity, which has implications for clients and staff (the **box below** describes how ASHI's emphasis on gender sensitivity caused it to make changes in its human resource management practices).

#### Aligning human resources with a commitment to gender sensitivity

ASHI, an MFI in the Philippines, has a gender awareness programme, which is detailed in its personnel manual. To put the programme into practice, ASHI created a separate training module on ‘gender sensitivity’ as part of its SPM training, which all staff undergo. Despite its commitment to gender awareness and sensitivity, feedback from staff helped the management realise that its benefits package was not attracting married women with children. As a result, it introduced changes, including offering maternity leave.

Later, ASHI realised that this policy was not gender balanced, and so further changes were made to allow paternity leave too. In conducting these training sessions and being open to staff feedback, ASHI was able to improve its human resource management to better reflect its social mission and at the same time be more socially responsible toward its staff.

**Table 7.1: Fonkoze – SPM training workshop for social impact monitors**

Monday	Activity
9h – 9h 30	Breakfast, welcome
9h 30 – 11h 30	Presentation and questions: social impact
11h 30 – 13h	Intro to Fonkoze programmes & services, MF and solidarity principles
13h – 14h	Lunch
14h – 15h	Participatory group activity: ‘Reflection’
15h – 16h 30	Good interviewing techniques; Q&A

Tuesday	Activity
9h – 9h 30	Breakfast, review of previous day
9h 30 – 10h 30	The difference between a) a study and an interview, b) a questionnaire and an interview, c) communication and an interview
10h 30 – 11h 45	Poverty score card: theory and practice (role-playing with feedback)
11h 45 – 13h	Participatory group activity: 'Reflection'
13h – 14h	Lunch
14h – 15h	Participatory group activity: 'Reflection'
15h – 16h	Logistics: how to send mail, get new forms, prepare expense report; Q&A
Wednesday	Activity
9h – 9h 30	Breakfast, review of previous day
9h 30 – 11h	Communication in the branch
11h – 12h	Data entry and data management
12h – 13h	HR, logistics
13h – 14h	Lunch
14h – 16h	Exit interview: theory and practice (role-playing & feedback), Q&A
Thursday	Activity
9h – 9h 30	Breakfast, review of previous day
9h 30 – 10h 30	Grameen Foundation's PPI: theory and practice (role-playing with feedback)
10h 30 – 13h	Focus groups: theory and practice (role-playing with feedback)
13h – 14h	Lunch
14h – 14h 30	Behaviour in the branches; difficulties in the field
14h 30 – 16h	Practice with various tools; Q&A
Friday	Activity
9h – 9h 30	Breakfast, review of previous day
9h 30 – 9h 45	Bi-weekly reports to branch directors

## Why should you link staff performance to SPM?

Many MFIs use rewards and incentives to recognise staff performance, but these are usually linked to financial performance, especially growth and portfolio quality. For MFIs with a strong commitment to SPM, your social objectives should be reflected in your employee performance reviews, promotions and incentive systems.

Performance standards solely based on financial or operational incentives, while meeting the client's need to access a financial service, can encourage unintended behaviour by staff (especially field staff) and may have consequences that affect the client's other needs in a negative way. For example, field staff incentives often address two areas: productivity (eg, number of loans or clients, or portfolio size) and portfolio quality (eg, percentage of delinquencies). These two areas can and do encourage volume (eg, more clients) and lending to low-risk clients, and don't relate to how clients should be treated. Similarly, MFIs with a performance measure requiring a 'no tolerance' delinquency policy may find that its field staff verbally abuse clients who fall into repayment difficulties (or worse).

What signals does your incentive system send to staff?

**When designing staff incentive schemes, try to balance financial and operational performance criteria, and be careful to avoid unintended consequences.** For example, a low delinquency rate target can be counterbalanced by a low exit rate target or by a high client satisfaction score target. By balancing performance measures, you can improve both financial and operational performance in the long term, as they encourage staff to consider clients' holistic needs and concerns.

The box below offers some useful tips on designing incentives linked to the common objectives of increasing outreach to poor female clients.

Many MFIs cite the lack of clear social objectives, and concrete information on them, as the main constraint in linking incentives to social performance.

### Linking staff incentives to poverty and gender objectives

#### If you want to expand outreach to the poor:

- Have an effective tool for measuring and monitoring clients' poverty levels. This could be as simple as monitoring annual sales information from loan applications, or a more complex approach, using the Progress out of Poverty Index (PPI) or other measures.
- Identify indicators that can be measured, and that are within the control of the individual or group – for example, branch-level drop-outs of poor clients for branch managers, or branch-level group incentives and portfolio level drop-outs for individual loan officer incentives.
- Have clear baseline data against which you can measure progress, such as number of clients with annual sales below a certain level or with household income below the poverty line.

#### If you want to focus on empowering women:

- Select proxies of women's empowerment, such as increased access to loans, increased loan sizes, increased influence over use of savings, reduced time spent on household chores, increased understanding of rights, etc.
- Conduct regular client interviews or focus groups to monitor women clients' perceived sense of empowerment.
- Create group-level (ie, branch or region) staff incentives linked to improvements in women's empowerment, in areas identified through the interviews or focus groups.

Some organisations are beginning to implement balanced incentive systems:

**Save the Children** is working with its partners to develop employee incentive systems that will reward loan officers in Myanmar (Burma) and Vietnam whose portfolios have a higher mix of poor clients, with bigger bonuses.

**Prizma** in Bosnia recently revised its performance management system. It uses a combination of individual and group-based incentives, to include depth of outreach, service quality and the financial health of the MFI as a whole. Loan officers are rewarded monthly for performance on a few select indicators, including client caseload, drop-out rates, portfolio at risk, loans disbursed, and depth of outreach. In addition, all branch staff receive a percentage of Prizma's annual surplus as a profit-sharing bonus. This is measured with varying weights set by the Board annually and based on the team's aggregate score across its six core performance areas:

1. Productivity – number of clients per staff
2. Breadth – growth in number of active clients
3. Depth – number of new, very poor clients, as measured by its Poverty Scorecard
4. Efficiency – administrative efficiency ratio
5. Drop-outs – drop-out rate over 90 days
6. Write-offs – annual write-off rate

→ Read more about Prizma's poverty scorecard in Chapter 6

**Prizma's** headquarters staff are also eligible for the annual profit-sharing bonuses, based on average branch performance. This gives them an incentive to ensure the sound functioning of the MFI's operations as a whole. Some MFIs have found that group-based incentives are more effective in reinforcing social objectives, as they promote teamwork and help to avoid unintended consequences (see **box below** for PRODEM's experience).

#### **PRODEM's move from individual to group-based incentives**

In the competitive microfinance environment of Bolivia, PRODEM has succeeded in attracting and retaining personnel by using primarily group-based incentives. While it began with a more traditional incentive system, which rewarded individual loan officers based on the number of clients, average loan portfolio and percentage of loans in arrears, it found over time that the incentive system was having several unintended consequences. Negative consequences included higher staff turnover and more staff being fired as a result of loan officers violating the organisation's policies and procedures. Rather than increasing staff loyalty, the individual incentive system had actually caused loan officers to become more self-focused and to behave less responsibly towards clients.

In 1996, PRODEM converted its incentive programme from a monthly, individual bonus to an annual, branch-level bonus system, which helped staff to take a more long-term approach and be client focused. Nonetheless, some negative consequences remained, including disincentives for cross-branch teamwork and staff resistance to moving to riskier environments where a branch might not be eligible for the annual bonus. As a result, PRODEM converted its incentive system to an annual MFI-wide incentive system, including a pension fund that allows employees to become part-owners of the MFI.

While its incentive system is an important motivator for staff, PRODEM management believes its social mission is the most important motivational tool it has. It reinforces this through new staff orientation, training opportunities and communication channels, including newsletters, emails and its website. It also offers non-financial incentives, including staff development, promotional opportunities, achievement awards and the opportunity to take a sabbatical after ten years' service.

*Source: Eduardo Bazoberry, 'We Aren't Selling Vacuum Cleaners: PRODEM's Experience with Staff Incentives', MicroBanking Bulletin, April 2001*

## What non-financial staff incentives can support SPM?

Non-financial incentives can be just as effective as financial ones in reinforcing employees' social performance. **Grameen Bank**, for example, uses a star system to acknowledge staff members who exceed performance benchmarks. Three of the five stars are related to financial performance, and two to social performance. Staff display the stars on their name tags, creating healthy competition and pride between branches. **Whatever incentives you offer, you should regularly review and monitor their effects, in order to ensure that they are in fact supporting the social mission and not resulting in unintended negative consequences. You should also verify whether staff find the incentive system to be fair and transparent.**

Effective non-financial incentives can include:

- verbal acknowledgements
- public recognition
- training certificates
- participation in a conference or information exchange trip.

## How should you integrate SPM in staff performance reviews?

How your MFI conducts performance reviews and how you make decisions regarding promotions and career development are just as, if not more important than, the incentive systems. Although most MFIs emphasise the importance of their social mission, few have integrated social objectives in their annual staff performance reviews and made clear links between good social performance and career opportunities. Doing so requires clear performance indicators and baseline information.

In fact, many MFIs offer 'fast-track' opportunities for the best loan officers to be promoted to credit manager or branch manager, success being judged primarily in terms of financial performance, such as growing and managing a large loan portfolio. Strong social skills and 'emotional intelligence', however, can be extremely important for effective staff management. **Keep in mind that you should also:**

- Review the performance appraisal and promotion systems (linked to effective information systems) to ensure that it integrates social objectives as well as financial performance objectives.
- Offer clear career development paths and groom staff to become effective and balanced managers.

## How can you ensure that your MFI is socially responsible toward staff?

If you expect your employees to treat your clients well, then you should 'walk the talk' (lead by example) by treating your employees well. **CRECER**, in Bolivia, for example, has created policies that protect women and minorities from discriminatory hiring practices and unfair treatment in the workplace. It has also has salary scales and policies in place to ensure equity of remuneration for all staff, from operational to managerial levels.

Your staff are the public face of your MFI – treat them well, and they will treat clients well in turn.

**In reviewing your social responsibility to staff, ask yourself the following questions:**

- What policies and processes are in place (for instance, in your human resources or operations manual) to ensure that employees are treated fairly? (eg, is there

an objective process for promotions, pay scales and incentives? Do female employees have the same career opportunities and salary scales as male employees?)

- What mechanisms are used to motivate staff (financial and non-financial incentives)? Are they effective? Do they balance social performance with financial performance?
- How are staff given a voice? For example, how are they involved in setting performance management activities and objectives – social and financial?
- Are there mechanisms for employees to report grievances? Are there systematic mechanisms for capturing and responding to staff feedback, such as a staff satisfaction survey?

If you find that there is room for improvement in how you treat your staff, you should revise the relevant policies and procedures to address these issues.

## How can you make sure employees are satisfied?

Just as you are committed to monitoring client satisfaction, you should regularly monitor employee satisfaction. Only then will you be able to assess how well you are managing your social responsibility toward staff. Staff should be able to have some input into management decisions, or at least know that their views have been heard and valued.

**There are a number of ways that you can monitor employee satisfaction and collect feedback on how operations could be improved, including:**

→ See Annex 3 for a sample 'staff happiness' survey

- periodic assessments of employee expectations and/or employee satisfaction surveys.
- regular meetings with supervisors in departmental teams to make sure that management understand employee concerns and needs
- one-on-one meetings with supervisors for individuals to discuss what motivates them to do their job and what their hopes are for the future
- systems to collect employee feedback when employees don't feel safe to communicate directly with their managers, such as official grievance procedures, or naming of an impartial person to represent employee concerns anonymously.

It is important for employees to have guidance on how to respond when difficult situations arise.

To address discrimination and facilitate feedback on equity issues, **SEF** in South Africa has:

- outsourced job dispute proceedings to an external HR firm
- set up a formal sexual harassment procedure, which allows the complainant to report the matter to an external disciplinary court
- set up an employment equity committee.

**By developing systems to collect feedback from employees, your MFI will benefit from stronger staff buy-in and commitment.** Improving your HR systems and operations, as well as keeping employees happy, will contribute to improved efficiency and reduced costs. Building employee feedback mechanisms is extremely important. The box below provides an example of what can happen when such mechanisms are not in place. It goes without saying that there is little point gathering information on employee feedback and satisfaction unless management is prepared to act on it. It is therefore vital that you communicate any decisions resulting from the feedback you receive.

#### **The importance of facilitating MFI staff feedback**

One MFI learned the importance of creating systematic ways of capturing employee feedback the hard way. A number of its staff were frustrated by certain management practices, but had no outlet for expressing their frustrations. As staff discussed their complaints with each other, tensions continued to grow, as they had no way to address them. Finally, they decided to raise the issues with senior management and organised a meeting with more than 30 participants at the executive offices.

During the meeting, there was chaos, as staff shouted accusations against other staff members and demanded changes in management and compensation. While senior management didn't particularly appreciate the haphazard way that its staff chose to communicate its disgruntlements, it recognised that it had not created adequate feedback mechanisms for them to raise their concerns in a more productive manner.

**FIE**, in Bolivia, for example, has used employee feedback to shape its staff satisfaction policies. As a result, many FIE employees express their appreciation of working for an organisation whose culture allows them to balance work with family life. It has set up a number of programmes, which include:

- FIE Family Day – an annual picnic where all staff and their families are invited to celebrate the MFI's successes and get to know each other
- Three 'personal' days per year that employees can use as needed to deal with private emergencies, or to take a 'mental health' day, without having to explain why they need it to management
- On birthdays, staff get to meet with the general manager and get a half-day off
- Employees' families are automatically enrolled in the national health insurance programme
- Outstanding student awards go to employees' children who are eligible
- Childcare bonuses are paid to reduce the financial burden of working parents

### Summary points – Human resources management

- When recruiting new staff, find ways to assess their commitment to the social mission.
- Present social performance strategy during orientation/induction (for new employees) and via refresher courses (for existing employees).
- Train employees on any new social objectives or tasks that affect their job.
- When giving new tasks or responsibilities to staff, try to relieve them of others, to make sure they're not overburdened with work.
- Create systematic ways for staff to provide feedback on your social performance strategy and activities. Involve them in the planning of such activities whenever feasible.
- For staff performance monitoring and incentives, balance financial and operational performance targets with social performance targets:
  - Be careful about incentives; group-based social performance incentives often work better than individual-based ones.
  - Ensure that the performance appraisal system is transparent and understandable.
  - Periodically check to make sure that incentives are producing the desired behaviour and performance levels.
  - Consider non-financial incentives such as staff appreciation days, branch recognition or competitions, an extra day off, etc.
- Treat staff well! Happy employees do their job well and treat clients properly. (Reinforce this by ensuring that policies such as gender equality are in place and are enforced, and provide a mechanism for staff to raise grievances.)





**Name:** Artur Bala

**Organisation:** Enda, Tunisia

**Position:** Researcher, Research & Development Unit

**Enda's mission** is: to contribute to improving the living standards of all Tunisians through high-quality, innovative and inclusive financial services, provided by a socially and environmentally responsible leader institution.

“SPM has helped us both improve our services and reach out to more clients. The first step for us was to go back and review our mission to see how we were performing. In doing so, we saw that we were too focused on clients with businesses, whereas our newly adopted mission was guiding us to serve all Tunisians. As a result, we understood the need to improve our products and services to serve a wider client group.

“What did this change look like for ENDA? Well, it meant adding new products, adapting our current ones, and also adjusting operations to accommodate these changes. First, instead of just business loans, we looked at what clients actually needed. This led us to start offering loans for education and home improvements – which would appeal to a broader client base (such as clients' household members who are waged employees), not just people with businesses. We also listened to clients when they told us they wanted easier access to loans, so we streamlined our loan approval and disbursement procedures.

“However, the decision to target new clients and to change the delivery mode caused reluctance from our loan officers. They were concerned that they would not be able to build a rapport with the new clients, while still being responsible for collecting their loans. To address this problem, loan officers will be specially trained to handle large loans, including those for home improvement.”



## Introduction

→ Read Chapter 3 to learn how to align your culture, products and delivery mechanisms to your mission.

There are a number of social performance issues related to clients. These range from how to protect clients from harm, to how to understand and respond to their specific (and differing) needs and preferences. There is also the issue of how to create a customer service-oriented culture. These should be concerns for any financial institution.

This chapter discusses how MFIs have applied a social performance lens to the operational challenges involved in listening to and serving their target clients. It does not tell you how to listen to your clients better or how to create a better customer service model. For this, there are plenty of other resources that can help you (see the list at the end of this guide).

You need to consider the following key questions on client service issues:

- How should you protect your clients?
- How can you make sure you're using client feedback effectively?
- How do packaging and marketing influence your ability to reach your target clients?
- How can you ensure the consistent delivery of services to meet client needs?
- How can you create new products to meet client needs?
- Why is creating a customer service-oriented culture important?
- How can you ensure that your employees treat clients well in all situations?
- How can you create a public image as being customer service-oriented?

## How should you protect your clients?

Client or consumer protection has been a topic of serious debate lately, both within the microfinance industry and more broadly, in relation to banking. Unfortunately, many developing countries lack the legal and regulatory framework to adequately ensure that clients are protected from being harmed (intentionally or unintentionally) as a result of financial services. Nonetheless, as an institution with a social mission, your first commitment to your clients should be to “do no harm”. In other words, **all MFIs (whether for-profit or non-profit) have a social responsibility to protect their clients.**

Out of a commitment to its mission, all **Microfinance Network** members and **ACCION** International partners created and adopted the Microfinance Pro-Consumer Pledge in 2004. This pledge puts forth a set of principles that, if properly applied, will protect client interests. **The following tenets should be considered the minimum for a socially responsible MFI.**

### Price your products fairly

While microfinance interest rates generally need to be higher than traditional bank lending rates (mainly due to higher cost structures and smaller loan sizes), sometimes MFIs charge their clients more than is necessary. **Fair pricing should be part of the equation for all products and services: savings, insurance, remittance transfers, etc.** While there is no one clear way to determine what a fair price is, unfair pricing usually results when there is a lack of competition. This allows an MFI to charge high interest rates that generally either cover operational inefficiencies, excessive profit-taking or rapid growth.

As **Alok Misra**, a microfinance consultant, explains, “Many MFIs are inefficient and should find ways to improve their cost structures and pass on the benefits to their clients. Often this can be done without resulting in lower profit margins.” The **box below** describes how an MFI in Bolivia, **CRECER**, was able to reduce lending rates for its clients in this way.

#### Improving product pricing by reducing costs in Bolivia

CRECER, in Bolivia, went through a process of examining its cost structure to identify ways to provide more benefits to clients, to respond to client feedback and to become more competitive in the market. As a result of this review, CRECER was able to reduce its interest rates from 3.5% to 2% per month. By increasing efficiency and improving productivity while incrementally reducing the rate, CRECER was able to undertake this move without affecting profitability.

## Price your products transparently

Your marketing materials and communications should **give clients full information about the true costs they are paying for loans and transaction services, and how much they are receiving for savings.** While all clients understand that paying a low interest rate on a loan is better, few can calculate the effective interest rates when factoring in a declining (rather than ‘flat’) rate of interest, and associated fees such as loan origination charges, membership fee, compulsory loan insurance. The **box below** gives information on a new transparency initiative that MFIs and their clients and advocates alike will be able to use.

### Microfinance transparency initiative

Chuck Waterfield, of Microfin, has begun a new transparency initiative called **MF Transparency**. The website will present information on loan products and their pricing in a “clear and consistent fashion” by disclosing repayment schedules for each product and calculating the “true” price through an APR (annual percentage rate) calculation. For more information, visit [www.mftransparency.org](http://www.mftransparency.org).

**Transparent product pricing should be done regardless of your clients’ level of education.** If your clients cannot read, written materials will not be appropriate; instead, you will need to train field officers to convey the pricing message using culturally appropriate analogies and specific examples.

## Avoid over-indebting your clients

This is linked to the importance of transparency. Both forms of client protection are part of **AMK’s** official Client Protection Code (see **box overleaf**). When qualifying a client for a loan, in most cases except for start-ups, **loan officers should make sure that the client has sufficient and stable sources of income to repay the loan, as well as checking to see what other outstanding debts they have that could hinder repayment.**

In **AMK’s** case, the internal audit department continues to verify clients’ level of indebtedness, even after loan disbursement. MFIs, especially those in regions with significant microfinance market penetration (such as Bolivia), may want to work with local competitors, banks, and even local governments to coordinate the sharing of information or encourage the creation of a credit bureau if feasible.

