



## GUIDANCE

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The [Universal Standards for Social Performance Management](#) (“the Universal Standards”) call on FSPs to monitor the client retention rate by client characteristic and understand the reasons clients exit the institution. (Essential Practice 3a.3). Find additional guidance on how to achieve this Essential Practice in the [Universal Standards Implementation Guide](#) (Ch. 3, Essential Practice 3a.3) and the [Smart Campaign](#) tool, [Collecting and Using Client Exit Data](#). The Smart Campaign tool also provides example client exit tools from several FSPs. Additional example tools are available in the [SPTF Resource Center](#), under [Dimension 3a](#).

# New Series: SPM Solutions to Operational Challenges

A new Guidance Note series will guide FSP leaders on tackling key strategic and operational challenges from an SPM perspective.

## Introducing a New Guidance Note Series

The SPTF is proud to introduce a new series of Guidance Notes called “SPM Solutions to Operational Challenges”—a series aimed at helping financial service providers (FSPs) use SPM to examine and solve critical operational problems.

Our inspiration for this series came from our members. Since the introduction of the Universal Standards in 2012, many members have given us feedback along these lines:

“The Universal Standards are clear and useful for improving practice on any given dimension of SPM. But it’s not as obvious how they can be used to make changes to one distinct **operational area** (such as human resources) or to **tackle operational challenges** (such as a spike in client exit).”

The SPTF recognizes that if we only talk about SPM in terms of how it will help FSPs achieve their social goals, it will not resonate with those CEOs that lie awake at night worrying about operational issues that, on the face of things, seem to have nothing to do with their social goals. Issues such as:

- Why is my portfolio at risk of spiraling upwards, and how can I reverse the trend?
- What can I do about a sudden spike in client poaching from my biggest competitor?
- Our productivity needs to increase if we’re to survive – but how can it when staff are already stretched to the limit?
- How can I encourage my staff not to jump ship when a better-paying job is advertised next door?
- Why do so many of my clients leave their savings accounts dormant?
- Other CEOs in my network say that their clients take bigger loans each cycle—why don’t mine, and what can I do about it?
- What can I do to increase my penetration rates?
- How can I maintain market share despite all the new providers setting up shop in my neighborhood?
- Why aren’t my customers using their mobile accounts as much as we’d hoped?



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SPM actually does offer FSPs a way of tackling pressing strategic and operational issues around growth, sustainability, and competition, in a way that maximizes benefits both for clients and the organization. This series seeks to demonstrate that social performance and financial performance mutually strengthen and reinforce each other.

Each Guidance Note will walk readers through how to diagnose a problem by asking “client-centered” questions relevant to each dimension of the Universal Standards. We will also recommend a small selection of relevant SPM Resources available from the [SPTF Resource Center](#). Readers can use these targeted recommendations to take remedial action now, and to prepare for future bumps in the road.

## “Samuel” Exemplifies the SPM Approach to Addressing Operational Problems

This is a true story about a man named Samuel (his name has been changed), a newly hired FSP head. A donor asked him to attend an SPM training course, so he did it out of obligation. He had just been hired out of the private sector as CEO to turn around a failing microfinance institution (MFI). The MFI in question was hemorrhaging staff and money, and had lost all control of the external debt collection agency that was harassing its clients (who were fleeing in droves).

Frankly, he didn't see the relevance of managing his social goals, and assumed that doing so would mean giving away his FSP's services for free. His plan was to aggressively market the organization's services, and transform into a commercial bank in order to focus on a wealthier market segment. While he didn't have a choice about whether to attend the week-long training, he did use his time there to sit in the back of the room and read the newspaper.

The challenge that the SPTF faces is this: there are countless Samuels helming thousands of FSPs at this very moment. They are leaders who don't see the value of SPM — on the basis that their organization is too small, too busy, too commercial, or under too much pressure to survive in a crowded marketplace. In the

case of Samuel – he was frantically trying to keep his organization afloat, and unable to hear the message that SPM offered him an alternate vision to do just that.

Fortunately, during and after the training, Samuel's SPM mentor convinced him to give it a go. By identifying “quick win” solutions to critical challenges, Samuel led a complete turn-around for his organization within 18 months. In doing so, he harnessed a focus on delivering real benefits to clients in order to generate clear commercial and social returns, and a solid foundation for future growth.

The introduction of voluntary savings proved the most successful change. Not only did it help clients by giving them a way of building a safety net, but it helped the FSP's financial bottom line as well. As Samuel explains: “Savings are a cheaper and more reliable source of funding than open-market borrowing which costs us 17%. The cost of offering savings is approximately 13%, if you include advertising and operations. It's win-win for everyone.”

The graphic below illustrates the problems Samuel's organization faced (recognize any from your own organization?), next to the SPM-related solutions he implemented, and the results of that implementation.

*“Using SPM to solve those ‘burning issues’ that keep CEOs awake at night underlines the relevance of the Universal Standard – for SPM veterans and newcomers alike.”*



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*“Each briefing will give you ‘client-centric questions’ to support a more balanced diagnosis, as well as a list of the top resources you need to take action.”*

### Operational challenges + SPM solutions = Great results

Problems	SPM Solutions	Results
<ul style="list-style-type: none"><li>• Client numbers were stagnating, exit rates were high, and client complaints and default were on the rise.</li><li>• Average loan sizes were increasing due to a move to individual rather than group clients.</li><li>• The product offering was limited to loans and insurance, without understanding whether these met target clients' needs.</li><li>• Low staff productivity and high turnover were coupled with cases of fraud.</li></ul>	<ul style="list-style-type: none"><li>• Removing barriers to inclusion (geographic and product design).</li><li>• Revamping group lending to deliver more support to clients and help them graduate to individual loans.</li><li>• Aligning staff incentives to poverty outreach goals.</li><li>• Revamping loan appraisal and terms to match clients' cash flow.</li><li>• Emphasising customer care, especially in the debt collection process.</li><li>• Firing dishonest staff.</li></ul>	<ul style="list-style-type: none"><li>• Increased loan client outreach by one-third (increasing its focus on rural group clients) and doubled its loan portfolio.</li><li>• Opened nearly 28,000 savings accounts and mobilized more than 1.6 million USD in client savings.</li><li>• Reduced its portfolio at risk (&gt;30 days) by over two-thirds.</li><li>• Was voted the most trusted MFI in the country in a nationwide survey of clients.</li></ul>

With this new Guidance Note series—*SPM Solutions to Operational Challenges*—we want to convince the Samuels of the

world, as well as assist the long-time SPM champions—to use SPM to address critical operational challenges.

“Guidance” is part of a series of short topic-specific bulletins produced by the Social Performance Task Force to inform its membership and other interested parties about key developments. Your comments are always welcome.

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