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Social Performance TASK FORCE

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No matter what the operational issue keeping you awake at night, if you're looking for a balanced and sustainable solution to a problem, the Universal Standards can help you. This note is part of a 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. 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.

Low Productivity: SPM Solutions

Your productivity ratio tells you how well you're doing at turning inputs into outputs. Just like a conventional business, "inputs" means the physical, financial and human capital you use in your work. But as a social business, you measure your "outputs" not just in terms of income, but positive results for your clients. So when your board says "we need to increase productivity", how do you respond? This guidance note will help you use the Universal Standards to tackle this challenge.

As social businesses, we need to flip the "productivity question" on its head – and find ways to do "better with less" not just "more with less".

Market competition is on the rise, and it's keeping you awake at night. Sometimes it feels like you (and your staff) are running just to stand still. When you do finally fall asleep, you find yourself dreaming about marginal productivity improvements. Things could be better.

You and your board agree: it's time to increase productivity. Your whole team is mission-focused, dedicated to the work, and eager to make an impact on the community. However, you also need to make headway in an increasingly crowded marketplace. Increasing productivity as a social business, however, looks different than if you're a purely commercial outfit.

The relationship between social and financial performance is complex (and the subject of intense debate). On the frontlines of social change, whether your mission means trade-offs or synergies is down to the choices you make—and when it comes to creating social value, no decision about your business model is unimportant. Not even when it comes to the ones (such as staff productivity) that on the surface, seem to only be related to your financial performance.

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Reality check

The "big flip" here is to look at productivity from a social value perspective, not a financial value perspective. Here are a few questions to help frame your conversations:

Is this a problem of perspective?

Who is it that believes productivity is a problem? Do your staff feel overstretched, and unable to do all they're asked to do? Do your clients feel they're not getting enough attention/ support from staff? Or does your board have its eye on the financial bottom line? This might seem like a basic question, but asking yourself "who will benefit?" will help you respond appropriately to the problem.

It will also identify the instances when increasing efficiency means bad news for clients. This is especially true when your plans for growth are predicated on increasing staff efficiency. Does your whole board agree on what the term "growth" means for your institution? Ask yourself:

- **WHY?** Is growth an end in itself, or is it seen as the natural result of delivering quality services to the right clients?

- **HOW?** Are you trying to grow intensively (serving current clients with more services) or extensively (serving new clients with the same services)?

- **HOW FAR?** How far is too far to push your staff? What is the most they can realistically (and responsibly) achieve in a day given your social goals?

* **SPM for Your Board** and **Board SPM handbook**
Make sure your board knows their roles and responsibilities vis-à-vis SPM.

Is this a problem of comparison?

It's tempting to compare your own productivity levels to those of your competitors. But remember: no two financial service providers (FSPs) are alike, so aim for what is most reasonable in the context of what you're trying to achieve. For example, serving more remote clients means more staff time spent in transit. Serving more vulnerable clients is more time-intensive for staff because pre-loan checks, routine visits and unforeseen problem-solving are all part of routine business. How has your product mix evolved over time, and what does this mean for how your staff use their time?
It's also tempting to compare your current productivity levels to your historical ones–but bear in mind that this ratio can (and should!) naturally ebb and flow as you move from periods of intense growth to consolidation/ innovation. So don't forget to ask yourself: what levels make sense for us right now?

Data Check

Segment, segment, segment! And remember—averages conceal truths.

Start by mapping your productivity landscape over the past five years. What are the key trends, and are they moving at the same rate? Where can you identify productivity bottlenecks? What does your data say about how well you're turning human input into value output? Segment your data in every direction that makes sense, and start your conversation from there.