**AMK's Code of Practice for client protection (adopted in 2005)**

1. Maximise the inclusion of the poor and other marginalised populations who meet AMK's other criteria for selection
2. Minimise the exposure of (poor) clients to financial products that may prove harmful if they promote over-indebtedness.
3. Provide complete information to clients about policies and procedures, and ensure complete transparency in transactions.
4. Facilitating and promoting complete freedom of choice to clients.

**Protect clients' savings**

Using client savings to fund the loan portfolio implies higher risk and responsibility for an MFI than for a lending-only institution. MFIs are rightly required to meet higher regulatory standards when it comes to offering savings products, as microfinance clients cannot risk those savings. Information on your use of funds and reserve balances, as well as interest margins, should be transparent, and in the public domain.

**Treat clients fairly and with respect**

In recent times, this issue has revolved around ensuring appropriate debt collection processes. All clients deserve to be treated with respect, even when they have failed to repay their loan on time. As one loan officer explains about repayment issues, "bad things happen to good people".

There are a number of reasons why loans are not paid on time. **You should begin the debt collection process by trying to understand the client's situation and perspective. Intimidation or bullying is never appropriate**, and can result in negative repercussions for your MFI. A client of a bank in India, for example, committed suicide as a result of the humiliation he endured through mistreatment by the police acting as loan collector proxies for the bank. And in a separate incident, staff from one branch of an MFI were accused of kidnapping a child and holding her ransom until the loan was repaid.

**It is your MFI's responsibility to make sure that there are clear guidelines for the loan collection process and that these are adhered to.** Many of the issues around aggressive loan repayment tactics can be linked to inadequate staff training on customer service, and incentive structures that encourage 'zero tolerance' delinquency policies.

There are other ways that clients can be mistreated or have grievances. You should **consider creating a formal grievance system for clients so that they can file a complaint anonymously**, without fear of recourse, and with the knowledge that the MFI will actually act upon the information in a timely manner.

## Convenience to clients

You should also **consider the potential negative consequences of how you deliver** services to clients, such as the amount of time a client must wait to secure a loan, how far they must travel to participate in a group meeting or to receive a loan disbursement, etc. For example, if a client borrows money to increase the working capital of his or her business, but loses a day of selling products to complete the paperwork, the loan may actually hurt the business more than it helps.

## Protect privacy of information

Few developing countries have well-established frameworks for protecting a client's rights to privacy of information. Clients' financial information, however, is perhaps the most important to safeguard, especially as it relates to their personal security. There have been incidents, for example, in Asia and Africa, where female clients have suffered physical abuse as a result of husbands or others finding out about their savings or loan accounts. While some cultural contexts require that husbands know about debts incurred by their wives, in others it may not be appropriate for them to have access to such information. **You should err on the side of caution** and work to protect client information from falling into the wrong hands. Ideally, you should **create a policy that no information will be released to outside sources without the client's consent or at least knowledge**.

## Reinforce ethical behaviour of staff

It is your organisation's responsibility to create a culture that reflects its ethics and values. Some MFIs have a code of ethics, such as **Constanta** in Georgia; others may not have a formal code, but have worked hard to instil a respectful culture, which is reinforced through human resource training and operational policies and procedures. Even where corruption is a challenge, MFIs should expect ethical behaviour from their staff. In Kenya, for example, **K-Rep** created an organisational culture that set high ethical standards for employees, which was reinforced through its low tolerance for fraud (eg, employees knew they would be fired for taking bribes).

## Gender-equitable consumer protection

Many practitioners also stress the need for gender equity in their treatment of clients. The Genfinance listserv participants have incorporated gender issues into a draft framework on client protection. These principles go beyond other consumer protection frameworks by underscoring women's rights to apply for and take on loans independent of their husbands, and applying zero tolerance policies for sexual harassment. **EDPYME Confianza**, in Peru, for example, does not require the signature of clients' husbands to borrow. They also stress that staff training should not just include discussions on ethics, but also on gender sensitivity.



See

[www.genfinance.org](http://www.genfinance.org)

for more information.

## How can you make sure you're using client feedback effectively?

In the past, a lack of choice about alternative options has led clients to accept less than ideal products. As competition increases, however, more MFIs realise the importance of understanding whether their products, services and delivery options address the specific (and varied) needs of their clients. **But using standard market research techniques, such as client satisfaction surveys, without considering your social objectives, can lead you to inadvertently ignore the voices of your most vulnerable clients.**

For instance, **AMK**, in Cambodia was receiving feedback from clients that they wanted larger loans. Before considering increasing the loan size, AMK first investigated what was the response when disaggregated by the client's "well-being score". They realised that the demands were not coming from poorer clients, but from wealthier clients. (Note that most of AMK's competitors had moved in the direction of increasing loan sizes and were focusing on urban areas – with average loan sizes of US\$461 compared to AMK's US\$86).

While AMK's wealthier clients (in relative terms) may need a new product with larger loan sizes, AMK decided not to increase the size of the group loan to make sure that poorer clients in rural areas could be served with appropriate products. To ensure that it is meeting the needs of its clients while maintaining financial sustainability, the MFI has an ongoing process for regularly monitoring client feedback.

As this example demonstrates, you should to be careful not to respond too quickly to client feedback without further investigation, and ensure you meet the needs of your various client segments (and not just one, more vocal group). Segmenting your portfolio and client profile data will help you do this.

## How do packaging and marketing influence your ability to serve your clients?

MFIs often design products with the target clients in mind, but end up reaching a different or broader market than intended. **DBACD** in Egypt found that some of its micro enterprise loans were being used for consumption purposes by clients who were not business owners (DBACD's primary target market). Rather than try to prevent these loans from being made, it found a creative way to separate this newly discovered client segment from those that represented its original target market (**see box** on opposite page).

**You should use market research to understand how best to reach your target clients, but also to ensure that you are not excluding target clients due to policies, processes, or staff or clients' own perceptions.** For example, female clients might be more responsive to radio advertisements, while male clients might respond to a newspaper ad. In Egypt, staff from one MFI had the impression that women were not 'profitable' due to needing small loan sizes. With a little prodding from a support organisation, the MFI researched and designed a new product for women with lower loan sizes. But the real innovation did not lie in the features of the new product, but the fact that they hired women loan officers (all loan officers up to that point were male) to go into women's homes (where men who were not family were not allowed). The MFI had tremendous success with new female clients, and the programme had a positive effect on profitability.

#### **Repackaging loan products to distinguish target from non-target clients**

A microfinance NGO in Egypt, DBACD, conducted several market research surveys and client exit interviews and has designed and adjusted its micro enterprise product in response to clients' needs and preferences. As the Executive Director, Hassan Faried, explains: "Our research has found that not all our clients actually run a business, and some of the loans end up used for consumption, rather than for productive purposes."

In an effort to clearly understand and track its target clients' needs, DBACD decided to repackage and market their standard loan product as an "event" loan, which could be used for a variety of consumption purposes, including education and weddings. By creating a new name for this same product, DBACD is sending a message to a new client segment that it understands and wants to respond to their diverse needs.

This repackaging facilitates DBACD's ability to isolate and track the effects of its loans for business or consumer purposes, to better assess repayment capacity, and to design and modify products for each target segment in the future.

### **How can you ensure the consistent delivery of your services to meet client needs?**

How you deliver your products is as, if not more, important than the actual products themselves. Inappropriate delivery methods can mean lost productivity, or childcare and transportation costs for clients. The box overleaf offers several tips on expanding outreach to poor women. To ensure that your MFI "does no harm," maintains high levels of client satisfaction and low drop-outs, you should create a delivery and

and servicing model that puts reasonable demands on clients, while ensuring MFI efficiency.

**Once you have identified effective delivery mechanisms, staff will need to be trained to ensure consistent quality of delivery. You should consider designing:**

- clear operational guidelines and policies for staff to clarify your expectations
- participatory training and role-playing to help staff address the issues they face – from marketing new products to handling loan collections
- mentoring programmes to help reinforce messages to staff.

**Fonkoze's** Social Impact Monitors help field staff become effective customer service agents. By acting as mentors, these internal consultants work side by side with loan officers to review customer feedback and advise the officers on how to be more effective in their interactions with clients. Fonkoze also has a "model branch" where field staff in need of intense training and support can be sent to work alongside loan officers who exemplify the organisation's approach to serving its clients.

#### **Targeting tips for MFIs with poverty and gender goals**

##### **Targeting poor clients:**

- Research what aspects of poverty make it particularly difficult for poor clients to expand their livelihoods and adapt products to address those difficulties (for example, poor clients can't afford to leave their stands in the market place, even to collect loan funds, so you design a loan that allows direct payment to inventory supplier.
- Make the branch warm and welcoming by offering coffee and tea and local pastries, as many poor have had bad experiences visiting banks.
- Train staff to be equally friendly to all clients, regardless of how they dress.

##### **Targeting women clients:**

- Employ women as loan officers so that they can target female clients with home-based businesses and make visits to their home.
- Offer discreet ways for women clients to conduct their banking, such as by allowing drop offs of deposits by a third party.
- Craft marketing messages geared towards women clients, such as by acknowledging the many roles women are known to juggle and emphasise how fast and convenient your services are.

## How can you create new products to meet client needs?

You should avoid the temptation to create the product “du jour”, or replicate a product that worked well on the other side of the globe or country, without getting input from clients or field staff. Donors and support organisations often come in with their own ‘new idea’ for a new product or high-tech delivery mechanism (eg, use of SMART cards, etc.).

Before developing new products, consider how the it is aligned with your social objectives. You should also conduct customer surveys to ensure that the product will be attractive to your target clients. Even with market research, some products fail to serve the real needs of the client. For this reason, it is important that you pilot new products before rolling out on a grand scale.

**Here are some tips to help you apply a social lens when piloting or rolling out a new product:**

### Hire industry experts to design new product prototypes

They are more likely to be aware of the common risks and issues that arise, as well as the range of options for design and delivery features. In designing a new housing loan product in Serbia, for instance, MDF brought in mortgage experts, but staff input ensured that the design was appropriate for clients by offering a lower rate and less paperwork than it required for its business loans.

### Prior to the pilot, clearly define criteria and evaluation intervals

These should be related to market demand, operational ease and financial feasibility. If, after a few rounds of adjusting the new product, those criteria are not met, then management must decide whether to continue to experiment with the new product or discard it.

### Once a product has been successfully piloted, roll it out gradually

This includes testing its applicability and receptivity in other geographic locations and with different target populations. For large, geographically disperse MFIs, some customisation at the branch level should be allowed to accommodate local differences, as well as to create staff buy-in and facilitate additional innovation and learning.

## Collect feedback from staff and potential clients at each phase of new product development

Input from your clients is essential to improve the product's chance of success. Collecting feedback is not, in itself, enough – you must act on it too. **Remember:**

- monitor the success of your products in terms of client satisfaction
- more importantly, monitor the social contribution the product makes to clients' lives and/or livelihoods
- check that new products do not create results that are contrary to your overall mission.

→ Annex 4 presents an excerpted policy from an MFI in Latin America on prohibited activities for loan clients

This was the case for one MFI in Africa, which did not think through the negative consequences of lending to fishermen from a lake with fish stocks that were nearly depleted; or another MFI in India, which inadvertently encouraged child labour by lending to certain fabric makers. Many MFIs have a policy that clearly states the activities its loans must not be used for, and this is something you may want to consider, depending on the context in which your MFI operates.

## Why is creating a customer service-oriented culture important?

→ Annex 4 See the Introduction to Customer Service Toolkit, available at [www.microsave.org](http://www.microsave.org)

Many issues around serving clients appropriately do not arise during the initial service delivery stage, but later, in servicing the product. It is at this point that a strong, consistent customer service model becomes especially important. As MicroSave cites, there are several compelling reasons for an MFI to develop a customer service-oriented culture, including:

- to retain clients
- to build word of mouth (the most effective marketing tool)
- to improve competitive positioning in the market
- to enhance efficiency.

## How can you ensure that your employees treat clients well in all situations?

All MFIs should work to improve their customer service orientation. Doing so should bring positive outcomes in terms of social mission as well as financial objectives. Here are some guidelines:

- Establish clear policies and standards on how clients should be treated.
- Put in place specific procedures to address each type of client interaction, ranging from truthful marketing pitches to respectful handling of collecting overdue loan payments.
- Provide specialised training to staff and provide follow-up support so that they know how to deal with trickier situations, such as dealing with an irate customer or collecting from a long-overdue loan.
- Role-playing can be a particularly useful way of finding creative solutions to difficult situations.
- Human resources departments should work closely with senior management to design training that allows staff to raise questions and address situations where they find it difficult to adhere to certain policies and procedures. If need be, the particular policies and procedures should be updated.
- Internal control and incentive systems should also be designed to verify and reinforce your emphasis on customer service.

For instance, the **Grameen Foundation** often points out to its MFI partners that its "leader boards" (acknowledging star loan officers on the branch walls) often just show performance by number of clients, portfolio size and portfolio at risk (PAR). When that is the case, the loan officer has no explicit organisational incentive to be concerned with customer satisfaction or treating a client fairly.

## How can you create a public image as being customer service-oriented?

Word of mouth is the most cost-effective form of marketing for just about any product and service. Happy clients are most likely to recommend friends, families and

others to their MFI, especially if it has always been responsive to their needs and concerns. Developing a reputation for being responsive to your target clients' needs, and to different target markets, can really help you develop a positive reputation locally and globally, which can in turn help you expand outreach and access external resources and support. Through a variety of media – including the internet, news bulletins, posters, etc – you can highlight policies and practices that demonstrate your commitment to quality customer service, even including client testimonials to enhance your public image. **FIE's** website, for example, highlights policies and practices related to its social responsibilities toward its clients, employees and the communities in which it works.

→ See  
[www.ffpfie.com.bo](http://www.ffpfie.com.bo)

### Summary points – Client service issues

- Do no harm. As MFIs' clients are typically very vulnerable, you should be very careful not to add to their risks and burden.
- Resist pressure to implement the newest and greatest product without first thinking through how it meets your social objectives and clients' needs.
- During product development, consider client needs beyond product attributes:
  - Ask clients what they need to help grow their business or improve their lives.
  - Remove barriers, such as distance travelled or the time it takes for a transaction.
  - Mitigate risk for the clients, such as by helping them to avoid carrying cash through dangerous neighbourhoods.
- Good customer service is not just good business. MFIs have a responsibility to treat clients well and follow through on their mission commitments.



**Name:** Olga Torres

**Organisation:** AMK, Cambodia

**Position:** Research Director

“AMK’s mission is to help large numbers of poor people in Cambodia to improve their livelihood options through the sustainable delivery of appropriate and viable microfinance services. How do we ensure that we achieve this? We started by setting out four core principles to guide our work, as well as a series of internal control mechanisms to keep us on track, both socially and financially. Since then, we’ve been growing rapidly, but our guiding principles (in the box below) have kept us true to our mission.

### AMK’s guiding principles

1. AMK provides microfinance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
2. AMK is committed to openness and transparency in all areas of management and operations.
3. AMK is committed to developing processes/services and to adopting behaviours and standards that ensure optimum social performance, including client protection.
4. AMK is a learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and systems improvements.

“Based on these principles, we developed a set of policies and procedures that ground our operations in both our social and financial values. All departments are accountable to these principles and policies but compliance is directly monitored by the Research and Inspections departments (AMK’s internal audit department). At the Board level, in addition to the Finance and Audit Committee, there is a Social Performance Committee. This committee ensures that the Board has all the information it needs to make informed decisions and properly guide AMK’s double bottom-line (financial and social objectives). The Social Performance Committee also advises and supports the Research Department to ensure data quality and solid analysis.”



## Introduction

The concept of internal control is usually linked to financial risks, such as credit risk and fraud. However, controls to protect your social objectives and values are equally important for maintaining your reputation and long-term sustainability. The story that opens this chapter describes how AMK structured its internal control system to track certain procedures to monitor compliance with its client protection goals.

This chapter addresses the ranges of issues and challenges involved in overseeing internal control, auditing and rating as they relate to social performance. It answers the following questions:

- What do we mean by ‘internal control’?
- Why should you integrate SPM into internal control systems?
- How can you make sure your policies and procedures reinforce your social objectives?
- How can internal social audits help you review and adjust?
- What is the difference between an external social audit and a social rating?
- What is the role of external social audits and ratings?

## What do we mean by ‘internal control’?

Practitioners often confuse internal control with internal audit, which is just one part of internal control (see **Figure 9.1**). ‘Internal control’ includes all the methods, policies and procedures used to ensure that operations function in the way they should. ‘Internal audit’ is the final check or evaluation that the internal control system is working.

**Figure 9.1 Relationship between risk management and internal control**

Most best practice publications on internal control (see 'Resources' section at the end of this guide) emphasise financial risk management, without going into detail about controlling reputation risk and protecting social objectives.

The following sections describe in more detail how **AMK** structured their internal controls to:

- verify efficiency and effectiveness in achieving its social objectives
- check the reliability and completeness of social performance data within the management information system
- monitor field compliance with client protection policies
- ensure compliance with internal policies and procedures, as well as any legal requirements.

## Why should you integrate SPM into internal control systems?

MFI's need to integrate SPM into their internal control systems to mitigate risks or negative implications as a result of not adhering to their social mission. By doing so, you will also send a signal to staff that social objectives are as important as financial performance objectives.

You should have checks and balances in place to ensure you are achieving the social objectives. For example, monitoring turnover of employees is one way to check on levels of employee satisfaction.

One policy might be to conduct a review of what is causing higher levels of employee turnover when it increases rapidly or exceeds a certain level. An alternative policy could provide for a regular procedure to systematically conduct employee exit interviews. The information can then be reviewed and analysed to identify common responses and possible solutions to reduce turnover and/or improve employee satisfaction.

**All MFIs should:**

- regularly review operational policies and procedures to ensure that social objectives and values are adequately integrated
- conduct annual internal social audits to self-assess and adjust
- conduct external social audits/ratings as needed to demonstrate SPM results publicly.

## How can you make sure your policies and procedures reinforce your social objectives?

You need clear policies related to protecting the your stakeholders, such as client protection and social responsibility toward staff. While management often drafts these policies, it is generally the role of the Board to set or approve them. You should also include a review of existing policies and procedures to ensure that they are aligned with your social objectives. Management is responsible for setting up the procedures to implement policies. The role of the internal control or inspections department is to monitor the extent to which staff are adhering to policies and procedures, including those related to social performance as well as financial performance.

### Getting your staff on board

Make sure that your staff are adequately trained, as all staff members have a role in ensuring adherence to SPM policies and procedures. You may need to provide additional training for staff from the internal audit or inspection department, as they generally come with a strong financial background and perspective and may not have relevant skills to verify social as well as financial performance. If internal auditors need to be convinced of the importance of integrating social performance into their checks, you should highlight SPM's role in mitigating larger risks for the organisation, such as reputation risk, which can put institutional sustainability at risk even if the MFI's financial bottom line is strong.

## Helping staff deal with difficult situations

Review and update your internal policies and procedures to ensure that human interactions reflect the social values and mission of the MFI. This includes clearly written procedures to guide employees on how to handle difficult situations when they arise. Treating clients appropriately in these circumstances is essential, given their level of vulnerability and the potential negative impact on your MFIs' reputation.

**For example, MFIs should offer clear guidance on how employees should handle collecting past due loans, by indicating:**

- what warnings they can state and when (eg, at one week past due, the collections officer should inform the client that if the payment is not made, the MFI will have to report the late payment to the credit bureau)
- what behaviour is expected (eg, collections officers should maintain a polite and respectful demeanour at all times).

## Feedback loops are essential

In addition to training new staff on policies and procedures, MFIs should find ways to remind existing staff about them, as well as to collect feedback on their relevance and to understand how they are actually being applied. In the Philippines, for example, **NWTF's** operations and personnel manuals offer clear guidance on how staff should interact with clients and employees are tested annually to make sure they are aware of the MFI's policies and know how to apply them.

