



Why Social Performance Management is important

How can microfinance be more effective in improving clients' lives?

By managing both their social and financial performance MFIs can be effective in achieving their social and financial performance MFIs can be effective in achieving their social mission and growing into sustainable businesses. Social Performance management (SPM) is a practical approach that is supported by the Imp-Act consortium worldwide.

The Social Performance management (SPM) principles

The SPM principles for microfinance have emerged from an industry-wide initiative aimed at making microfinance more effective in achieving its social mission. The principles reflect a consensus among a wide range of stakeholders (including microfinance institutions, networks, donors, investors and support organizations) who commit to taking practical action to achieve their social mission by managing their social performance.

What is organizational performance management?

For all organizations, effective performance management is a continual process of translating mission and values into practice which includes: Setting clear objectives and creating a deliberate strategy to achieve them monitoring and assessing progress towards achieving objectives, and using information to improve overall organizational performance.

Putting the “social” into performance management

As social businesses, microfinance institutions (MFIs) apply commercial means to achieve social ends. Social goals include larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving social responsibility of an MFI, amongst other values. Because of this, our experience demonstrates that effective performance management in microfinance requires both social and financial perspective.

An MFI that manages its social performance will deliberately

- Translate its mission and values into clear, measurable objectives to capture intentional social benefits. MFIs that are clear about their objectives are more likely to have a deliberate strategy to achieve them.



- Design and implement systems for social responsibility, including client protection. At a minimum, MFIs should ensure they do no harm. Microfinance has great potential to help clients, but it also has the potential to hurt them, especially through over-indebtedness
- Track, understand and report on whether it is achieving its social objectives. MFIs that manage their social performance are more effective at reaching their target market, delivering appropriate services, and creating positive changes for clients.
- Align its business processes to achieve both social and financial objectives. All aspects of an MFI's operations affect whether it achieves its social goals, including marketing, recruitment, staff training, incentives, organizational culture and board composition.
- Ensure that decision-making considers both social and financial outcomes. Awareness of the social and financial consequences of decisions leads to better overall performance management.

MFIs that integrate a social lens into performance management process will benefit not only from more loyal and satisfied clients, but also an ability to demonstrate social outcomes to external stakeholders, including social investors.