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Box 1. **Segment data to identify productivity problems**

Productivity data to consider	Segment by
• Return on assets/equity	• Client portfolio (gross, average–in ranges)
• Future yeild	• Loan portfolio (gross, average–in ranges)
• Client retention/penetration rates	• Region
• Operational expense ratio	• Product type (esp. group vs. individual)
• Net interest margin	• Poverty level
• Non-performing loan ratio	• Branch
• Borrower per field officer	• Year, Branch
• Total staff per field officer	• Loan officer
• Transactions (number/size)	• Staff length of service
• Collection ratio (daily average amount per staff)	• Line manager
• Loan pull-through rate (disaggregated)	• Loan cycle (older vs. newer clients)

Running correlations can also be useful to see how trends compare to each other broadly. If staff aren't getting enough done in a day, it could be due to other challenges that are visible in your data. Map productivity trends against other numbers that tell you about the movements of clients and staff – such as historical staff and client satisfaction levels, client exit levels, and portfolio at risk ratios.

> * **Portfolio Analytics Toolkit**
> Look at the information you already have! The Portfolio Analytics toolkit provides the theoretical background on data analysis and basic statistical concepts as well as a step-by-step process for preparing for and conducting a basic and detailed portfolio analysis.

Is this a prioritization problem?

How do you "shape the path" for staff, and make sure that they're making the best choices possible about how to use their limited time with clients? When staff are pushed for time, are they dropping the correct tasks off the list? If not, why not? The answers to these questions matter a lot. Do a rapid audit to find out:

- **WHAT?** Do a basic "time and motion" study with your staff. Break down their "pre-flight checklist" for key tasks (e.g., everything they need to do before disbursing a loan) and ask them to track how long it takes them to complete each on a typical workday with a typical client. Bring together a range of inputs from staff and compare this against your expectations. Flag areas that aren't

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getting the right amount of emphasis (or are being ignored altogether).

• **WHY?** For those tasks that aren't being done–what is the bottleneck? Is it a lack of clarity, motivation, or courage? Use focus groups with your staff to find out their perspective.

Is this a "growing pains" problem?

Your front and back office work in concert to keep the machine running smoothly–but rapid expansion can often result in growing pains. If client numbers are on the rise, you're probably adding field staff to keep up with demand for service delivery. Is your back office keeping pace? Do you have enough recruiters, trainers, auditors, cashiers, area managers, drivers, and janitors to support your front line staff? Consider productivity trends in light of your back office size (especially the size of your HR department and the number of training hours staff receive).

Product Check

What are your non-negotiables?

Simply put, productivity is the relationship between your inputs and outputs. So, when you're staring a productivity crisis in the face, your natural instinct is to look for areas where you can achieve the same results for less effort. However, when your social mission is at stake, you need to preserve aspects of your design and delivery that are critical to delivering social value. For example: would you be tempted to cut back on the time spent assessing client repayment capacity, which is essential for protecting everyone (clients especially) against the danger of over-indebtedness?

Look for areas where you can make simple, marginal efficiency gains. But also ask yourself: what are your "non-negotiables" in terms of serving clients and protecting them from harm?

Once you've established your social value "non-negotiables," look for areas where you can streamline without losing quality. For example:

• Can you automate or outsource processes (through technology, subcontractors, or partnerships)?

• Can you give more responsibility to clients (either group leaders or community representatives) in terms of bringing in clients and collecting repayments?

• Can you delink financial and non-financial service delivery, so clients "opt in" to the services (such as trainings) that interest them most?

* **Digital Financial Services Risk Assessment For MFIs**
Interested in going digital? This toolkit helps FSPs understand the risks and corresponding mitigation strategies associated with digital financial services (DFS). It highlights both medium- and long-term threats and helps identify and gauge both the likelihood and potential negative impacts of each risk.

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Is this a problem of emphasis?

Look at the overlap between your profit and value centers. What does this mean? Well, as a social business, some activities will generate the most revenue and others will generate the most impact. These may or may not be the same activity. Equally, there are elements within each activity that support either value or profit creation. Can you isolate the specific activities that are a drag on your productivity? Are staff pouring effort into low-priority activities? Can you eliminate processes that are less important both socially and financially?