You should ensure that effective feedback mechanisms are built in to internal control systems so that management can understand the nature of uncontrolled risks and the reasons why staff might not be adhering to certain policies or procedures. Internal audit staff should carry out their work in a way that encourages the flow of information from staff, by avoiding blame and focusing on understanding the issues they face on a daily basis. Only by being open to staff feedback can the Board and management fully understand how policies and procedures are translated into operations.

## Act on the information you collect

Once the Board and management have a good understanding of the nature of risks, they can make good management decisions that will be effective and respected by staff. In some cases, new policies or procedures will be needed, while in others, revising existing policies will do. It is especially important that you review and update your policies and procedures if you change the mission or strategy to achieve it.

In fact, as you go through a formal review and integration of SPM, you will probably need to create new policies and procedures, such as an official code of conduct or code of ethics for the MFI and/or its employees to adhere to.

## How can internal social audits help you review and adjust?

The social audit is a systematic review and appraisal of how you apply SPM-related policies and procedures, and adherence with your social objectives. For example, the box below provides tips on how to check adherence to policies aimed at meeting social goals on poverty or gender. An effective audit identifies weaknesses within your operations and provides concrete suggestions on how you could improve. The **box below** summarises AMK's unique approach in conducting an internal social audit in conjunction with its normal compliance procedures.

### Tips for auditing poverty and gender commitments

#### Poverty tip:

Check whether account officers are accurately filling in poverty data on forms or in MIS by verifying information with clients.

#### Gender tip:

For branches or regions with low numbers of women clients or account officers, assess whether staff are adhering to non-discrimination policies.

### AMK's policy enforcement via internal audit

AMK's Inspections Department is responsible for verifying compliance. It has 13 full-time staff, who are mostly internal auditors. The Inspections team regularly inspects branches, and visits a sample of villages to assess operations directly. In conducting its inspections (ie, internal audits), it checks that financial procedures and operations are effective in protecting clients, for example, by:

- checking that contractual documents are complete and correct
- checking that clients' documents are complete, correct and up to date: including passbooks, application forms

- verifying repayment schedules with client and checking that the passbook is kept by the client (not by village/association president)
- checking timeliness of loan disbursements (within seven days after loan appraisal)
- checking that procedures for loan disbursement are followed according to AMK policy (eg, signed in presence of branch/area manager)
- verifying that clients are aware of AMK product features and fees
- identifying policy deviations, such as loan passing or loan sharing to a non-client or another group member, clients borrowing from other sources (MFIs, moneylender – whether before or after an AMK loan), etc.

The Inspections team scores branches on their operations management, as well as financial management, MIS and human resources management. The operations management component takes about two-thirds of the total audit time of a branch; and of this time, client visits and interviews account for two-thirds. Therefore, certain aspects of social responsibility (especially regarding client security and client protection) account for a significant part of each branch inspection – and findings are written up in detail in the audit report, which is sent on to the Finance and Audit Committee. A less than satisfactory audit score on any of the four dimensions means that the respective team loses out on their incentive bonus for that quarter, until a re-audit shows that performance has improved. (This can also affect more than one quarter, as branches remain ineligible for incentives for four months after the audit report).

### How should you conduct an internal audit of your social performance?

You should integrate social and financial performance reviews into one internal audit system, ideally using the same staff for both to ensure cost-effectiveness. According to **Jack Burga**, of CRS's project **MISION** in Peru: "Integrating SPM into the internal audit can take a bit more time for the internal auditors up front, but not much more once they have been trained on what is most important to look for."

Throughout the process, MFIs (and their consultants) should be very careful with the use of language, as they may need to adapt this when conducting the audit and presenting the results to staff at different levels of the organisation.

## What areas should the social audit focus on?

According to the **Microfinance Centre** (MFC)'s Quality Audit Tool (QAT), a social performance audit should review:

1. the extent to which an MFI has translated its mission into clear social objectives
2. the extent to which an MFI has relevant, reliable and consistent information and reporting about its effectiveness in achieving its social objectives
3. how information is used to inform decisions and actions at all levels of the organisation, and the alignment of the organisational systems to support and promote its social objectives.

Data entry and quality are key factors in assessing an MFI's social performance. Therefore, **your internal audit should spot-check the data and processes used to collect and analyse social performance.** When problems are identified, additional review and assessment will be needed to determine whether changes should be made. For example, some MFIs collect client information (such as family income or access to health services) that is relevant to SPM. When making client visits, auditors can also check that the information was collected from the client rather than just filled in by the loan officer. The **box below** describes **Prizma's** approach to creating a policy and procedure designed to ensure that its lending did not contribute to environmental degradation, which its auditors made sure staff adhered to.

### One MFI's approach to protecting the environment

Prizma, in Bosnia and Herzegovina, is strongly committed to ensuring that its lending practices do not promote environmental degradation, directly or indirectly. All loan applications must include a completed Environmental Procedures Form, assessing environmental impact in several different ways: air, water, soil, nature, waste, the rural environment, and society. A negative score disqualifies the loan automatically.

To create this screening procedure, senior staff first attended a USAID seminar on sound ecological practices. With that knowledge, the management then created the overall loan screening policy and procedures form, as well as an internal training module for all loan officers on how to evaluate the potential borrower's impact on the environment and on how to fill in the procedures form correctly. The new policy adopted by management also requires that its operations manual includes the environmental procedures form. It is also a standard compliance item checked by Prizma's auditors.

The MFC QAT and CERISE's Social Performance Indicators (SPI) tool can either be conducted internally by staff (ideally with guidance or training from the respective support organisations) or can be conducted externally by qualified individuals. **Table 9.1** summarises common areas and key questions you need to consider when conducting an internal social audit. The United States Agency for International Development (USAID)'s Social Audit Tool and the Accelerated Microenterprise Advancement Project (AMAP)'s Social Performance Audit are typically carried out by external parties. (At the end of this chapter we profile all the existing tools for internal audit.)

**Table 9.1: Common Internal Audit Areas and Related Questions**

Strategic review	Illustrative question
Leadership	Do leaders send a consistent message about the social mission?
Organizational culture	Are there tensions between the board, management and senior staff in terms of mission?
Management and decision-making style	How decentralized is decision-making?
Gender awareness	Are women represented at each level of the organisation?
Operational review	Illustrative question
MIS	How effectively is MIS used for making decisions to improve our social performance?
Human resources	How do we recruit and train employees to ensure a commitment to our social mission?
Client services	How can we improve products and services to better reach our target clients, meet their needs and contribute to improvements in their socio-economic status?
Finance	Has a recent investment or grant caused organization to drift in objectives?

### How often should you conduct an internal social audit?

You should conduct an internal social audit no more than once a year. Consider integrating the social audit process with the annual, standard (financial) audit procedures. In addition to the routine monitoring of SPM data collection and client protection, which is a regular part of branch management and oversight, internal audits should generally take place at least once a year. During client visits associated with its internal audit, for example, **NWTF** conducts spot-checks to make sure that no client has been pressured into joining a group or taking out a loan.

## What should you do with the findings?

The internal audit report, which summarises the main findings, should be sent directly to the Board (usually to its Audit Committee if one exists) without editing or interference from senior management. In this way, the Board can make sure it has all the relevant information and can make decisions that help to reduce the core risks to the MFI, including reputation risks.

For instance, a village bank in Mali used **Cerise's** SPI tool to 'screen' for improvement areas related to its SPM. As a result of the findings, it initiated client research to uncover the reasons for a large number of inactive clients. It then developed a specialised branch for marginalised women who were under-represented among its clients.

Once decisions have been made in response to the audit findings, it is the Board's responsibility to make sure that those decisions are implemented and results monitored to ensure that changes are having the intended effect, in terms of improved operational control and social performance.

## What is the difference between an external social audit and a social rating?

Broadly, an external social audit focuses on processes and systems, but includes some information on results and outputs. While a social rating includes a similar type of assessment as an audit, it generally looks specifically at results and outputs. Both an audit and a rating assess the degree of adherence to mission, and identify strengths as well as areas to improve. A rating also results in a grade of performance against different dimensions (mission clarity, alignment of systems, social responsibility, outreach and appropriate services).

In other words, a social audit provides an assessment of the degree to which an MFI adheres to its social mission (eg, poverty outreach, client services, etc) and identifies areas needing improvement. A social rating usually provides a score, often used to compare one MFI's adherence to its social mission against another (even if they have different missions). Given that external social audits and ratings are often shared with external parties such as funders, you should conduct an internal social audit first to identify and begin to address SPM weaknesses. However, you should still consider having an external social audit or social rating done every couple of years.

## What is the role of external social audits and ratings?

The main purpose of an external social audit or rating is to provide an objective assessment of the social performance of the MFI, both in general and compared to its peers, in a way that is more credible than an internal audit report would be. This information is also often shared with (and paid for by) investors and donors to serve their own performance requirements.

Aside from these purposes, MFIs can always benefit from the objective views of an outside party, and management often find it easier to convince staff of the need for a change when the opinion comes from a third party. Many MFI leaders reported that they would appreciate it if social raters would go further and make suggestions on how to improve social performance, rather than just identifying weaknesses. The box below provides an example of how feedback from applying USAID's Social Performance Audit tool helped a Bolivian MFI to find ways to strengthen its SPM.

Social ratings are based on discussions with Board, management and staff members, and a review of internal information. If client level data is unavailable, the rating can use a field survey, which implies a higher cost.

### Uncovering SPM weaknesses by using USAID's Social Performance Social Audit Tool

In 2006, ANED (Asociación Nacional EcuMénica de Desarrollo), a rural microfinance NGO in Bolivia, agreed to participate in a pilot test of USAID's Social Performance Audit tool, which highlighted the following areas needing improvement:

- **Mission and management leadership.** A strategic review resulted in improved awareness of and commitment to the MFI's mission at all levels of the organisation.
- **Hiring and training.** Social mission is communicated to new staff, but SPM could be more explicit in induction training.
- **Incentive systems.** Incentives focus solely on performance quality and revenues and are too small and diffused to have a real impact on behaviour.
- **Monitoring systems.** ANED collects a lot of data on its loan application form, but does not put it into its MIS or use it to make management decisions related to SPM.
- **Customer service.** ANED's culture cultivates innovation and it offers flexible loan terms, but its higher transaction costs and other factors have kept client retention low (only 25% are still clients after two years).

- **Strategic planning.** To strengthen its financial and operational sustainability, ANED plans to reduce its dependency on funds dedicated to rural finance and to apply a more traditional technology to its loans to small-scale traders. Without adequate SPM-related controls in place, these changes could result in mission drift, in terms of higher interest rates and weaker rural market penetration.

In response to this feedback, ANED decided to implement the following changes:

- To clarify its mission and strategic plans for induction training of new employees.
- To improve its MIS systems by getting its rural branches online and connected to its central office.
- To expand its credit lines, allowing it to experiment with new credit technologies, which it expects will reduce transaction costs for rural clients.
- To link SPM-related indicators to staff incentives.

Source: Woller, G, 2006, *Pilot Test of the New Social Performance Audit Tool, MicroReport #51, USAID*

Given the cost of conducting an external social audit/rating (ranging from approximately US\$5,000–20,000 depending on the scope of the rating), most MFIs will contract them only on an 'as needed' basis or when external resources are provided for the purpose. Resources for social rating will be available through a Social Rating Fund.

### Who conducts external social audits/ratings?

Since international and local laws confine external audits to the financial statements, external social audits must be done by a qualified third party. A social rating can be conducted as a separate exercise, or in combination with a financial rating. All microfinance rating agencies are moving toward providing a combined financial and social rating. Following on from the summary box below, we provide a list of the most common providers of external social audits and ratings.

By the end of 2009, the Social Performance Task Force will produce a consumer report on each social performance assessment, audit and rating tool.

### Summary points – Internal control

- An MFI's internal control system should cover the following aspects:
  - verify the efficiency and effectiveness of the MFI in achieving its social objectives
  - check the reliability and completeness of social performance data within the management information
  - monitor field compliance with policies of client protection
  - ensure compliance with internal policies and procedures, as well as any legal requirements
- Internal control is not just a matter of verifying compliance with policies; the MFI must also create a system in which the organisation and its staff can easily comply:
  - Integrate clear policies related to the MFI's mission into operations manuals, personnel handbooks, staff orientation, etc.
  - Train staff adequately on how to comply with the policies.
  - Solicit staff feedback, ie, ask how to make the social performance system better.
  - Be willing to make changes; policies can become outdated or found to be inappropriate after initial testing.
- Social audits (or assessments) – when and how:
  - Instead of creating a new process, try to incorporate the internal social audit into a regular internal audit process, which is normally done annually.
  - Carry out an external social audit if the MFI has the financial resources, an external partner requests one, or if the MFI wants an objective opinion and some expert guidance.

## SOCIAL AUDIT TOOLS

### **CERISE Social Performance Indicators (SPI) Initiative**

Assesses MFIs' SPM by using a series of questions to evaluate their intentions and actions, as well as their systems and processes, along the following four dimensions:

1. Outreach to the poor and excluded populations
2. Adaptations for products and services per target market
3. Improvements in social and political capital (i.e. empowerment);
4. Social responsibility (toward clients, employees & communities)

[http://www.cerise-microfinance.org/pdf/En/spi\\_quest.pdf](http://www.cerise-microfinance.org/pdf/En/spi_quest.pdf)

**Quality Audit Tool (QAT)**, developed by Anton Simanowitz for the Microfinance Centre (MFC), is a diagnostic tool designed to review and improve the effectiveness of management processes for achieving social goals. The QAT reviews three main aspects of microfinance SPM in order to identify the actions needed to improve performance:

1. process management
2. internal systems
3. the status and effectiveness of the systems for managing social performance.

QAT is unique in that it focuses on an organisation's specific objectives and the effectiveness of its systems for achieving them, as opposed to social ratings, which tend to examine procedural compliance or benchmark against common social indicators or practices. MFIs can conduct the QAT with internal resources, often with just the help of a facilitator.

[http://www.mfc.org.pl/images/pliki/223\\_fma\\_qat\\_overview\\_eng.pdf](http://www.mfc.org.pl/images/pliki/223_fma_qat_overview_eng.pdf) (ENG)

[http://www.mfc.org.pl/images/pliki/223\\_fma\\_qat\\_overview\\_esp.pdf](http://www.mfc.org.pl/images/pliki/223_fma_qat_overview_esp.pdf) (ESP(2))

### **USAID Social Audit Tool (SAT)**

The USAID Social Audit Tool (SAT) uses a **process auditing approach** to assess social performance in relation to the MFI's stated social mission. It answers the following question: To what degree do the internal processes promote fulfillment, or lack of fulfillment, of the MFI's stated social mission?

Process auditing involves an in-depth assessment of six internal processes critical to the MFI's social performance:

1. mission statement and management leadership
2. strategic planning
3. customer service
4. monitoring systems
5. recruitment and training
6. incentive systems.

The six internal processes are common to all MFIs, which makes comparisons across MFIs possible and promotes standards development. In addition to the six internal processes, the SAT also assesses the MFI's performance in relation to its social responsibility (SR). SR is the predominant framework for understanding and assessing social performance outside of the microfinance sector.

## SOCIAL RATING AGENCIES

**M-CRIL** offers a framework and a list of social performance indicators for which it offers benchmarks against which MFIs can compare their performance on those indicators with other MFIs.

<http://www.m-cril.com/pdf/Framework-for-Social-Performance-Rating-and-Reporting.pdf>

**Microfinanza Rating's** social audit services, address the following areas:

1. Social mission, strategy and systems (SPM framework)
2. Social responsibility
3. Outreach
4. Quality of services

[www.microfinanzarating.com](http://www.microfinanzarating.com)

**PlanetRating** offers a social audit, in addition to its standard GIRAFE rating of MFIs, which includes a review of an MFI's social performance on certain common indicators, such as the percentage of clients who are rural, female, group borrowers, etc. It is in the process of developing a scorecard to assess poverty as well.

[http://www.planetrating.com/doc/EN/Planet\\_Rating\\_Buusaa\\_Gonofa\\_Social\\_2007.pdf](http://www.planetrating.com/doc/EN/Planet_Rating_Buusaa_Gonofa_Social_2007.pdf)

**MicroRate** conducts a social rating through an independent assessment of an MFI's social performance (the effective translation of social mission into practice) and social risk (risk of deviating from social mission or not achieving intended results).

[www.microrate.com](http://www.microrate.com)

---

## Where we are now, and the road ahead

---

In discussions about SPM with over 45 MFIs and support organisations across the globe, the same themes and issues arose time and time again – regardless of the size or type of institution. They were confirmed in a review of existing resource materials, and a practitioner workshop facilitated by the *Imp-Act* Consortium. These themes can hopefully serve as ‘signposts’ to other MFIs and support organisations that want to start SPM initiatives or improve their existing SPM activities, helping them really put their mission into practice.

This chapter answers two key questions:

- What lessons have MFIs learned about SPM so far?
- What support do MFIs need for the road ahead?

---

## What lessons have MFIs learned about SPM?

---

### There is no one right way

One of the most common findings is that there is no one correct way to balance social and financial performance management. Your MFI needs to consider its own unique context: mission, strategy and business plan, available resources (financial, human, and infrastructure), corporate culture, country context, etc. This applies to all operational areas, including MIS needs and social indicators. Some MFIs have mission statements that are more difficult to measure performance against than others. What is crucial is that **whatever your mission, you need to put systems in place to prove that it you are either achieving that mission or at least moving in the right direction.** While anecdotal stories can indicate a degree of success, they are no longer sufficient to prove that you are fulfilling your mission.

When you are getting started, you should talk to peers, attend workshops and use resource materials. But at some point you need to act – simply **begin by trying different ways to measure and manage social performance. Expect to make mistakes along the way, be willing to learn and adapt, but stay dedicated to the process.** By keeping social performance on your MFI’s agenda and developing a plan to address each operational area, you will be well on your way to having an effective SPM system within your organisation. While for-profit MFIs might be satisfied with demonstrating that they are socially responsible to their clients and the neighbouring communities they serve, socially focused MFIs should honour their dual mission by giving as much weight and importance to social performance as they do to financial performance.

## No need to start from scratch, but institutionalise your efforts to integrate social performance

Most MFIs are already achieving their social objectives in significant ways, and often it remains as relevant now as it was when they started out. However, microfinance has changed from a small, niche development industry to one that affects the lives of millions of individuals in every corner of the globe.

When MFIs were small and mostly driven by grant funding, it was relatively easy to track performance, as the executive management often knew each employee by name (and sometimes most of the clients!). Recently, **larger MFIs have demonstrated a need to move from an entrepreneurial approach to a more corporate one, with systems, processes, and checks and balances in place to ensure that every department and stakeholder understands their role in fulfilling the mission.** This need to re-examine mission is often especially relevant for MFIs that are undergoing significant growth or becoming a different type of organisation (for example, making the transition from an NGO to a for-profit, regulated bank).

## Work with what is already in place

Most MFIs already have the tools, resources and knowledge to integrate a social lens into operations. Often the technical term 'SPM' can get in the way of what some call 'intuitive' or 'common sense' SPM – ie, issues employees are aware of but never have the time or resources to address. Other than employees, only clients know better about what they need. **Start by tapping staff knowledge and using existing data, which will keep costs low and increase employee buy-in.**

## Keep it small and simple

The key to successful SPM is to begin by creating relatively quick results with high impact, which will help build the case internally for doing even more. **Keep your SPM activities simple,** using small, easy-to-digest steps, so as not to overwhelm staff members who are juggling many responsibilities and performance expectations. For those employees who will be directly involved, you will need to free up some time by relieving them of some existing tasks or responsibilities. Keeping it simple means using the resources you already have rather than creating something new, especially when it comes to technology.

## Communicate, communicate, communicate!

One of the keys to successful SPM is to ensure effective communication with all stakeholders: Board members, executive management, central office staff, field staff, clients, partner organisations, funders and the wider community. This point cannot be overstated – many MFI directors swear that their SPM efforts would have failed had they not clearly communicated the purpose, expectations and methods to all levels of the organisation.

