# Food For Thought Piece #1:

# Social Performance ManaGement (SPM)

## What is Social Performance Management?

*“Social performance management (SPM) is an institutionalized process of   
translating social mission into practice.”*

* Social Performance Task Force

In essence, this involves:

* Setting clear social goals
* Offering adequate, client-oriented services in an efficient manner
* Collecting relevant data to monitor performance and results
* Reflecting on the results and adapting based on them

## Why is Social Performance Management Important?

**Microfinance is about poverty alleviation and financial inclusion.** The microfinance banking sector in Nigeria was created for these exact social purposes and SPM attempts to address them.

As well, at this present moment, trust in Nigerian MFBs is low. The closure of many MFBs and the creation of *wonder banks* in recent years damaged the reputation of MFBs among the poor. This is why the sustainability of the entire sector is reliant on the ability of MFBs to establish greater **trust** with clients and **add value** in their communities! This is what SPM attempts to accomplish.

## Is my MFB Practicing SPM?

Many Nigerian MFBs have already taken steps towards integrating SPM within their managerial frameworks. Others have some of the characteristics of an MFB actively engaged in SPM and are not even aware! Use the check-list below to see where you stand:

## What Now?

Although the checklist above is in no way an exhaustive list of activities associated with SPM, it is a great source of initial reflection to see where you as an MFB stand.

Now, you must determine if it is of importance to your MFB to further drive SPM within your organization. This involves determining the drivers (intent) of SPM, what level of commitment is warranted based on the drivers, and choosing what action to take.

Step 1: Determine the Driving Forces of SPM

Now that you are aware of what SPM is, why it is important and where your MFB currently stands, one must identify the drivers of SPM.

Drivers of SPM are generally stakeholder specific and can be financial or non-financial. Looking at the various stakeholders of an MFB from the list below, determine which may have an interest in the adoption of SPM in your organization:

|  |  |  |
| --- | --- | --- |
| **Stakeholder** |  | **Possible reasons** |
| **Clients** |  | * Clients have needs characterized by social inclusion, empowerment, business development, or other non-financial needs * Other………………… |
| **Investors/ Shareholders/ Board** |  | * Financial interest in the development of SPM systems * Interest in the MFB doing social good in the community it is active in (perhaps to enhance reputation) * Understand the concept of double-bottom line and wish for this to be the operating structure of the MFB * Other………………… |
| **Management** |  | * Pressure from the board to integrate SPM * Incentive structure for social accomplishments * Personal satisfaction derived from doing good in the community * Other………………… |
| **Staff** |  | * A wish to do good in their communities * Incentive structure for social accomplishments |
| **The Sector** |  | * Sustainability * Improved consumer confidence in the sector * Sector’s social mission * Other………………… |
| **Regulator** |  | * Performance targets * Social mission of the sector * Other………………… |

If you were able to check one or more of the above boxes, it shows that there is a stakeholder with an interest in SPM, who can be utilized as a *driving force* in integrating SPM within your organization.

Ask yourself*: Why is SPM of interest to our MFB? What stakeholders have an interest in the MFB institutionalizing SPM and why?*

Step 2: Determine Commitment

The reality is that not all stakeholder and drivers are equal in importance. For example, investors and board members have greater power in steering the direction of a microfinance bank than staff do meaning that investor’s drivers may have to be weighed heavier. Thus, you must determine the importance of each driver and through this determine the level of commitment you have to SPM.

Generally speaking, an MFB can adopt a Basic, Intermediate, Advanced or Integrated SPM system. MFBs that find few drivers in SPM will adopt a basic SPM framework. This will involve complying with the minimum SPM related CBN regulatory guidelines. MFBs that see substantive value in adopting SPM will likely wish to adopt a more comprehensive SPM system.

Ask yourself*: How committed are we to SPM based on the drivers we have and their level of importance?*

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Step 3: Action

This is what the MFB in fact chooses to do, and is the subject of Food-for-Thought Piece #2 “Taking Action”.

Ask yourself*: What aspects of SPM do we wish to adopt based on our drivers and level of commitment?*