Communication is also crucial to build staff buy-in, especially middle management and field staff. You will need to use an iterative process, as initial efforts can take several months and face significant resistance. **Ensure that your message is clear and concise, adapted for the various target audiences and disseminated through several different means** (eg, meetings, newsletters, branch visits, etc). Effective communication also requires feedback loops to allow for information and ideas to flow from the bottom up. Your feedback loop should systematically involve field staff and middle management in the planning and implementation of different SPM initiatives. Only by synthesising, sharing and acting on feedback, will staff feel heard and thus more willing to buy in to the process.

## Secure support from the top

While the SPM champion does not have to be the Executive Director or even a department director, he or she must have **public and consistent support from executive management**. This could be demonstrated through allocating resources to SPM initiatives, adding SPM to the agenda of important meetings and making public announcements about why SPM is important to fulfil the mission. As field staff are constantly bombarded by new information and initiatives, they will look to what management is saying about how important SPM is. Support from the top also means cooperation from the Board. This means not only educating the Board about the SPM initiatives and their importance, but also ensuring that it regularly monitors progress toward social performance goals.

## Review your mission before taking action

You may not need to change your mission but most **MFIs should at least review to what extent their mission is in alignment with day-to-day activities** undertaken by each department. If you look closer, you may find that you are not serving your target clients well; perhaps one product could actually be driving clients away, or certain policies or practices may be resulting in staff dissatisfaction and high turnover. The challenge is to identify areas of your operations that need improvement or are not aligned with your mission.

## Make sure staff have the right skills and abilities

There is one universal finding: the data you need for SPM often already exist, you might have an excellent SPM system already in place, or have policies that protect clients. But if your **staff are not well trained on how to use these systems and policies, they will not be effective in achieving the intended SPM results.** While effective communication is key, you will also need to build staff capacity, for instance, on how to use and analyse data or how to implement new processes and policies. Building capacity is also an ongoing process, not a one-off.

Focusing on staff also means creating a positive work environment, developing fair treatment policies or staff incentives, for instance. Remember that **staff behaviour and performance are strongly driven by how they are measured and the rewards on offer.** If you want your employees to focus on SPM objectives, then these objectives need to be linked in to performance reviews and incentives.

## SPM is a continuous process, not a one-off

Don't expect to cross SPM off your 'to do' list once you have begun. Just as with financial performance, **SPM requires continuous tracking, assessing and adapting over time as your organisation evolves.** In other words, SPM should become an integral part of your ongoing operations (staff induction and training, products, processes and systems).

## Use client feedback and other data systematically

Even if we are striving to achieve a different 'end' (social mission versus profit motive), the microfinance industry could learn a great deal from the commercial banking industry when it comes to listening to clients (the 'means'). While there are many established ways to listen to clients' needs and get their feedback, **what's critical is that you collect, analyse and act on that feedback in a systematic way.** Collecting information from clients and then ignoring it could do more harm than doing nothing at all, as it builds expectations.

## What support do MFIs need for the road ahead?

---

The authors, contributors and editors of this guide would never assume that it closes the door on discussing how best to integrate a social lens into performance management. The guide may actually raise more questions than it answers. The important lesson is that the debate must continue, new initiatives must be tried and lessons shared. During a workshop in June 2008, several MFI practitioners and support agencies discussed what is needed to promote take-up of SPM throughout the industry. They focused on three major needs:

- to expand SPM outreach and communication
- to rationalise and build on existing SPM tools and resources
- to build SPM capacity.

### Expand outreach and communication

While sometimes considered to be ‘instinctive’ or common ‘business’ sense, SPM is often confused with other concepts, such as social measurement or impact assessments. Some MFIs may see SPM as a distraction from operations and a potential drag on financial performance. However, more and more MFIs are acknowledging that the pendulum has swung too far in favour of financial performance, sometimes to the detriment of the social mission. But they are not sure where to begin with SPM, which can seem overwhelming.

As we have said, communication and education are key to the successful integration of SPM in any MFI, so are they important to expansion and outreach to the industry, as a whole. Publication and distribution of this guide will not suffice, as many other venues need to be tapped, including articles, newsletters, workshops, and conferences. But the social performance agenda must also be kept within the context of the industry’s broader situation, which involves rapid growth, increasing inflation, a global credit crunch and a global food crisis.

Many MFIs who have spent several years and significant resources implementing SPM recognise that the demand for change should come from MFI practitioners rather than donors or support organisations. Therefore, **MFIs new to SPM are strongly encouraged to join the SPM Network, engage with the SPTF’s outreach activities and to work with country or regional networks to move the SPM agenda forward at the local, regional and international levels.**

Join your peers on the SPM Network:  
[www.spmconsortium.ning.com](http://www.spmconsortium.ning.com)

Members of the Promuc network, in Peru, for example, were able to bring SPM to the fore as they applied constructive 'peer' pressure to encourage and challenge each other. The SPTF intends to form an outreach committee that will ideally come up with a plan to disseminate the importance of SPM to donors and other third parties, but its primary focus is on getting the message out to MFIs. Outreach efforts may also include creating partnerships or joint ventures with other social organisations outside of the industry.

## Rationalise and build on existing tools and resources

There are many social audit/assessment tools and poverty assessment tools available. But MFIs are confused or overwhelmed by the different choices, unsure about when to use one over another, which ones are complementary and which ones overlap. Some MFIs have used a number of these tools in succession, only to find themselves with too much data that is similar, but not consistent enough to analyse and act upon. The SPTF will begin to provide 'consumer reports' on some of these tools in the coming years. But resource organisations could provide more immediate help on when and how to use these tools.

Many assessment tools give the MFI's status at a certain point in time or based on their historical performance. There is still a significant need, however, for resources (whether documents, technical assistance or training workshops) to help MFIs use the information generated and actually implement the necessary changes identified. MFIs need support to adapt their MIS to integrate social indicators, and thus to correctly analyse and use the data for decision-making. While there are several training programmes to build SPM capacity, they do not adequately cover the following topics: governance, communications, internal control and human resources (especially gender awareness). There is also a need to integrate social performance with the third component – environmental protection and sustainability – to at least 'do no harm', as indicated by advocates of social responsibility.

While this guide is aimed at the broad spectrum of MFI practitioners, special tools, resources and training courses may also need to be designed, tailored to different segments of the industry, according to the following sub-categories (among others):

- Non-profit/small MFIs versus for-profit/large MFIs
- MFI types: NGOs, village banks, credit unions, cooperatives, savings banks, commercial banks, non-bank financial institutions, etc.
- MFI staff: Board members, executive management and central office staff, middle management and line staff

- Country- or regional-specific considerations
- Possibly business development service providers and other non-financial service providers

Finally, organisations that have already developed materials for SPM capacity building have found that adapting existing tools from the private sector (such as the balanced scorecard approach) has been very effective in convincing MFIs that proved reluctant to adopting SPM. Furthermore, they found that it can actually be a more efficient process, rather than inventing something 'unique' to microfinance.

### **Build SPM capacity**

To paraphrase an article in *The Economist* (January 2008), integrating SPM into the way business is done in the 21st century will require building capacity first. There are two options when passing on technical skills for SPM. One is to create completely new training programmes for MFI staff. The other is to integrate SPM into existing management training programmes, ensuring that a social lens is applied throughout. If SPM is to be an integral part of the way an MFI functions, the latter approach may be more effective in the long term.

### **Train local trainers**

Support organisations, mentors, training institutes/universities, regional networks and individual consultants or consulting companies, such as those mentioned in Chapter 3 on 'Getting started', will need to develop their SPM knowledge so that it can be integrated into their curricula. Many MFI practitioners have expressed the need to develop consulting capacity at the local level due to the cost of external trainers, but also because SPM is an ongoing process that can take several months or even years to fully integrate into operations. Also, it's likely that consultants with expertise in certain areas, such as human resources or MIS, will need to be trained on how to incorporate SPM into their own services.

### **Build practitioner capacity**

---

The ultimate goal is to transfer SPM knowledge to MFI practitioners, ideally through to field level. This can be done in three ways (or some combination thereof):

**i. Peer knowledge-sharing.** An informal, but highly effective, method is to create forums for peer knowledge-sharing between MFIs – eg, case studies, monthly calls, blogs or chats via Instant Messaging, etc. Examples include the SPM Network, Imp-Act Consortium’s Global Learning Partners (GLP) group of seven MFIs, and MFC’s Social Performance Working Group, which meets every quarter to share knowledge and experiences.

**ii. Consultants and mentors.** Can be contracted to provide short-term or ongoing technical assistance. The MFC and the Microfinance Council of the Philippines have both found that providing ongoing ‘mentoring’ assistance can be very helpful in promoting the SPM agenda.

**iii. Training workshops.** While there are already a number of training workshops related to SPM, many of them are introductory or only cover the initial steps (clarifying mission and developing a strategy and action plan). Few cover other operational topics, such as how to integrate a social lens in internal control and human resources. There are also gaps in curricula for overarching themes, such as governance and communications. There is a need for more guidance and capacity building in the key area of information systems, where many MFIs are currently seeking assistance.

To build training capacity locally, the focus should be on carrying out local and regional training sessions to decrease costs and lost work time and to reach as many MFI staff members as possible. A mix of the various networks, support organisations and external consultants can provide the necessary technical expertise, infrastructure and access to MFIs. Ideally, ongoing technical assistance should be provided after the training is completed to ensure that what has been learnt is effectively put into practice, in terms of implementing the MFI’s own SPM-specific issues.

### **The SPM Network is the place where SPM is discussed**

The Social Performance Management (SPM) Network connects people committed to managing and achieving the social mission of microfinance.

The SPM Network links members into the latest:

- News: Through blogs, videos, events listings, discussion groups, & weekly news round-ups
- Debates: Through monthly exclusive interviews with key industry stakeholders & guest bloggers on burning issues in SPM

Log on to link in: [www.spmconsortium.ning.com](http://www.spmconsortium.ning.com)

## Bibliography and resources

---

**'Child taken hostage for loan',**

The Telegraph, [www.telegraphindia.com](http://www.telegraphindia.com), (6 June 2008)

**'Loan harass slur in suicide',**

The Telegraph, [www.telegraphindia.com](http://www.telegraphindia.com), (9 June 2008)

**ACCION, 2006**, Bringing Pro-Consumer Ideals to the Client: A Consumer Protection Guide for Financial Institutions Serving the Poor, ACCION Monograph series No. 14,

[www.publications.accion.org/micro\\_pubs\\_list.asp](http://www.publications.accion.org/micro_pubs_list.asp)

**ACCION, 2003**, Market Intelligence: Making Markets Work for Microfinance, [www.accion.org/insight](http://www.accion.org/insight)

**Bazoberry, E.**, 'We aren't selling vacuum cleaners: PRODEM's experience with staff incentives', MicroBanking Bulletin, April 2001

**Campion, A., 2000**, Improving Internal Control: A Practical Guide for Microfinance Institutions. Microfinance Network, GTZ and ACCION International, [www.publications.accion.org](http://www.publications.accion.org)

**Campion, A.** and Frankiewicz, C., 1999, Guidelines for the Effective Governance of Microfinance Institutions, MicroFinance Network, [www.microfinancegateway.org/content/article/detail/1396](http://www.microfinancegateway.org/content/article/detail/1396)

**CERISE, 2005**, Audit of the Social Performance of Microfinance Institutions: The Definition of a Tool, Social Performance Indicators Initiative – Phase 2 (SPI2), [www.cerise-microfinance.org/pdf/En/spi\\_quest.pdf](http://www.cerise-microfinance.org/pdf/En/spi_quest.pdf)

**Dewez, D.**, The Role of Socially Responsible Investors in the Social Performance of Microfinance Institutions, MFP European Dialogue, N°01, 2008

**FIE, 2007**, Responsabilidad Social Empresarial (Social Responsibility Report), [www.ffpie.com.bo/content.php?contentUId=224](http://www.ffpie.com.bo/content.php?contentUId=224)

**Kline, S. and Matul, M., 2003**, Scoring Change: Prizma's Approach to Assessing Poverty, MFC Spotlight Note #4, Microfinance Centre for CEE and NIS, [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Kline, S., 2003**, Sustaining Social Performance: Institutionalising Organisational Learning and Poverty Outreach at Prizma, MFC Spotlight Note #2, [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Lapenu, C. and Pierret D., Comité d'échanges, de réflexion et d'information sur les systèmes d'épargne-crédit (CERISE); Institut de recherches et d'applications des méthodes de développement (IRAM); Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), 2006,** Handbook for the analysis of the governance of microfinance institutions, International Fund for Agricultural Development (IFAD),  
[www.cerise-microfinance.org/publication/gouvernance.htm](http://www.cerise-microfinance.org/publication/gouvernance.htm)

**Making Cents International,** 2008, 'Youth Microenterprise and Livelihoods: State of the Field', p.37,  
[www.youthenterpriseconference.org/SiteManager/CuteEditor\\_Files/uploads/2008Docs/MakingCentsInternationalYouthEnterpriseLivelihoodsPublication\\_02\\_11\\_08vF.pdf](http://www.youthenterpriseconference.org/SiteManager/CuteEditor_Files/uploads/2008Docs/MakingCentsInternationalYouthEnterpriseLivelihoodsPublication_02_11_08vF.pdf)

**Matul, M. and Pawlak, K., 2003,** Realising Mission Objectives: A Promising Approach to Measuring the Social Performance of Microfinance Institutions, MFC Spotlight Note #5  
[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Matul, M. and Vejzovic, S., 2004,** Beyond Numbers: Prizma's Exit Monitoring System, MFC Spotlight Note #10  
[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC), 2007,** From Mission to Action, the Strategic Management Toolkit Handbook  
[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Microfinance Centre (MFC),** Quality Audit Tool for Managing Social Performance Overview  
[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**MicroSave,** Introduction to Customer Service Toolkit  
[www.microsave.org](http://www.microsave.org)

**Negros Women for Tomorrow Foundation PPI Case Study,** Philippines, Grameen Foundation  
[www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (28 September 2008)

**Pawlak, K. and Szubert, D., 2004,** Reviewing the Social Performance of Microfinance Institutions, MFC Spotlight Note #8  
[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Planet Rating, 2007**, Buusaa Gonofaa, Ethiopia (Social Rating)  
[www.planetrating.com/doc/EN/Planet\\_Rating\\_Buusaa\\_Gonofa\\_Social\\_2007.pdf](http://www.planetrating.com/doc/EN/Planet_Rating_Buusaa_Gonofa_Social_2007.pdf) (28 September 2008)

**SEEP Network Social Performance Working Group**, 2008, Social Performance Map  
[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033) (28 September 2008)

**SEEP Social Performance Progress Brief #2**, December 2006, p.  
[www.seepnetwork.org/content/library/detail/5121](http://www.seepnetwork.org/content/library/detail/5121) (28 September 2008)

**SPM in Practice: AMK** (Cambodia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/AMK\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/AMK_SPM_in_Practice.pdf)

**SPM in Practice: CRECER** (Bolivia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/CRECER\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/CRECER_SPM_in_Practice.pdf)

**SPM in Practice: FONKOZE** (Haiti), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/FONKOZE\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/FONKOZE_SPM_in_Practice.pdf)

**SPM in Practice: NWTf** (Philippines), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/NWTf\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/NWTf_SPM_in_Practice.pdf)

**SPM in Practice: Prizma** (Bosnia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/PRIZMA\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/PRIZMA_SPM_in_Practice.pdf)

**SPM in Practice: Pro Mujer** (Bolivia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/PMB\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/PMB_SPM_in_Practice.pdf)

**SPM in Practice: SEF** (South Africa), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/SEF\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/SEF_SPM_in_Practice.pdf)

**Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop**, *Imp-Act* Consortium  
[www.imp-act.org/](http://www.imp-act.org/)

**Social Performance Management in Microfinance: Guidelines**,  
*Imp-Act* Consortium and MFC  
[www.imp-act.org/](http://www.imp-act.org/)

**Sinha, F., 2006**, (M-CRIL) Social Rating and Social Performance Reporting in Microfinance: Towards a Common Framework, Argidius Foundation  
[www.m-cril.com/pdf/Framework-for-Social-Performance-Rating-and-Reporting.pdf](http://www.m-cril.com/pdf/Framework-for-Social-Performance-Rating-and-Reporting.pdf)

**The Microfinance Gateway**, Microfinance Initiatives: ACCION (describing SOCIAL and CAMEL tools),  
[www.microfinancegateway.org/resource\\_centers/socialperformance/article/35408](http://www.microfinancegateway.org/resource_centers/socialperformance/article/35408) (28 September 2008)

**The Microfinance Gateway, Training and Conferences**,  
[www.microfinancegateway.org/resource\\_centers/socialperformance/\\_training](http://www.microfinancegateway.org/resource_centers/socialperformance/_training) (28 September 2008)

**Wilson, K., 2008**, 'The Moneylender's Dilemma', in T. Dichter and M. Harper (eds), What's Wrong With Microfinance? Practical Action Publishing, [practicalactionpublishing.org/?id=whats\\_wrong\\_with](http://practicalactionpublishing.org/?id=whats_wrong_with) (28 September 2008)

**Woller, G., 2006, Evaluating MFIs' Social Performance: A Measurement Tool**, (SPA) AMAP microREPORT #35,  
[www.microlinks.org/ev\\_en.php?ID=9940\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=9940_201&ID2=DO_TOPIC)  
(28 September 2008)

**Woller, G., 2006**, Pilot Test of the New Social Performance Audit Tool, MicroReport #51, United States Agency for International Development (USAID)

## ENTRY POINTS RESOURCES

**Social Performance Map**, SEEP Network Social Performance Working Group Helps reader understand important issues and make informed decisions related to social performance. See Chapter 1 on Corporate Social Responsibility, Chapter 3 on Socially Responsible Investing, Chapters 6 and 7 on Social Auditing and Rating, and Chapter 10 on Poverty Assessment Tools.  
[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Negros Women for Tomorrow Foundation PPI Case Study** - Philippines, Grameen Foundation. Provides an overview of why and how NWTF adopted the PPI. It describes how it is using the results to shape its products, services, and recruitment and management processes to reach a greater number of poor borrowers efficiently.  
[www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (must register to access)

**SPM in Practice, Imp-Act Consortium** Case study series depicting how leading MFIs define strategies to achieve their social mission, track their progress towards social objectives and improve organisational performance.

- **AMK (Cambodia)**: On page 3 under 'Strategic positioning in a changing market', describes AMK's decision to focus on rural clients.

[www2.ids.ac.uk/impact/news/AMK\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/AMK_SPM_in_Practice.pdf)

## GETTING STARTED RESOURCES

### **Assessing and Managing Social Performance in Microfinance, IFAD**

Offers a framework for IFAD to develop internal systems that monitor progress towards its social objectives in rural finance. Pages 13–19 provide concepts on developing SPM systems and pages 32–45 provide case studies of how six different MFIs have undertaken SPM concepts.

[www.ifad.org/ruralfinance/pub/performance.pdf](http://www.ifad.org/ruralfinance/pub/performance.pdf)

**Leading Change Management, Shorecap Exchange** Argues that it is essential to manage change proactively. It details strategies and tools to manage change, and presents challenges and ways managers can effectively manage change.

[www.microfinancegateway.org/content/article/detail/39520](http://www.microfinancegateway.org/content/article/detail/39520)

### **Social Performance Map, SEEP Network Social Performance Working**

**Group** Helps readers understand important issues and make informed decisions related to social performance. There is also an extensive list of resources in Chapter 15.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

### **Social Performance Management in Microfinance:**

Translating your Mission into Practice Strategy Workshop, *Imp-Act* Consortium

Training targeted to those working at a strategic rather than operational level. It supports MFIs through the SPM design and implementation process.

**Session 3** (Developing Social Goals and Objectives), **Session 4** (Monitoring and Assessing Performance) and **Session 5** (Improving Operations) are most relevant for 'Getting Started' issues.

[www.imp-act.org](http://www.imp-act.org) (Request the download)

### **Social Performance Management in Microfinance Guidelines,**

(booklet) *Imp-Act* Consortium and Microfinance Centre for CEE and NIS Offers an overview to SPM, including a roadmap for developing an SPM system. Component 1 covers 'Developing a strategy to achieve social performance'; Component 2: 'Monitoring and assessing social performance'; and Component 3: 'Using and institutionalising your SPM system'. (Available in English, Russian and Spanish)

[www2.ids.ac.uk/impact/support/guidelines.html](http://www2.ids.ac.uk/impact/support/guidelines.html)

### Spotlight Notes, Microfinance Centre for CEE and NIS

#### #4: Scoring Change: Prizma's Approach to Assessing Poverty

Outlines the approach taken by Prizma, an MFI in Bosnia. It focuses on the development of a poverty scorecard. The table on Page 8 provides information on how Prizma staff and consultants spent their time in developing the poverty scorecard.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

### Imp-Act Consortium Practice Notes

Useful information and advice, presented in a clear, concise format.

- “No. 6: Planning research to assess social performance: guidance for managers” guides MFI managers through nine steps in this planning process.
- “No. 9: Managing social performance in microfinance: building successful clients and successful institutions” provides steps and checklists to assist managers in designing and using SPM.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### SPM in Practice, Imp-Act Consortium

Case study series depicting how leading MFIs define strategies to achieve their social mission, track their progress towards social objectives and improve organisational performance.

- **Fonkoze** (Haiti): Page 5 describes how its market research staff collect and analyse social performance data.
- **Prizma** (Bosnia): Pages 5 and 6 provides information on how it ‘costed’ out expenses related to its SPM activities.
- **SEF** (South Africa) Pages 4 and 5 describe how its field staff use social performance information.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## SOCIAL MISSION AND STRATEGY RESOURCES

### **Gender and Microfinance:**

Approaches, Evidence, and Ways Forward, Women's Empowerment through Sustainable Microfinance Training Series, Module 2, Linda Mayoux.

Provides an overview of contrasting but reinforcing views about the relationship between women's empowerment and microfinance and the assumptions on which they are based; evidence of gender impact and the degree to which this would support these assumptions; the key questions currently facing microfinance in relation to women's empowerment; and key elements of a gender strategy for women's empowerment.

**[www.genfinance.info/Trainingresources\\_05/Module2\\_ApproachImpact/Module2\\_Approaches\\_Evidence.pdf](http://www.genfinance.info/Trainingresources_05/Module2_ApproachImpact/Module2_Approaches_Evidence.pdf)**

### **Microfin Business Planning and Financial Modeling Handbook**

A Microsoft Excel spreadsheet designed to assist MFIs in developing detailed financial projections to accompany their business plans; contains chapters on Developing a Strategic Plan.

**[www.microfin.com](http://www.microfin.com)**

### **From Mission to Action: Strategic Management Toolkit Handbook,** Microfinance Centre for CEE and NIS

Presents a step-by-step process to improve strategic management capacity, using case studies and references to additional training and resources.

- **For more information about balanced scorecards and how to use them,** see Chapters 3 and 10.
- **For information on mission reviews,** see Chapter 6: Deconstructing the Mission, pp 28–30.
- **For more information on strategic planning,** see Chapters 3 and Chapters 7, 8 and 9 (pp. 17–20 and 31–54).
- **For more information on operationalising strategy,** see Chapters 4–5 and 10–12 (pp 21–27 and 55–72).

**[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)** (for an Overview of the toolkit) To request the full toolkit, e-mail **[microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl)**.

### **Social Performance Management in Microfinance:**

Translating your Mission into Practice Strategy Workshop, *Imp-Act* Consortium Training is targeted at those working at a strategic level. Practitioners can use these materials for the design and implementation process when they want to focus on specific areas of need.

#### **Session 3**

(Developing Social Goals and Objectives) contains a mission review exercise. **[www.imp-act.org](http://www.imp-act.org)** (Learning & Support/Download the training materials – request the download)

#### **Spotlight Notes,**

Microfinance Centre for CEE and NIS

**#5: Realising Mission Objectives:** A Promising Approach to Measuring the Social Performance of Microfinance Institutions. Argues that the key to developing sustainable social performance measurement systems and practices is to consider their design from the perspective of the institutional mission.

**[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)**

#### **SPM in Practice, *Imp-Act* Consortium**

The resource provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **CRECER** (Bolivia): On page 2, the case study describes how CRECER has broadened its social mission to include non-financial needs of its clients.
- **Pro Mujer** (PMB-Bolivia) Pages 3–5 describe how PMB's social objectives drive its SPM strategy.
- **SEF** (South Africa) Pages 1–3 describe how SEF has been able to refocus its operations on its mission.

**[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)**

#### **Sustainable Microfinance for Women's Empowerment Strategy Checklists,**

Linda Mayoux. Provides checklist questions that management and the Board can use to either implement new strategies to assist women or to improve existing strategies, including organisational vision, product design, internal gender policies, gender equality, and women's participation.

**[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)**

## GOVERNANCE RESOURCES

**Handbook for the Analysis of Governance of Microfinance Institutions**, CERISE and IRAM. The guide helps identify strengths and limitations of an MFI's governance structure. The first module is a diagnostic tool for evaluating the governance of an MFI; the second is designed to guide reflection on the strategic choices and governance challenges that MFIs face.

[www.cerise-microfinance.org/publication/gouvernance.htm](http://www.cerise-microfinance.org/publication/gouvernance.htm) (English and French)

**Guidelines to Effective Governance of Microfinance Institutions**, MicroFinance Network

This paper presents guidance to senior management and Boards of Directors of MFIs in areas of governance. The topics covered include managing management, mandate of the Board, oversight, and Board appraisal.

[www.microfinancegateway.org/content/article/detail/1396](http://www.microfinancegateway.org/content/article/detail/1396) (TIP: The search term 'microfinance governance' on [www.microfinancegateway.org](http://www.microfinancegateway.org) will also yield several other resources.)

**Social Performance Map, SEEP Network Social Performance Working Group**

The content of the Map is intended to equip industry stakeholders with required information to make informed decisions related to social performance.

See Chapter 14 on Governance issues around social performance.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Transforming NGO MFIs, CGAP Occasional Paper**

This paper provides insights and guidance for those who plan to carry out a transformation.

[www.cgap.org/p/site/c/template.rc/1.9.4213](http://www.cgap.org/p/site/c/template.rc/1.9.4213)

**Stemming the Tide of Mission Drift: Microfinance Transformations and the Double-bottom Line**, Women's World Banking

This paper provides an overview of the process by which MFIs convert from NGOs into regulated financial institutions – known as transformation – and examines the impact of transformation on a control group of MFIs tracked by WWB over five years, giving particular attention to the effect of transformation on MFIs' outreach to low-income women. The findings confirm the prevailing notion that transformation catalyses growth in MFI outreach and product offerings. However, the data also revealed a decline in the percentage of women clients served after transformation.

On page 2 of the paper, the authors address 'Why MFIs Transform' and, on page 18, they discuss different MFIs' experiences with transformation.

[www.swwb.org/stemming-the-tide-of-mission-drift](http://www.swwb.org/stemming-the-tide-of-mission-drift)

### **SPM in Practice, Imp-Act Consortium**

This resource provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK** (Cambodia): Excerpts on page 5 describe how AMK's Social Performance Committee holds the organisation accountable to its social objectives as well as acting as a resource to assist staff in the process of integrating a social lens throughout its operations.
- **Fonkoze** (Haiti): Pages 6 and 7 describe how Fonkoze has split itself into two distinct organisations to protect its social mission and to access capital markets.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## **COMMUNICATIONS RESOURCES**

### **Social Performance Map, SEEP Network Social Performance Working Group**

The Social Performance Map help readers understand important issues and make informed decisions related to social performance. It also provides information on the most common reporting standards for social performance in Chapter 15 for external reports.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

### **From Mission to Action: Strategic Management Toolkit Handbook, Microfinance Centre for CEE and NIS**

For those seeking to improve their capacity in strategic management, this handbook presents a step-by-step process. It includes case studies highlighting how MFIs have used the toolkit.

For information on communication, see Chapter 11: 'Develop a change management plan to ensure strategy implementation', pp 68–69.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html) (for an Overview of the toolkit) To request the full toolkit, e-mail [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl).

### **Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop, Imp-Act Consortium**

The training is targeted at those working at a strategic level. Practitioners can use these materials to support their own MFIs through the design and implementation process when they want to focus on specific areas of need. Networks and other international organisations can use the materials to guide their support to partners. Slide 64 and pages 100–102 provide an exercise to practice communicating the purpose and strategy of an MFI's SPM efforts.

[www.imp-act.org](http://www.imp-act.org) (Learning & Support/Download the training materials – request the download)

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **NWTF** (Philippines): Details the challenges NWTF has encountered around communication regarding SPM and how it has addressed these issues.

[www2.ids.ac.uk/impact/news/NWTF\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/NWTF_SPM_in_Practice.pdf)

## **MIS RESOURCES**

### **Process Mapping Toolkit, MicroSave**

This toolkit provides a comprehensive overview of why and how to conduct process-mapping using a four-tiered process-mapping framework that encompasses: 1. Flowcharting the processes; 2. Describing the processes; 3. Analysing the risks in the processes and identifying process improvements; 4. Analysing the internal controls and other risk management strategies to manage the risks.

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

### **How to Improve your MFI's Efficiency by Process Mapping, SEEP Network**

Introduction to the concept and uses of process mapping, followed by an exclusive interview with practitioners who have done process mapping.

[www.seepnetwork.org/content/article/detail/5724](http://www.seepnetwork.org/content/article/detail/5724)

### **Business Process Modeling / Business Process Management (BPM/M)**

**seminar**, Agidigm Corporation and Grameen Jameel Pan-Arab Microfinance Limited Contact [info@grameen-jameel.com](mailto:info@grameen-jameel.com) for more information.

### **Negros Women for Tomorrow Foundation PPI Case Study** - Philippines, Grameen Foundation.

This case study provides an overview of why and how NWTF adopted the PPI. It also details how the organisation is using the results to shape its products, services, and recruitment and management processes, enabling it to reach a greater number of poor borrowers as efficiently as possible.

The Challenges and Solutions section on page 7 covers such issues as data interpretation, cost of implementation, and the method NWTF used to make actual modifications to its MIS.

[www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (must register to access)

**Mifos open source microfinance software solution**, Grameen Foundation

Grameen Foundation's information system (Mifos) incorporates a survey module directly and allows for extensive flexibility in incorporating new data.

[www.mifos.org](http://www.mifos.org)

**Indicators Related to Gender** – for social rating, EDA Rural Systems (Frances Sinha)

This note sets out some of the context issues and the current draft list of gender related indicators that we are considering as part of a social rating assessment.

[finance.groups.yahoo.com/group/genfinance/files/APRMS\\_Social%20Performance%20Management/](http://finance.groups.yahoo.com/group/genfinance/files/APRMS_Social%20Performance%20Management/) (Must join the GenFinance listserv first.)

**Social Performance Map**, SEEP Network Social Performance Working Group

The content of the Map is intended to equip industry stakeholders with useful information that will allow them to sort through and understand the important issues and make informed decisions related to social performance.

See Chapter 11, 'Common Social Performance Indicators for Microfinance', for information on the social indicators the SPTF is focusing on.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Social Performance Management in Microfinance Guidelines**, (booklet)

*Imp-Act* Consortium and Microfinance Centre for CEE and NIS

This booklet offers an overview to social performance management (SPM), including this introduction, a roadmap for developing an SPM system, and a resource guide for SPM.

Components 2.1, 2.2 and 3.1 may assist the reader in identifying key issues to address for MIS-related issues.

[www2.ids.ac.uk/impact/support/guidelines.html](http://www2.ids.ac.uk/impact/support/guidelines.html)

**Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop**, *Imp-Act* Consortium

The training is targeted to those working at a strategic level but is not appropriate for people working at an operational level. Practitioners can use these materials to support their own MFIs through the design and implementation process when they want to focus on specific areas of need. Networks and other international organisations can use the materials to guide their support to partners.

**Session 4**, Monitoring and Assessing Performance, covers many of the issues one should consider when addressing MIS needs for SPM.

[www.imp-act.org](http://www.imp-act.org) (Learning & Support/Download the training materials – request the download)

### **From Mission to Action: Strategic Management Toolkit Handbook,** Microfinance Centre for CEE and NIS

For those seeking to improve their capacity in strategic management, this handbook presents a step-by-step process. It also includes case studies highlighting how MFIs have used the toolkit.

For information on choosing and creating social indicators, please refer to section 10.3.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html) (for an Overview of the toolkit) To request the full toolkit, e-mail [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl).

### **Spotlight Notes, Microfinance Centre for CEE and NIS**

- **#3: Improving Cost-Effectiveness of Exploratory Practitioner-Led Research: Key Factors to Consider When Selecting Tools.**  
Provides a detailed, seven-step approach to carrying out research at MFIs around client needs, etc.
- **#5: Realising Mission Objectives: A Promising Approach to Measuring the Social Performance of Microfinance Institutions.**  
The paper argues that the key to developing sustainable social performance measurement systems and practices is to consider their design from the perspective of the institutional mission. Building SPM into the institutional mission and goals is a promising way to ensure it is institutionalised and cost-effective.  
Pages 4 and 5 cover issues around choosing social indicators and what to do with the information once it has been collected. There is a sample MIS SPM report on page 6.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for microfinance practitioners, but may also be useful to donors and other external assessors.

- **No. 5: Choosing and using indicators for effective social performance Management**  
This Note aims to help you think about the steps you need to take to develop indicators. It highlights issues that may influence the choice of indicators, as well as possible difficulties. It gives examples of how different MFIs have developed their own indicators that respond to their information needs and the kinds of impacts they expect.
- **No. 6: Planning research to assess social performance: guidance for managers**  
This Practice Note guides MFI managers through nine steps in this planning process. In starting to undertake such work, the key to success is careful planning.

- **No. 7:** Tracking client performance: monitoring systems for social performance management

This Practice Note guides you through choices that need to be made in designing a monitoring system. There is no single system that works for all organisations, but there are some key principles and things to avoid that will help guide you through the process.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### SPM in Practice, Imp-Act Consortium

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **NWTF** (Philippines): Pages 3 and 4 describe how NWTF took on the challenge of ensuring it had reliable and timely information.
- **Prizma** (Bosnia): Page 4 details how Prizma addressed how it should use information and data quality issues, and page 6 covers some of the lessons learnt by Prizma when it came to its MIS and SPM challenges.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## HUMAN RESOURCE MANAGEMENT RESOURCES

### HR Challenges and Solutions in Microfinance,

Microfinance Insights/Intellectap

The Microfinance Insights magazine ran an online survey on Human Resources Challenges and Solutions and published the highlights of the survey findings. Over 90 respondents from 31 countries were surveyed and the resulting report presents insightful perspectives from the human resources field in microfinance.

[www.microfinanceinsights.com/oldsite/index\\_files/page0004.htm](http://www.microfinanceinsights.com/oldsite/index_files/page0004.htm)

### Branch Management Training for MFIs: Developing Staff Management Skills, SEEP Network

The Branch Management Training for MFIs is designed for Branch Managers in MFIs, but the material is applicable to all levels of management who supervise staff.

[www.seepnetwork.org/content/library/detail/4713](http://www.seepnetwork.org/content/library/detail/4713) (presentation)

[www.seepnetwork.org/content/library/detail/4710](http://www.seepnetwork.org/content/library/detail/4710) (trainer's manual)

[www.seepnetwork.org/content/library/detail/4711](http://www.seepnetwork.org/content/library/detail/4711) (participant's manual)

**What is Gender? Basic Concepts**, Women's Empowerment through Sustainable Microfinance Training Series, Module 1, Linda Mayoux

Examines participants' existing concepts of gender and their own views on priorities for change. Also gives an overview of debates on gender mainstreaming and the triple framework of gender equality of opportunity, gender equity of outcomes and women's empowerment. This training module could be used or adapted by an MFI to introduce its staff to the gender equity and empowerment principles and issues.

**[www.genfinance.info/Trainingresources\\_05/Module2\\_ApproachImpact/Module2\\_Approaches\\_Evidence.pdf](http://www.genfinance.info/Trainingresources_05/Module2_ApproachImpact/Module2_Approaches_Evidence.pdf)**

**Iceberg of Inequality**, Tim McCaskell (adapted by Shazreh Hussain)

An exercise to generate an understanding of discrimination and generate ownership of gender issues. This exercise could be used or adapted by an MFI to introduce its staff to the gender equity and empowerment principles and issues.

**[finance.groups.yahoo.com/group/genfinance/files/shazreh.hussain/](http://finance.groups.yahoo.com/group/genfinance/files/shazreh.hussain/)**

(Must join the GenFinance listserv first.)

**Pitfalls and Unintended Outcomes: Advice on Designing and Implementing Staff Incentive Systems**, SEEP Network

This learning paper is structured as an interview of practitioners from seven different microfinance institutions and one technical assistance provider. They talk about the difficulties they have encountered in implementing incentives schemes and how they have addressed the challenges.

**[www.seepnetwork.org/files/5828\\_file\\_Pitfalls\\_andunintended\\_outcomesdesignimplement.pdf](http://www.seepnetwork.org/files/5828_file_Pitfalls_andunintended_outcomesdesignimplement.pdf)**

**Designing Staff Incentive Schemes to Balance Social and Financial Goals**, MFN and CGAP

This paper finds that well-designed staff incentive schemes (SIS) can indirectly support the overall organisational mission. It explores the role of SIS in balancing social and financial goals of an MFI. The paper examines the SIS of four institutions to identify best practices.

**[www.microfinancegateway.org/content/article/detail/48574](http://www.microfinancegateway.org/content/article/detail/48574)**

(Use the search terms 'staff incentive' and 'human resources' on **[www.microfinancegateway.org](http://www.microfinancegateway.org)** to find several other resources on staff incentives and human resources management issues.)

### **Incentive Toolkit, MicroSave**

This toolkit provides a detailed examination of: 1. The Theoretical Background of Staff Incentive Schemes; 2. Basic Building Blocks for Staff Incentive Schemes; 3. Principle Design Questions for Staff Incentive Schemes; 4. Incentive Schemes for Different Functional Areas in MFIs; 5. A Step-by-Step Approach to the Design of Incentive Schemes; 6. A Benefit-Cost Analysis of Incentive Schemes; 7. Incentive Schemes in Other Areas of Microfinance.

**[www.microsave.org/relateddownloads.asp?id=14&cat\\_id=97&title=Designing+Staff+Incentive+Schemes](http://www.microsave.org/relateddownloads.asp?id=14&cat_id=97&title=Designing+Staff+Incentive+Schemes)**

(Microsave also has a Human Resources Management toolkit:

**[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14))**

### **On-line Speaker's Corner on Staff Incentives, Microlinks**

Includes a full-day discussion on balancing financial and social performance incentives.

**[www.microlinks.org/ev\\_en.php?ID=22431\\_201&ID2=DO\\_COMMUNITY](http://www.microlinks.org/ev_en.php?ID=22431_201&ID2=DO_COMMUNITY)**

### **Results Of The Staff Incentive Survey Carried Out Within The Central Europe and Central Asia Region, Microfinance Centre for CEE and NIS**

This survey was carried out to see which type of staff incentives are in use across the region, which staff are eligible for incentive schemes and how often incentives are given to staff.

**[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)**

### **Spotlight Notes, Microfinance Centre for CEE and NIS #2:**

Sustaining Social Performance Institutionalising Organisational Learning and Poverty Outreach at Prizma

Pages 5 and 6 cover how Prizma created and uses the staff incentive programme, which includes certain social performance requirements.

**[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)**

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **CRECER** (Bolivia): Page 3 of the case study touches upon CRECER's efforts to be responsible to its staff.
- **Prizma** (Bosnia): Page 3 mentions some of the aspects the MFI has addressed to be fair to staff, especially incentives (see also Spotlight #2 from the MFC above).

- **SEF** (South Africa): SEF's case study also provides information on page 3 of how the MFI ensures that its staff are treated fairly, including having objective dispute procedures.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## CLIENT ISSUES RESOURCES

### MicroSave Toolkits

MicroSave's website offers a variety of market research tools, as well as guidance on how to develop a customer service oriented culture in an MFI. (Toolkits: Customer Service, Market Research for Microfinance, Planning, Conducting and Monitoring Pilot-Tests for MFIs, and Quantitative Research)

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

**Building Customer Loyalty:** Technical Guide No. 2, MicroFinance Network and ACCION International

Addresses a range of issues associated with client loyalty and drop-out, including how to measure and monitor them and structure an MFI to be more customer service-oriented.

[publications.accion.org/publications/Building\\_C\\_119.asp](http://publications.accion.org/publications/Building_C_119.asp)

**Bringing Pro-Consumer Ideals to the Client:** A Consumer Protection Guide for Financial Institutions Serving the Poor, ACCION International

This monograph guides institutions through the process of incorporating consumer protection principles into their organisational philosophies and operations. The Pledge defines principles to equip microfinance customers with rights while minimising the operating costs so that MFIs can remain sustainable in the long term. This report outlines tangible ways in which MFIs are currently integrating the ideals of the Pro-Consumer Pledge into their operations.

[publications.accion.org/micro\\_pubs\\_list.asp](http://publications.accion.org/micro_pubs_list.asp)

**Sustainable Microfinance for Women's Empowerment Strategy Checklists,** Linda Mayoux

Provides checklist questions the MFI staff can use to either implement new product and delivery attributes, including for non-financial products, in assisting women or to improve upon existing attributes (Module 4 – Product Design Checklist).

[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)

**Insight #7:** Market Intelligence: Making Markets Work for Microfinance, ACCION International

Walks the reader through two case studies of how ACCION International helped MFIs be more client- and market-responsive.

[www.accion.org/insight](http://www.accion.org/insight)

### **Learning from Clients: Assessment Tools for Microfinance Practitioners, SEEP AIMS Tools**

Contains detailed guidance written by and for practitioners for planning and implementing impact assessments and for analysing all data generated; a coherent set of quantitative and qualitative tools that address the most common hypotheses that undergird microfinance programmes; clear explanations of indicators and measures used, along with supplementary discussions of additional sets of potential interest to individual users; and methods that provide information on impact and client satisfaction and that result in specific feedback for programme improvement.

[www.seepnetwork.org/content/article/detail/646](http://www.seepnetwork.org/content/article/detail/646)

### **Managing for Impact in Rural Development: a Guide for Project M&E, IFAD**

Focuses on how M&E can support project management and engage project stakeholders in understanding project progress, learning from achievements and problems, and agreeing on how to improve both strategy and operations.

[www.ifad.org/evaluation/guide/index.htm](http://www.ifad.org/evaluation/guide/index.htm)

### **Spotlight Notes, Microfinance Centre for CEE and NIS**

- **#8 Counting on Your Prospective Clients**

This note presents some principles in measuring microfinance client satisfaction and loyalty using a quantitative survey. The authors present some general marketing research rules as well as new insights specific for the microfinance industry and general concepts of satisfaction and loyalty and discuss the potential results one can obtain.

- **#10 Beyond Numbers: Prizma's Exit Monitoring System**

This paper presents a summary of an approach taken by Prizma, a Bosnian MFI, for monitoring and understanding exiting clients. This paper focuses on the exit monitoring rationale, final system characteristics, the design process, evaluation of the pilot tests and subsequent launches in all Prizma branches, the costs and benefits of this approach, and issues to be taken into account for improving the system.

- **#11 Client Desertion in Microfinance: How To Diagnose It Successfully?**

This Spotlight Note identifies key principles in investigating client desertion.

These insights are based on the action-research work of the Microfinance Centre (MFC) and three MFIs.

[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for practitioners, but may also be useful to donors and other external assessors.

- **No 1: The Feedback Loop: Responding to client needs**  
The feedback loop describes the stages that information moves through in an institution from its initial generation to the implementation of changes in products and services. This Practice Note is designed to help you review and improve your institution's own systems of information flow and feedback, or to review these processes as an external assessor. It outlines the steps of the feedback loop and gives advice on how to use it.
- **No 2: QUIP: Understanding clients through in-depth interviews**  
This Practice Note provides a step-by-step guide to developing and conducting in-depth qualitative interviews of individuals in order to uncover useful information about the impact of products and services provided by the MFI. The reader is guided through planning, data collection, analysis, presentation of findings and decision-making, emphasising the need to plan and implement the qualitative process in a way that is appropriate for each MFI and its clients.
- **No. 3 Learning from Client Exit**  
This Practice Note provides a guide to helping an MFI track and understand client exit, in a simple, low-cost way. The paper starts by looking closely at what client exit can mean for the MFI and moves on to show how one can define and measure exit rates. The notes then cover a number of tools you can use for finding out who is leaving your programme (and then why), and how these tools or other data can help you draw up profiles of the different types of leavers.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### **Imp-Act Consortium, SPM in Practice**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK** (Cambodia): Pages 2 and 3 provide information on AMK's adoption of its client protection principles.
- **CRECER** (Bolivia): Page 4 describes how CRECER acted to better meet the needs of its clients, notably a rate reduction.
- **Fonkoze** (Haiti): Page 5 discusses how Fonkoze captures client feedback.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## INTERNAL CONTROL RESOURCES

**Improving Internal Control:** A Practical Guide for Microfinance Institutions, ACCION International

Good general resource for implementing effective internal control systems in a microfinance institution but with an emphasis on ensuring strong financial performance.

[publications.accion.org/publications/Technical\\_\\_112.asp](http://publications.accion.org/publications/Technical__112.asp) (English, French and Spanish)

**External Audits of Microfinance Institutions:** A Handbook, CGAP

Provides guidance on accounting and auditing standards relevant to microfinance as well as instructions on how to contract an external financial audit.

[www.microfinancegateway.org/content/article/detail/1617](http://www.microfinancegateway.org/content/article/detail/1617)

(Use the search term “internal control” on [www.microfinancegateway.org](http://www.microfinancegateway.org) for further resources.)

**Social Performance Map,** SEEP Network Social Performance Working Group

The content of the Map is intended to equip industry stakeholders with useful information that will allow them to sort through and understand the important issues and make informed decisions related to social performance.

See Chapters 6–9 for more information on the social assessment tools, auditing firms (Chapter 6) and rating agencies (Chapter 7).

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**'Walking the Talk' Internal Gender Policy, Women's Empowerment through Sustainable Microfinance Training Series,** Module 5, Linda Mayoux

Gives an overview of the necessary elements of an internal gender policy.

[www.genfinance.info/Trainingresources\\_05/Module5\\_OrganisationStrategy/Module5\\_InternalPolicy.pdf](http://www.genfinance.info/Trainingresources_05/Module5_OrganisationStrategy/Module5_InternalPolicy.pdf)

**Sustainable Microfinance for Women's Empowerment Strategy Checklists,**

Linda Mayoux

Provides checklist questions the MFI staff can use to either implement new internal gender policies in assisting women staff members and women clients or to improve upon existing policies (page 9).

[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)

### **Internal Audit and Controls for MFIs Toolkit**, MicroSave

Tools and resources for conducting, reporting, and following up internal audit recommendations are included in the toolkit to provide suggestions and guidance. However, it is recommended that all of the tools and resources be edited and adapted for the individual and specific needs of MFIs and Self-Help Groups. This course is designed for senior managers who are looking for ways to understand and strengthen their internal control systems, whether through preventive strategies or detective strategies designed to manage operating risk.

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for practitioners, but may also be useful to donors and other external assessors.

- **No. 4: Using surveys effectively**  
This Practice Note will help you understand what an impact survey involves, to decide whether you have sufficient resources to conduct one, and to consider how best to manage external support if you need to. It outlines the key issues in planning, designing and implementing a survey and includes practical examples from a number of MFIs.
- **No. 8: Reviewing the social performance of microfinance institutions.**  
This Practice Note provides information on how to conduct reviews to improve the quality of an SPM system. A social performance review can help you: to consider how data collection, analysis and reporting can be improved; to ensure findings are being utilised; and to compare performance against your own objectives and the performance of other organisations.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK Cambodia**: Page 5 describes how AMK's internal audit team has also taken over the function of validating whether AMK is meeting its social objectives or not.
- **NWTF** (Philippines): Page 3 describes how NWTF's personnel manual dictates how staff must treat clients and how the audit department checks that clients' receive the service they deserve.
- **Prizma** (Bosnia): Page 3 provides information on how Prizma's policies attempt to protect the environment.
- **SEF** (South Africa): Page 3 shares how SEF has created detailed policies on how staff are to be treated.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## Bibliography and resources

---

**'Child taken hostage for loan',**

The Telegraph, [www.telegraphindia.com](http://www.telegraphindia.com), (6 June 2008)

**'Loan harass slur in suicide',**

The Telegraph, [www.telegraphindia.com](http://www.telegraphindia.com), (9 June 2008)

**ACCION, 2006**, Bringing Pro-Consumer Ideals to the Client: A Consumer Protection Guide for Financial Institutions Serving the Poor, ACCION Monograph series No. 14,

[www.publications.accion.org/micro\\_pubs\\_list.asp](http://www.publications.accion.org/micro_pubs_list.asp)

**ACCION, 2003**, Market Intelligence: Making Markets Work for Microfinance, [www.accion.org/insight](http://www.accion.org/insight)

**Bazoberry, E.**, 'We aren't selling vacuum cleaners: PRODEM's experience with staff incentives', MicroBanking Bulletin, April 2001

**Campion, A., 2000**, Improving Internal Control: A Practical Guide for Microfinance Institutions. Microfinance Network, GTZ and ACCION International, [www.publications.accion.org](http://www.publications.accion.org)

**Campion, A.** and Frankiewicz, C., 1999, Guidelines for the Effective Governance of Microfinance Institutions, MicroFinance

Network, [www.microfinancegateway.org/content/article/detail/1396](http://www.microfinancegateway.org/content/article/detail/1396)

**CERISE, 2005**, Audit of the Social Performance of Microfinance Institutions: The Definition of a Tool, Social Performance Indicators Initiative – Phase 2 (SPI2), [www.cerise-microfinance.org/pdf/En/spi\\_quest.pdf](http://www.cerise-microfinance.org/pdf/En/spi_quest.pdf)

**Dewez, D.**, The Role of Socially Responsible Investors in the Social Performance of Microfinance Institutions, MFP European Dialogue, N°01, 2008

**FIE, 2007**, Responsabilidad Social Empresarial (Social Responsibility Report), [www.ffpie.com.bo/content.php?contentUId=224](http://www.ffpie.com.bo/content.php?contentUId=224)

**Kline, S. and Matul, M., 2003**, Scoring Change: Prizma's Approach to Assessing Poverty, MFC Spotlight Note #4, Microfinance Centre for CEE and NIS, [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Kline, S., 2003**, Sustaining Social Performance: Institutionalising Organisational Learning and Poverty Outreach at Prizma, MFC Spotlight Note #2, [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

Lapenu, C. and Pierret D., Comité d'échanges, de réflexion et d'information sur les systèmes d'épargne-crédit (CERISE); Institut de recherches et d'applications des méthodes de développement (IRAM); Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), 2006, Handbook for the analysis of the governance of microfinance institutions, International Fund for Agricultural Development (IFAD), [www.cerise-microfinance.org/publication/gouvernance.htm](http://www.cerise-microfinance.org/publication/gouvernance.htm)

Making Cents International, 2008, 'Youth Microenterprise and Livelihoods: State of the Field', p.37, [www.youthenterpriseconference.org/SiteManager/CuteEditor\\_Files/uploads/2008Docs/MakingCentsInternationalYouthEnterpriseLivelihoodsPublication\\_02\\_11\\_08vF.pdf](http://www.youthenterpriseconference.org/SiteManager/CuteEditor_Files/uploads/2008Docs/MakingCentsInternationalYouthEnterpriseLivelihoodsPublication_02_11_08vF.pdf)

Matul, M. and Pawlak, K., 2003, Realising Mission Objectives: A Promising Approach to Measuring the Social Performance of Microfinance Institutions, MFC Spotlight Note #5 [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

Matul, M. and Vejzovic, S., 2004, Beyond Numbers: Prizma's Exit Monitoring System, MFC Spotlight Note #10 [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC), 2007, From Mission to Action, the Strategic Management Toolkit Handbook [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

Microfinance Centre (MFC), Quality Audit Tool for Managing Social Performance Overview [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

MicroSave, Introduction to Customer Service Toolkit [www.microsave.org](http://www.microsave.org)

Negros Women for Tomorrow Foundation PPI Case Study, Philippines, Grameen Foundation [www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (28 September 2008)

Pawlak, K. and Szubert, D., 2004, Reviewing the Social Performance of Microfinance Institutions, MFC Spotlight Note #8 [www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

**Planet Rating, 2007**, Buusaa Gonofaa, Ethiopia (Social Rating)  
[www.planetrating.com/doc/EN/Planet\\_Rating\\_Buusaa\\_Gonofa\\_Social\\_2007.pdf](http://www.planetrating.com/doc/EN/Planet_Rating_Buusaa_Gonofa_Social_2007.pdf) (28 September 2008)

**SEEP Network Social Performance Working Group**, 2008, Social Performance Map  
[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033) (28 September 2008)

**SEEP Social Performance Progress Brief #2**, December 2006, p.  
[www.seepnetwork.org/content/library/detail/5121](http://www.seepnetwork.org/content/library/detail/5121) (28 September 2008)

**SPM in Practice: AMK** (Cambodia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/AMK\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/AMK_SPM_in_Practice.pdf)

**SPM in Practice: CRECER** (Bolivia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/CRECER\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/CRECER_SPM_in_Practice.pdf)

**SPM in Practice: FONKOZE** (Haiti), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/FONKOZE\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/FONKOZE_SPM_in_Practice.pdf)

**SPM in Practice: NWTf** (Philippines), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/NWTf\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/NWTf_SPM_in_Practice.pdf)

**SPM in Practice: Prizma** (Bosnia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/PRIZMA\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/PRIZMA_SPM_in_Practice.pdf)

**SPM in Practice: Pro Mujer** (Bolivia), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/PMB\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/PMB_SPM_in_Practice.pdf)

**SPM in Practice: SEF** (South Africa), *Imp-Act* Consortium,  
[www2.ids.ac.uk/impact/news/SEF\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/SEF_SPM_in_Practice.pdf)

**Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop**, *Imp-Act* Consortium  
[www.imp-act.org/](http://www.imp-act.org/)

**Social Performance Management in Microfinance: Guidelines**,  
*Imp-Act* Consortium and MFC  
[www.imp-act.org/](http://www.imp-act.org/)

**Sinha, F., 2006**, (M-CRIL) Social Rating and Social Performance Reporting in Microfinance: Towards a Common Framework, Argidius Foundation  
[www.m-cril.com/pdf/Framework-for-Social-Performance-Rating-and-Reporting.pdf](http://www.m-cril.com/pdf/Framework-for-Social-Performance-Rating-and-Reporting.pdf)

**The Microfinance Gateway**, Microfinance Initiatives: ACCION (describing SOCIAL and CAMEL tools),  
[www.microfinancegateway.org/resource\\_centers/socialperformance/article/35408](http://www.microfinancegateway.org/resource_centers/socialperformance/article/35408) (28 September 2008)

**The Microfinance Gateway, Training and Conferences**,  
[www.microfinancegateway.org/resource\\_centers/socialperformance/\\_training](http://www.microfinancegateway.org/resource_centers/socialperformance/_training) (28 September 2008)

**Wilson, K., 2008**, 'The Moneylender's Dilemma', in T. Dichter and M. Harper (eds), What's Wrong With Microfinance? Practical Action Publishing, [practicalactionpublishing.org/?id=whats\\_wrong\\_with](http://practicalactionpublishing.org/?id=whats_wrong_with) (28 September 2008)

**Woller, G., 2006, Evaluating MFIs' Social Performance: A Measurement Tool**, (SPA) AMAP microREPORT #35,  
[www.microlinks.org/ev\\_en.php?ID=9940\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=9940_201&ID2=DO_TOPIC)  
(28 September 2008)

**Woller, G., 2006**, Pilot Test of the New Social Performance Audit Tool, MicroReport #51, United States Agency for International Development (USAID)

## ENTRY POINTS RESOURCES

**Social Performance Map**, SEEP Network Social Performance Working Group Helps reader understand important issues and make informed decisions related to social performance. See Chapter 1 on Corporate Social Responsibility, Chapter 3 on Socially Responsible Investing, Chapters 6 and 7 on Social Auditing and Rating, and Chapter 10 on Poverty Assessment Tools.  
[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Negros Women for Tomorrow Foundation PPI Case Study** - Philippines, Grameen Foundation. Provides an overview of why and how NWTF adopted the PPI. It describes how it is using the results to shape its products, services, and recruitment and management processes to reach a greater number of poor borrowers efficiently.  
[www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (must register to access)

**SPM in Practice, Imp-Act Consortium** Case study series depicting how leading MFIs define strategies to achieve their social mission, track their progress towards social objectives and improve organisational performance.

- **AMK (Cambodia)**: On page 3 under 'Strategic positioning in a changing market', describes AMK's decision to focus on rural clients.

[www2.ids.ac.uk/impact/news/AMK\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/AMK_SPM_in_Practice.pdf)

## GETTING STARTED RESOURCES

### **Assessing and Managing Social Performance in Microfinance, IFAD**

Offers a framework for IFAD to develop internal systems that monitor progress towards its social objectives in rural finance. Pages 13–19 provide concepts on developing SPM systems and pages 32–45 provide case studies of how six different MFIs have undertaken SPM concepts.

[www.ifad.org/ruralfinance/pub/performance.pdf](http://www.ifad.org/ruralfinance/pub/performance.pdf)

**Leading Change Management, Shorecap Exchange** Argues that it is essential to manage change proactively. It details strategies and tools to manage change, and presents challenges and ways managers can effectively manage change.

[www.microfinancegateway.org/content/article/detail/39520](http://www.microfinancegateway.org/content/article/detail/39520)

### **Social Performance Map, SEEP Network Social Performance Working**

**Group** Helps readers understand important issues and make informed decisions related to social performance. There is also an extensive list of resources in Chapter 15.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

### **Social Performance Management in Microfinance:**

Translating your Mission into Practice Strategy Workshop, *Imp-Act* Consortium

Training targeted to those working at a strategic rather than operational level. It supports MFIs through the SPM design and implementation process.

**Session 3** (Developing Social Goals and Objectives), Session 4 (Monitoring and Assessing Performance) and Session 5 (Improving Operations) are most relevant for 'Getting Started' issues.

[www.imp-act.org](http://www.imp-act.org) (Request the download)

### **Social Performance Management in Microfinance Guidelines,**

(booklet) *Imp-Act* Consortium and Microfinance Centre for CEE and NIS Offers an overview to SPM, including a roadmap for developing an SPM system. Component 1 covers 'Developing a strategy to achieve social performance'; Component 2: 'Monitoring and assessing social performance'; and Component 3: 'Using and institutionalising your SPM system'. (Available in English, Russian and Spanish)

[www2.ids.ac.uk/impact/support/guidelines.html](http://www2.ids.ac.uk/impact/support/guidelines.html)

### Spotlight Notes, Microfinance Centre for CEE and NIS

#### #4: Scoring Change: Prizma's Approach to Assessing Poverty

Outlines the approach taken by Prizma, an MFI in Bosnia. It focuses on the development of a poverty scorecard. The table on Page 8 provides information on how Prizma staff and consultants spent their time in developing the poverty scorecard.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

### Imp-Act Consortium Practice Notes

Useful information and advice, presented in a clear, concise format.

- “No. 6: Planning research to assess social performance: guidance for managers” guides MFI managers through nine steps in this planning process.
- “No. 9: Managing social performance in microfinance: building successful clients and successful institutions” provides steps and checklists to assist managers in designing and using SPM.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### SPM in Practice, Imp-Act Consortium

Case study series depicting how leading MFIs define strategies to achieve their social mission, track their progress towards social objectives and improve organisational performance.

- **Fonkoze** (Haiti): Page 5 describes how its market research staff collect and analyse social performance data.
- **Prizma** (Bosnia): Pages 5 and 6 provides information on how it ‘costed’ out expenses related to its SPM activities.
- **SEF** (South Africa) Pages 4 and 5 describe how its field staff use social performance information.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## SOCIAL MISSION AND STRATEGY RESOURCES

### **Gender and Microfinance:**

Approaches, Evidence, and Ways Forward, Women's Empowerment through Sustainable Microfinance Training Series, Module 2, Linda Mayoux.

Provides an overview of contrasting but reinforcing views about the relationship between women's empowerment and microfinance and the assumptions on which they are based; evidence of gender impact and the degree to which this would support these assumptions; the key questions currently facing microfinance in relation to women's empowerment; and key elements of a gender strategy for women's empowerment.

**[www.genfinance.info/Trainingresources\\_05/Module2\\_ApproachImpact/Module2\\_Approaches\\_Evidence.pdf](http://www.genfinance.info/Trainingresources_05/Module2_ApproachImpact/Module2_Approaches_Evidence.pdf)**

### **Microfin Business Planning and Financial Modeling Handbook**

A Microsoft Excel spreadsheet designed to assist MFIs in developing detailed financial projections to accompany their business plans; contains chapters on Developing a Strategic Plan.

**[www.microfin.com](http://www.microfin.com)**

### **From Mission to Action: Strategic Management Toolkit Handbook,** Microfinance Centre for CEE and NIS

Presents a step-by-step process to improve strategic management capacity, using case studies and references to additional training and resources.

- **For more information about balanced scorecards and how to use them,** see Chapters 3 and 10.
- **For information on mission reviews,** see Chapter 6: Deconstructing the Mission, pp 28–30.
- **For more information on strategic planning,** see Chapters 3 and Chapters 7, 8 and 9 (pp. 17–20 and 31–54).
- **For more information on operationalising strategy,** see Chapters 4–5 and 10–12 (pp 21–27 and 55–72).

**[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)** (for an Overview of the toolkit) To request the full toolkit, e-mail **[microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl)**.

### **Social Performance Management in Microfinance:**

Translating your Mission into Practice Strategy Workshop, *Imp-Act* Consortium Training is targeted at those working at a strategic level. Practitioners can use these materials for the design and implementation process when they want to focus on specific areas of need.

#### **Session 3**

(Developing Social Goals and Objectives) contains a mission review exercise. **[www.imp-act.org](http://www.imp-act.org)** (Learning & Support/Download the training materials – request the download)

#### **Spotlight Notes,**

Microfinance Centre for CEE and NIS

**#5: Realising Mission Objectives:** A Promising Approach to Measuring the Social Performance of Microfinance Institutions. Argues that the key to developing sustainable social performance measurement systems and practices is to consider their design from the perspective of the institutional mission.

**[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)**

#### **SPM in Practice, *Imp-Act* Consortium**

The resource provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **CRECER** (Bolivia): On page 2, the case study describes how CRECER has broadened its social mission to include non-financial needs of its clients.
- **Pro Mujer** (PMB-Bolivia) Pages 3–5 describe how PMB's social objectives drive its SPM strategy.
- **SEF** (South Africa) Pages 1–3 describe how SEF has been able to refocus its operations on its mission.

**[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)**

#### **Sustainable Microfinance for Women's Empowerment Strategy Checklists,**

Linda Mayoux. Provides checklist questions that management and the Board can use to either implement new strategies to assist women or to improve existing strategies, including organisational vision, product design, internal gender policies, gender equality, and women's participation.

**[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)**

## GOVERNANCE RESOURCES

**Handbook for the Analysis of Governance of Microfinance Institutions**, CERISE and IRAM. The guide helps identify strengths and limitations of an MFI's governance structure. The first module is a diagnostic tool for evaluating the governance of an MFI; the second is designed to guide reflection on the strategic choices and governance challenges that MFIs face.

[www.cerise-microfinance.org/publication/gouvernance.htm](http://www.cerise-microfinance.org/publication/gouvernance.htm) (English and French)

**Guidelines to Effective Governance of Microfinance Institutions**, MicroFinance Network

This paper presents guidance to senior management and Boards of Directors of MFIs in areas of governance. The topics covered include managing management, mandate of the Board, oversight, and Board appraisal.

[www.microfinancegateway.org/content/article/detail/1396](http://www.microfinancegateway.org/content/article/detail/1396) (TIP: The search term 'microfinance governance' on [www.microfinancegateway.org](http://www.microfinancegateway.org) will also yield several other resources.)

**Social Performance Map, SEEP Network Social Performance Working Group**

The content of the Map is intended to equip industry stakeholders with required information to make informed decisions related to social performance.

See Chapter 14 on Governance issues around social performance.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Transforming NGO MFIs, CGAP Occasional Paper**

This paper provides insights and guidance for those who plan to carry out a transformation.

[www.cgap.org/p/site/c/template.rc/1.9.4213](http://www.cgap.org/p/site/c/template.rc/1.9.4213)

**Stemming the Tide of Mission Drift: Microfinance Transformations and the Double-bottom Line**, Women's World Banking

This paper provides an overview of the process by which MFIs convert from NGOs into regulated financial institutions – known as transformation – and examines the impact of transformation on a control group of MFIs tracked by WWB over five years, giving particular attention to the effect of transformation on MFIs' outreach to low-income women. The findings confirm the prevailing notion that transformation catalyses growth in MFI outreach and product offerings. However, the data also revealed a decline in the percentage of women clients served after transformation.

On page 2 of the paper, the authors address 'Why MFIs Transform' and, on page 18, they discuss different MFIs' experiences with transformation.

[www.swwb.org/stemming-the-tide-of-mission-drift](http://www.swwb.org/stemming-the-tide-of-mission-drift)

### **SPM in Practice, Imp-Act Consortium**

This resource provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK** (Cambodia): Excerpts on page 5 describe how AMK's Social Performance Committee holds the organisation accountable to its social objectives as well as acting as a resource to assist staff in the process of integrating a social lens throughout its operations.
- **Fonkoze** (Haiti): Pages 6 and 7 describe how Fonkoze has split itself into two distinct organisations to protect its social mission and to access capital markets.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## **COMMUNICATIONS RESOURCES**

### **Social Performance Map, SEEP Network Social Performance Working Group**

The Social Performance Map help readers understand important issues and make informed decisions related to social performance. It also provides information on the most common reporting standards for social performance in Chapter 15 for external reports.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

### **From Mission to Action: Strategic Management Toolkit Handbook, Microfinance Centre for CEE and NIS**

For those seeking to improve their capacity in strategic management, this handbook presents a step-by-step process. It includes case studies highlighting how MFIs have used the toolkit.

For information on communication, see Chapter 11: 'Develop a change management plan to ensure strategy implementation', pp 68–69.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html) (for an Overview of the toolkit) To request the full toolkit, e-mail [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl).

### **Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop, Imp-Act Consortium**

The training is targeted at those working at a strategic level. Practitioners can use these materials to support their own MFIs through the design and implementation process when they want to focus on specific areas of need. Networks and other international organisations can use the materials to guide their support to partners. Slide 64 and pages 100–102 provide an exercise to practice communicating the purpose and strategy of an MFI's SPM efforts.

[www.imp-act.org](http://www.imp-act.org) (Learning & Support/Download the training materials – request the download)

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **NWTF** (Philippines): Details the challenges NWTF has encountered around communication regarding SPM and how it has addressed these issues.

[www2.ids.ac.uk/impact/news/NWTF\\_SPM\\_in\\_Practice.pdf](http://www2.ids.ac.uk/impact/news/NWTF_SPM_in_Practice.pdf)

## **MIS RESOURCES**

### **Process Mapping Toolkit, MicroSave**

This toolkit provides a comprehensive overview of why and how to conduct process-mapping using a four-tiered process-mapping framework that encompasses: 1. Flowcharting the processes; 2. Describing the processes; 3. Analysing the risks in the processes and identifying process improvements; 4. Analysing the internal controls and other risk management strategies to manage the risks.

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

### **How to Improve your MFI's Efficiency by Process Mapping, SEEP Network**

Introduction to the concept and uses of process mapping, followed by an exclusive interview with practitioners who have done process mapping.

[www.seepnetwork.org/content/article/detail/5724](http://www.seepnetwork.org/content/article/detail/5724)

### **Business Process Modeling / Business Process Management (BPM/M)**

**seminar**, Agidigm Corporation and Grameen Jameel Pan-Arab Microfinance Limited Contact [info@grameen-jameel.com](mailto:info@grameen-jameel.com) for more information.

### **Negros Women for Tomorrow Foundation PPI Case Study** - Philippines, Grameen Foundation.

This case study provides an overview of why and how NWTF adopted the PPI. It also details how the organisation is using the results to shape its products, services, and recruitment and management processes, enabling it to reach a greater number of poor borrowers as efficiently as possible.

The Challenges and Solutions section on page 7 covers such issues as data interpretation, cost of implementation, and the method NWTF used to make actual modifications to its MIS.

[www.progressoutofpoverty.org/casestudies](http://www.progressoutofpoverty.org/casestudies) (must register to access)

**Mifos open source microfinance software solution**, Grameen Foundation

Grameen Foundation's information system (Mifos) incorporates a survey module directly and allows for extensive flexibility in incorporating new data.

[www.mifos.org](http://www.mifos.org)

**Indicators Related to Gender** – for social rating, EDA Rural Systems (Frances Sinha)

This note sets out some of the context issues and the current draft list of gender related indicators that we are considering as part of a social rating assessment.

[finance.groups.yahoo.com/group/genfinance/files/APRMS\\_Social%20Performance%20Management/](http://finance.groups.yahoo.com/group/genfinance/files/APRMS_Social%20Performance%20Management/) (Must join the GenFinance listserv first.)

**Social Performance Map**, SEEP Network Social Performance Working Group

The content of the Map is intended to equip industry stakeholders with useful information that will allow them to sort through and understand the important issues and make informed decisions related to social performance.

See Chapter 11, 'Common Social Performance Indicators for Microfinance', for information on the social indicators the SPTF is focusing on.

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**Social Performance Management in Microfinance Guidelines**, (booklet)

*Imp-Act* Consortium and Microfinance Centre for CEE and NIS

This booklet offers an overview to social performance management (SPM), including this introduction, a roadmap for developing an SPM system, and a resource guide for SPM.

Components 2.1, 2.2 and 3.1 may assist the reader in identifying key issues to address for MIS-related issues.

[www2.ids.ac.uk/impact/support/guidelines.html](http://www2.ids.ac.uk/impact/support/guidelines.html)

**Social Performance Management in Microfinance: Translating your Mission into Practice Strategy Workshop**, *Imp-Act* Consortium

The training is targeted to those working at a strategic level but is not appropriate for people working at an operational level. Practitioners can use these materials to support their own MFIs through the design and implementation process when they want to focus on specific areas of need. Networks and other international organisations can use the materials to guide their support to partners.

**Session 4**, Monitoring and Assessing Performance, covers many of the issues one should consider when addressing MIS needs for SPM.

[www.imp-act.org](http://www.imp-act.org) (Learning & Support/Download the training materials – request the download)

### **From Mission to Action: Strategic Management Toolkit Handbook,** Microfinance Centre for CEE and NIS

For those seeking to improve their capacity in strategic management, this handbook presents a step-by-step process. It also includes case studies highlighting how MFIs have used the toolkit.

For information on choosing and creating social indicators, please refer to section 10.3.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html) (for an Overview of the toolkit) To request the full toolkit, e-mail [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl).

### **Spotlight Notes, Microfinance Centre for CEE and NIS**

- **#3: Improving Cost-Effectiveness of Exploratory Practitioner-Led Research:** Key Factors to Consider When Selecting Tools.  
Provides a detailed, seven-step approach to carrying out research at MFIs around client needs, etc.
- **#5: Realising Mission Objectives:** A Promising Approach to Measuring the Social Performance of Microfinance Institutions.  
The paper argues that the key to developing sustainable social performance measurement systems and practices is to consider their design from the perspective of the institutional mission. Building SPM into the institutional mission and goals is a promising way to ensure it is institutionalised and cost-effective.  
Pages 4 and 5 cover issues around choosing social indicators and what to do with the information once it has been collected. There is a sample MIS SPM report on page 6.

[www.mfc.org.pl/publication.html](http://www.mfc.org.pl/publication.html)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for microfinance practitioners, but may also be useful to donors and other external assessors.

- **No. 5: Choosing and using indicators for effective social performance Management**  
This Note aims to help you think about the steps you need to take to develop indicators. It highlights issues that may influence the choice of indicators, as well as possible difficulties. It gives examples of how different MFIs have developed their own indicators that respond to their information needs and the kinds of impacts they expect.
- **No. 6: Planning research to assess social performance: guidance for managers**  
This Practice Note guides MFI managers through nine steps in this planning process. In starting to undertake such work, the key to success is careful planning.

- **No. 7:** Tracking client performance: monitoring systems for social performance management

This Practice Note guides you through choices that need to be made in designing a monitoring system. There is no single system that works for all organisations, but there are some key principles and things to avoid that will help guide you through the process.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **NWTF** (Philippines): Pages 3 and 4 describe how NWTF took on the challenge of ensuring it had reliable and timely information.
- **Prizma** (Bosnia): Page 4 details how Prizma addressed how it should use information and data quality issues, and page 6 covers some of the lessons learnt by Prizma when it came to its MIS and SPM challenges.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## **HUMAN RESOURCE MANAGEMENT RESOURCES**

### **HR Challenges and Solutions in Microfinance,**

Microfinance Insights/Intellectap

The Microfinance Insights magazine ran an online survey on Human Resources Challenges and Solutions and published the highlights of the survey findings. Over 90 respondents from 31 countries were surveyed and the resulting report presents insightful perspectives from the human resources field in microfinance.

[www.microfinanceinsights.com/oldsite/index\\_files/page0004.htm](http://www.microfinanceinsights.com/oldsite/index_files/page0004.htm)

### **Branch Management Training for MFIs: Developing Staff Management Skills, SEEP Network**

The Branch Management Training for MFIs is designed for Branch Managers in MFIs, but the material is applicable to all levels of management who supervise staff.

[www.seepnetwork.org/content/library/detail/4713](http://www.seepnetwork.org/content/library/detail/4713) (presentation)

[www.seepnetwork.org/content/library/detail/4710](http://www.seepnetwork.org/content/library/detail/4710) (trainer's manual)

[www.seepnetwork.org/content/library/detail/4711](http://www.seepnetwork.org/content/library/detail/4711) (participant's manual)

**What is Gender? Basic Concepts**, Women's Empowerment through Sustainable Microfinance Training Series, Module 1, Linda Mayoux

Examines participants' existing concepts of gender and their own views on priorities for change. Also gives an overview of debates on gender mainstreaming and the triple framework of gender equality of opportunity, gender equity of outcomes and women's empowerment. This training module could be used or adapted by an MFI to introduce its staff to the gender equity and empowerment principles and issues.

**[www.genfinance.info/Trainingresources\\_05/Module2\\_ApproachImpact/Module2\\_Approaches\\_Evidence.pdf](http://www.genfinance.info/Trainingresources_05/Module2_ApproachImpact/Module2_Approaches_Evidence.pdf)**

**Iceberg of Inequality**, Tim McCaskell (adapted by Shazreh Hussain)

An exercise to generate an understanding of discrimination and generate ownership of gender issues. This exercise could be used or adapted by an MFI to introduce its staff to the gender equity and empowerment principles and issues.

**[finance.groups.yahoo.com/group/genfinance/files/shazreh.hussain/](http://finance.groups.yahoo.com/group/genfinance/files/shazreh.hussain/)**

(Must join the GenFinance listserv first.)

**Pitfalls and Unintended Outcomes: Advice on Designing and Implementing Staff Incentive Systems**, SEEP Network

This learning paper is structured as an interview of practitioners from seven different microfinance institutions and one technical assistance provider. They talk about the difficulties they have encountered in implementing incentives schemes and how they have addressed the challenges.

**[www.seepnetwork.org/files/5828\\_file\\_Pitfalls\\_andunintended\\_outcomesdesignimplement.pdf](http://www.seepnetwork.org/files/5828_file_Pitfalls_andunintended_outcomesdesignimplement.pdf)**

**Designing Staff Incentive Schemes to Balance Social and Financial Goals**, MFN and CGAP

This paper finds that well-designed staff incentive schemes (SIS) can indirectly support the overall organisational mission. It explores the role of SIS in balancing social and financial goals of an MFI. The paper examines the SIS of four institutions to identify best practices.

**[www.microfinancegateway.org/content/article/detail/48574](http://www.microfinancegateway.org/content/article/detail/48574)**

(Use the search terms 'staff incentive' and 'human resources' on **[www.microfinancegateway.org](http://www.microfinancegateway.org)** to find several other resources on staff incentives and human resources management issues.)

### **Incentive Toolkit, MicroSave**

This toolkit provides a detailed examination of: 1. The Theoretical Background of Staff Incentive Schemes; 2. Basic Building Blocks for Staff Incentive Schemes; 3. Principle Design Questions for Staff Incentive Schemes; 4. Incentive Schemes for Different Functional Areas in MFIs; 5. A Step-by-Step Approach to the Design of Incentive Schemes; 6. A Benefit-Cost Analysis of Incentive Schemes; 7. Incentive Schemes in Other Areas of Microfinance.

**[www.microsave.org/relateddownloads.asp?id=14&cat\\_id=97&title=Designing+Staff+Incentive+Schemes](http://www.microsave.org/relateddownloads.asp?id=14&cat_id=97&title=Designing+Staff+Incentive+Schemes)**

(Microsave also has a Human Resources Management toolkit:

**[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14))**

### **On-line Speaker's Corner on Staff Incentives, Microlinks**

Includes a full-day discussion on balancing financial and social performance incentives.

**[www.microlinks.org/ev\\_en.php?ID=22431\\_201&ID2=DO\\_COMMUNITY](http://www.microlinks.org/ev_en.php?ID=22431_201&ID2=DO_COMMUNITY)**

### **Results Of The Staff Incentive Survey Carried Out Within The Central Europe and Central Asia Region, Microfinance Centre for CEE and NIS**

This survey was carried out to see which type of staff incentives are in use across the region, which staff are eligible for incentive schemes and how often incentives are given to staff.

**[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)**

### **Spotlight Notes, Microfinance Centre for CEE and NIS #2:**

Sustaining Social Performance Institutionalising Organisational Learning and Poverty Outreach at Prizma

Pages 5 and 6 cover how Prizma created and uses the staff incentive programme, which includes certain social performance requirements.

**[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)**

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **CRECER** (Bolivia): Page 3 of the case study touches upon CRECER's efforts to be responsible to its staff.
- **Prizma** (Bosnia): Page 3 mentions some of the aspects the MFI has addressed to be fair to staff, especially incentives (see also Spotlight #2 from the MFC above).

- **SEF** (South Africa): SEF's case study also provides information on page 3 of how the MFI ensures that its staff are treated fairly, including having objective dispute procedures.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## CLIENT ISSUES RESOURCES

### MicroSave Toolkits

MicroSave's website offers a variety of market research tools, as well as guidance on how to develop a customer service oriented culture in an MFI. (Toolkits: Customer Service, Market Research for Microfinance, Planning, Conducting and Monitoring Pilot-Tests for MFIs, and Quantitative Research)

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

**Building Customer Loyalty:** Technical Guide No. 2, MicroFinance Network and ACCION International

Addresses a range of issues associated with client loyalty and drop-out, including how to measure and monitor them and structure an MFI to be more customer service-oriented.

[publications.accion.org/publications/Building\\_C\\_119.asp](http://publications.accion.org/publications/Building_C_119.asp)

**Bringing Pro-Consumer Ideals to the Client:** A Consumer Protection Guide for Financial Institutions Serving the Poor, ACCION International

This monograph guides institutions through the process of incorporating consumer protection principles into their organisational philosophies and operations. The Pledge defines principles to equip microfinance customers with rights while minimising the operating costs so that MFIs can remain sustainable in the long term. This report outlines tangible ways in which MFIs are currently integrating the ideals of the Pro-Consumer Pledge into their operations.

[publications.accion.org/micro\\_pubs\\_list.asp](http://publications.accion.org/micro_pubs_list.asp)

**Sustainable Microfinance for Women's Empowerment Strategy Checklists,** Linda Mayoux

Provides checklist questions the MFI staff can use to either implement new product and delivery attributes, including for non-financial products, in assisting women or to improve upon existing attributes (Module 4 – Product Design Checklist).

[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)

**Insight #7:** Market Intelligence: Making Markets Work for Microfinance, ACCION International

Walks the reader through two case studies of how ACCION International helped MFIs be more client- and market-responsive.

[www.accion.org/insight](http://www.accion.org/insight)

### **Learning from Clients: Assessment Tools for Microfinance Practitioners, SEEP AIMS Tools**

Contains detailed guidance written by and for practitioners for planning and implementing impact assessments and for analysing all data generated; a coherent set of quantitative and qualitative tools that address the most common hypotheses that undergird microfinance programmes; clear explanations of indicators and measures used, along with supplementary discussions of additional sets of potential interest to individual users; and methods that provide information on impact and client satisfaction and that result in specific feedback for programme improvement.

[www.seepnetwork.org/content/article/detail/646](http://www.seepnetwork.org/content/article/detail/646)

### **Managing for Impact in Rural Development: a Guide for Project M&E, IFAD**

Focuses on how M&E can support project management and engage project stakeholders in understanding project progress, learning from achievements and problems, and agreeing on how to improve both strategy and operations.

[www.ifad.org/evaluation/guide/index.htm](http://www.ifad.org/evaluation/guide/index.htm)

### **Spotlight Notes, Microfinance Centre for CEE and NIS**

- **#8 Counting on Your Prospective Clients**

This note presents some principles in measuring microfinance client satisfaction and loyalty using a quantitative survey. The authors present some general marketing research rules as well as new insights specific for the microfinance industry and general concepts of satisfaction and loyalty and discuss the potential results one can obtain.

- **#10 Beyond Numbers: Prizma's Exit Monitoring System**

This paper presents a summary of an approach taken by Prizma, a Bosnian MFI, for monitoring and understanding exiting clients. This paper focuses on the exit monitoring rationale, final system characteristics, the design process, evaluation of the pilot tests and subsequent launches in all Prizma branches, the costs and benefits of this approach, and issues to be taken into account for improving the system.

- **#11 Client Desertion in Microfinance: How To Diagnose It Successfully?**

This Spotlight Note identifies key principles in investigating client desertion.

These insights are based on the action-research work of the Microfinance Centre (MFC) and three MFIs.

[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for practitioners, but may also be useful to donors and other external assessors.

- **No 1: The Feedback Loop: Responding to client needs**  
The feedback loop describes the stages that information moves through in an institution from its initial generation to the implementation of changes in products and services. This Practice Note is designed to help you review and improve your institution's own systems of information flow and feedback, or to review these processes as an external assessor. It outlines the steps of the feedback loop and gives advice on how to use it.
- **No 2: QUIP: Understanding clients through in-depth interviews**  
This Practice Note provides a step-by-step guide to developing and conducting in-depth qualitative interviews of individuals in order to uncover useful information about the impact of products and services provided by the MFI. The reader is guided through planning, data collection, analysis, presentation of findings and decision-making, emphasising the need to plan and implement the qualitative process in a way that is appropriate for each MFI and its clients.
- **No. 3 Learning from Client Exit**  
This Practice Note provides a guide to helping an MFI track and understand client exit, in a simple, low-cost way. The paper starts by looking closely at what client exit can mean for the MFI and moves on to show how one can define and measure exit rates. The notes then cover a number of tools you can use for finding out who is leaving your programme (and then why), and how these tools or other data can help you draw up profiles of the different types of leavers.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### **Imp-Act Consortium, SPM in Practice**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK** (Cambodia): Pages 2 and 3 provide information on AMK's adoption of its client protection principles.
- **CRECER** (Bolivia): Page 4 describes how CRECER acted to better meet the needs of its clients, notably a rate reduction.
- **Fonkoze** (Haiti): Page 5 discusses how Fonkoze captures client feedback.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## INTERNAL CONTROL RESOURCES

**Improving Internal Control:** A Practical Guide for Microfinance Institutions, ACCION International

Good general resource for implementing effective internal control systems in a microfinance institution but with an emphasis on ensuring strong financial performance.

[publications.accion.org/publications/Technical\\_\\_112.asp](http://publications.accion.org/publications/Technical__112.asp) (English, French and Spanish)

**External Audits of Microfinance Institutions:** A Handbook, CGAP

Provides guidance on accounting and auditing standards relevant to microfinance as well as instructions on how to contract an external financial audit.

[www.microfinancegateway.org/content/article/detail/1617](http://www.microfinancegateway.org/content/article/detail/1617)

(Use the search term “internal control” on [www.microfinancegateway.org](http://www.microfinancegateway.org) for further resources.)

**Social Performance Map,** SEEP Network Social Performance Working Group

The content of the Map is intended to equip industry stakeholders with useful information that will allow them to sort through and understand the important issues and make informed decisions related to social performance.

See Chapters 6–9 for more information on the social assessment tools, auditing firms (Chapter 6) and rating agencies (Chapter 7).

[www.seepnetwork.org/content/library/detail/6033](http://www.seepnetwork.org/content/library/detail/6033)

**'Walking the Talk' Internal Gender Policy, Women's Empowerment through Sustainable Microfinance Training Series,** Module 5, Linda Mayoux

Gives an overview of the necessary elements of an internal gender policy.

[www.genfinance.info/Trainingresources\\_05/Module5\\_OrganisationStrategy/Module5\\_InternalPolicy.pdf](http://www.genfinance.info/Trainingresources_05/Module5_OrganisationStrategy/Module5_InternalPolicy.pdf)

**Sustainable Microfinance for Women's Empowerment Strategy Checklists,**

Linda Mayoux

Provides checklist questions the MFI staff can use to either implement new internal gender policies in assisting women staff members and women clients or to improve upon existing policies (page 9).

[www.genfinance.info/Documents/Gender%20Checklist.pdf](http://www.genfinance.info/Documents/Gender%20Checklist.pdf)

### **Internal Audit and Controls for MFIs Toolkit**, MicroSave

Tools and resources for conducting, reporting, and following up internal audit recommendations are included in the toolkit to provide suggestions and guidance. However, it is recommended that all of the tools and resources be edited and adapted for the individual and specific needs of MFIs and Self-Help Groups. This course is designed for senior managers who are looking for ways to understand and strengthen their internal control systems, whether through preventive strategies or detective strategies designed to manage operating risk.

[www.microsave.org/toolkits.asp?ID=14](http://www.microsave.org/toolkits.asp?ID=14)

### **Imp-Act Consortium Practice Notes**

Practice Notes give useful information and advice for managing your social performance, presented in a clear, concise format. They are intended primarily for practitioners, but may also be useful to donors and other external assessors.

- **No. 4: Using surveys effectively**  
This Practice Note will help you understand what an impact survey involves, to decide whether you have sufficient resources to conduct one, and to consider how best to manage external support if you need to. It outlines the key issues in planning, designing and implementing a survey and includes practical examples from a number of MFIs.
- **No. 8: Reviewing the social performance of microfinance institutions.**  
This Practice Note provides information on how to conduct reviews to improve the quality of an SPM system. A social performance review can help you: to consider how data collection, analysis and reporting can be improved; to ensure findings are being utilised; and to compare performance against your own objectives and the performance of other organisations.

[www2.ids.ac.uk/impact/support/practice\\_notes.html](http://www2.ids.ac.uk/impact/support/practice_notes.html)

### **SPM in Practice, Imp-Act Consortium**

The SPM in Practice case study series provides information on how leading MFIs are defining their strategies to achieve their social mission, tracking their progress towards their social objectives and using this information to improve overall organisational performance. The series also captures lessons learnt as MFIs integrate a social responsibility lens into their performance management systems.

- **AMK Cambodia:** Page 5 describes how AMK's internal audit team has also taken over the function of validating whether AMK is meeting its social objectives or not.
- **NWTF (Philippines):** Page 3 describes how NWTF's personnel manual dictates how staff must treat clients and how the audit department checks that clients' receive the service they deserve.
- **Prizma (Bosnia):** Page 3 provides information on how Prizma's policies attempt to protect the environment.
- **SEF (South Africa):** Page 3 shares how SEF has created detailed policies on how staff are to be treated.

[www2.ids.ac.uk/impact/news/publications.html](http://www2.ids.ac.uk/impact/news/publications.html)

## Annex I Incofin's approach to social performance monitoring

Incofin incorporates social performance monitoring in four of its main operations: 1) selecting MFI investment candidates, 2) determining the terms and conditions for the investment, 3) ongoing monitoring of performance, and 4) periodic reporting to its investors. Incofin developed its approach using a combination of in-house expertise and SPM tools used by other organisations such as CERISE and ACCION.

When screened, each investment candidate receives both a financial score and a social performance score. For social performance, 36 indicators are used based on five dimensions, with an appropriate weighting for each:

Indicator	Weighting
Mission and vision	10%
Scale and outreach	30%
Quality of client service	25%
Human resources	25%
Environment and community contribution	10%

Incofin ensures that these measures are easy to track and collect, relevant, and accepted by the microfinance industry. Candidates can score from 0% to 100%, with 100% being the highest and best in terms of social performance. Any MFI that scores less than 50% is rejected, regardless of their financial performance. Those scoring 66% to 80% are considered to have 'good' social performance, and those scoring above 80% are considered to have high or 'excellent' performance. Incofin has analysed 23 MFIs in this way with an average score of 74.2% (although Incofin does recognise that the scores are higher than the average MFI, as they do not invest in any MFIs with low scores). MFIs in Incofin's portfolio tend to score high on 'Scale and outreach', 'Mission' and 'Human resources', with modest 'Client service' scores and generally low scores in 'Environment and community contribution'. Nearly every MFI scored high on 'Mission'.

Furthermore, Incofin found that the internal rate of return (IRR) required for its investments was lower for those MFIs that had high scores in both financial and social performance, meaning the MFIs paid a lower rate. Incofin therefore believes that having a socially focused mission or strong outreach efforts to serve the neediest is not enough. The clients must be served well, and so must the MFI's employees. While admittedly its sample size is too small to draw any broad conclusions, Incofin did not see any correlation between MFI organisational type and level of social performance.

*Summarised from: Dewez, D., The Role of Socially Responsible Investors in the Social Performance of Microfinance Institutions, MFP European Dialogue, N°01, 2008, pp. 43–53*

## Annex 2 Sample SPM team rulebook

---

### 1. General provisions

This rulebook shall define general and specific goals, tasks and obligations of the team that was formed with the aim of introducing social performance management (SPM). The basic purpose of the SPM team is to efficiently organise implementation and monitoring of SPM strategies.

The SPM rulebook is in compliance with all other internal documents of the organisation, including the HR rulebook. This rulebook shall be approved and adopted by the Director of the MFI.

### 2. Tasks and role of the SPM team

Main tasks and obligations of the SPM team are as follows:

- coordination of implementation of medium-term and long-term SPM activities
- organisation of SPM monitoring and evaluation of activities
- provision of necessary support in terms of methodology and technical assistance to various structural and regional levels of the organisation during the implementation of SPM activities and indicators
- development of the SPM reporting and information dissemination system based on SPM results and indicators
- implementation of the SPM team action plan
- preparation of proposals and recommendations relating to review or update of the SPM action plan
- cooperation with regional/international stakeholders on SPM implementation
- regular communication with staff on the SPM initiative
- regular attendance at SPM meetings.

### 3. Coordination of SPM team activities

Heads of the SPM team shall organise SPM meetings. The meetings shall be organised at least twice a month at the head office or some other rented premises.

Minutes shall be kept during every meeting. The minutes shall include:

- a list of present and absent members
- an agenda
- main findings of the discussion
- conclusions reached
- date of the next meeting.

The minute-keeper shall be appointed prior to the meeting and will rotate.

Extraordinary meetings may be organised upon the initiative of heads of the SPM team or upon the initiative of at least one-third of the SPM team.

The SPM team may make decisions only if there are more than half of the team members present in a meeting.

Meeting agendas shall be defined by the heads of the SPM team. The draft agenda, including all necessary attachments, shall be sent no later than three days prior to the scheduled SPM team meeting.

The heads of the SPM team and other SPM team members shall have the possibility to add other agenda items during a meeting.

Every meeting shall start with the adoption of the last meeting's minutes. Decisions made in SPM team meetings shall be made in writing and submitted to the Director.

#### **4. Heads of the SPM team shall:**

- implement and coordinate SPM activities within the organisation
- cooperate closely with all SPM team members and heads of departments
- exchange experiences and lessons learned at the local/regional/international level
- attend all meetings of the Regional Working Group established to introduce SPM
- inform SPM team members about the results of these meetings in writing.

#### **5. SPM team members**

Team members who do not agree with a decision that was made may express their opinion in writing and it shall be enclosed with other decisions that were made and sent to the Director.

SPM team members shall attend all meetings. If an SPM team member does not attend three meetings in succession, he/she will automatically be excluded from the team.

SPM team members shall inform the heads of the SPM team if they are unable to attend a meeting at least one day prior to the scheduled meeting. In this case, their deputy shall attend the team meeting.

#### **6. Closing provisions**

This rulebook shall regulate the work of the SPM team. SPM team members shall comply with the rulebook. The heads of the SPM team shall ensure accurate application of the rulebook.

Only the MFI Director shall be in charge of adoption, interpretation and change of this rulebook. This rulebook shall be effective as of the day of its adoption.

## Annex 3 Staff happiness survey

---

### **Why this survey?**

- **Team spirit, or the lack of it, affects the motivation of staff to perform well.** High levels of motivation to perform at high levels are needed to make our organisation successful – and don't we all want to share in the success of its work?
- **With this survey we can pinpoint very specific spots or groups of staff where change is needed.** It gives us the opportunity to see where we need to place greater emphasis in the coming year.
- **The survey is also about identifying areas where spirit is strong and motivation is high.**
- **BUT we need you to give honest responses to make it work...**

The questionnaire is to be completed anonymously. You need not supply your name.

### **Gender. Please indicate with: ✓**

(This information is meaningful to determine opinions about issues such as employment equity)

- Male  Female

### **Years working in the MFI: Please indicate with: ✓**

- Less than 1 year  1–3 years  4 years or more

Please see questionnaire overleaf:

Please indicate to what extent you (dis)agree with the following statements:

Statement (Pertaining to your work environment)	Disagree	Unsure	Agree
1 In my work environment, we have open, trusting relations between staff and management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 In my work environment, we have high levels of trust among staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 I get the information I need to know what is going on in the MFI.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Management is making an effort to develop and empower staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 We get credit (positive feedback) where it is due.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 As I see it, everyone is treated fairly here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Management encourage suggestions from staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Management are strict, but fair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 The pace of work is improving in my area of work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 The communication level is successful in that staff and management consult with each other more	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 The communication level is successful in purpose – we share ideas to solve problems and improve on methods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 If I have a complaint, I feel free to talk to somebody at a more senior level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 The quality of meetings within the MFI is very good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 The longer you work for this MFI, the more you feel you belong here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 I have lots of opportunity to use my abilities within the MFI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 My line manager gets staff to work together as a team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 The human resource department is playing an important part in fostering team spirit among staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Around here, the staff are usually friendly towards each other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 We get adequate (enough) information from Senior Management Team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20 Staff meetings are an important part of our work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Statement (Pertaining to your work environment)	Disagree	Unsure	Agree
21	I can be sure of my job as long as I do a good job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	I think the 'Staff Member of the Year Award' would be a very good thing to have	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	The people who get career development opportunities from the internal recruitment processes usually deserve it	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	Things are getting better in the MFI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Our MFI has a good name in our country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	I feel that there is efficient two-way communication between management and myself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	Management take seriously our suggestions and complaints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	Staff training and development is becoming a very important focus here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	When disciplinary actions are necessary, they are handled fairly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	I am proud to work for this MFI. I am proud to tell other people that I work here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	At work, I feel at ease among fellow employees of other cultures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Gossiping and rumour-mongering is not a part of the work environment here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	I think there is a good future for me in this organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	This is an exciting place to work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	Compared to similar types of development agencies, this is a very good place to work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36	Most staff are placed in jobs that make good use of their abilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	The amount of effort a person puts into his/her job is appreciated here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38	My job is important. Without someone doing it, the organisation suffers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39	I have more than a job in this MFI, I have a career	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40	I think some good will come out of filling in a questionnaire like this one	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please suggest how you think we can continue to maintain a positive team spirit within the organisation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

*Thank you for your participation.*



## Annex 4 Microfinance prohibited activities

---

- Those businesses located in zones which represent a high risk for the security of the Credit Advisors, and for the recuperation of the loans
- Where there is supposed money-laundering
- Production or trade of a product or activity which is illegal, under local government legislation or according to international conventions and agreements
- Businesses which pollute the environment (which have an environmental impact on the soil, air and water)
- Production or activities which involve harmful forms of work, forced labour, or harmful child labour
- Production or trade of arms and munitions
- Production or trade of alcoholic drinks (apart from beer and wine) or tobacco
- Production or trade of materials which include asbestos
- Casinos and similar enterprises
- Trade of fauna or products derived from fauna, which are regulated by the International Trade Convention on endangered species of fauna and flora
- Deforestation operations or the purchase of equipment for deforestation of the rainforest
- Fishing operations which use nets of more than 2.5 kilometres in depth

## Annex 5 Proposed common social indicators



	Intent	Strategies & Systems	Policies & Compliance	Achievement of Social Goals
Indicators	Q1 - Mission & Social Goals Q2 - Governance ----- Q3 - Values of Social Responsibility (SR)	Q4 - Range of Services (financial and non-financial) Q5 - Use of social performance information by Board & Management ----- Q6 - Training on mission Q7 - Staff Incentives Q8 - Market research ----- Q9 - Measuring client Retention Q10 - Poverty Assessment Q11 - Services for Women's Empowerment	Q12 - SR to Clients Q13 - Cost to Client Q14 - SR to Staff ----- Q15 - SR to Community Q14 - SR to Environment	Outputs (Outreach) Q17 - Geography & Women ----- Q18 - Poor & Very poor Q19 - Client Exit Rate ----- Outcome (after 7 years) Q20 - Client Retention Q18 - Households in Poverty Q19 - Households out of Poverty
	Specific		A - Member Governance	B - Outreach to Socially Marginal Communities ----- Outputs / Outcome C - Employment (Family & hired in credit-supported small ents.) D - Children in School (girls/boys) E - Women's Empowerment
<b>KEY:</b> Indicators above the dash lines – agree to do Indicators below the dash lines or in dash line boxes – agree to work on (definitions, tools) Specific indicators A-D – agree to work on in specific contexts				



## Notes:

A series of horizontal dotted lines for taking notes, starting below the 'Notes:' header and extending across the page.

Front cover photos courtesy of Katherine E. Knotts, FINCA International, Stuart Freedman/Panos Photos, G.M.B. Akash/Panos Photos, Diego Machado, Philippe Lissac/Panos Photos  
Back cover photo courtesy of FINCA International

# Putting the 'social' into performance management: A practice-based guide

This guide is written for MFIs committed to managing and achieving their social mission, and the organisations that support them. Inside, you will find step-by-step guidance on integrating a social lens into your performance management systems. This practice guide draws upon experience and lessons learnt from

over 45 MFI and support organisations across the industry, detailing:

- Different entry points into SPM
- Case examples from the field
- Key issues at each step of the process
- Practical tips and clear guidance
- Further resources and support

Whatever your starting point, you can use this guide to strengthen the systems you use to deliberately balance your social and financial objectives. The time to begin is now, so you can begin to mitigate social risks, demonstrate that you are achieving your mission and produce meaningful and lasting results for your clients.



## The SPM Network is the place where SPM is discussed

The Social Performance Management (SPM) Network connects people committed to managing and achieving the social mission of microfinance. The SPM Network links members into the latest: **News** Through blogs, videos, events listings, discussion groups, & weekly news round-ups. **Debates** Through monthly exclusive interviews with key industry stakeholders & guest bloggers on burning issues in SPM. Log on to link in: [www.spmconsortium.ning.com](http://www.spmconsortium.ning.com).

The *Imp-Act* Consortium is a global collaboration between organisations that believe that microfinance must work for the poor and excluded – good intentions are not enough. As practitioners, we understand that there is a deliberate process for managing microfinance to achieve its social goals. We are a catalyst for change in understanding and practice, and by connecting practitioners around the world we demonstrate practical action and support each other in managing towards our social goals. For more information, visit [www.Imp-Act.org](http://www.Imp-Act.org).