Is this a problem of overreach?

With the best of intentions, organizations can often overreach when it comes to delivering more social value to clients. This is especially true in the case of adding new services as a response to opportunities or crises (e.g., partnering with a local charity to distribute low-cost solar lamps to every client) without considering the practical ripple effects. There are a million services that would benefit clients, but do your staff have the time and training to take on more? Who will control the quality of delivery? For activities that are not part of your core services, consider whether they are essential to achieving your core social goals. If they *are* essential, decide how you can deliver the service while staying within your core competency range (e.g., providing special loans to clients to buy solar lamps from a local third party, if they choose to – rather than going into the solar lamp distribution business).

Client Check

Is this a client expectations problem?

Do clients fully understand the role of staff? If there's a mismatch between the levels of support that clients expect from staff, and the level of support staff have time to provide, problems will arise (either in lower productivity or higher portfolio at risk, depending on whether staff stick to the rulebook in those instances). Make sure your staff and client training functions both draw clear lines– but not before asking staff and clients what their own expectations are.

> * **Understanding clients through in-depth interviews: Imp-Act Practice Note No. 2**
> Choose a key segment and get some rapid-fire qualitative feedback on key trends. Use this step-by-step guide to developing and conducting in-depth qualitative interviews with individual clients.

Is this a targeting problem?

Product delivery can become more complicated (and time-consuming) if Product A is actually reaching Market B. To take an extreme example–if you've designed a "low margin, high volume" product (e.g., for urban markets), you'll see a drag on efficiency if staff start delivering it in sparsely populated areas (e.g., to rural farmers). Are your products getting into the right hands? If not, why not?

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Staff Check

Is this a people problem?

Being a successful social business is hard work–are your staff up for the challenge? The way you recruit, hire, train, and mentor staff has a huge impact on their future efficiency. Ask yourself:

- **Who is your ideal new hire?** Mission-driven FSPs typically weigh soft skills (e.g., values, commitment) over hard ones (e.g., teachable business skills) when hiring new staff. But both are critical to keeping a social business running smoothly – and making good decisions about how staff use their time under pressure.

- **What does your training say about your priorities?** Skills and motivation are both important to staff efficiency. Make sure your training covers the what and the why of employee's day-to-day work.

- **Do you mentor new hires?** Even if a recruit looks perfect on paper, she will need direction and coaching to flourish in the challenging environment of a social business.

Are your veteran staff more efficient than recent hires? If so, ask whether they have insights on efficient working that can be shared widely.

Is this a listening problem?

If you're not listening to (and using!) both positive and negative feedback from staff, you're missing critical opportunities to improve. What mechanisms are in place for staff to voice concerns with what they're being asked to do? Do you encourage staff to talk about what's not working? If staff know that they're a key part of the innovation cycle, they'll be motivated to think critically about how to tackle efficiency bottlenecks.

Box 2. **Questions to ask exiting staff**

- Why did you begin looking for a new job?
- What ultimately led you to accept the new position?
- Did you feel that you were equipped to do your job well?
- How would you describe the culture of our organization?
- Can you provide more information, such as specific examples?
- What could have been done for you to remain employed here?
- If you could change anything about your job or the organization, what would you change?

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* **Staff Satisfaction Survey Example Questions**
This short document provides example questions that you can use to measure staff satisfaction.

Is this a motivation problem?

You ask staff to do excellent work under difficult conditions–serving poor clients, working long hours, and lots of time spent traveling. Training them to do all of this correctly is important–but how do you keep them motivated to go the extra mile? What makes your institution a great place to work? Remember: it's not just hard incentives (cash bonuses) that motivate staff. Your staff also want to feel listened to, respected, essential, and supported. In this way, soft incentives—like open-door policies and special perks (like office celebrations)–matter a lot.

* ***Imp-Act* Guidance Note on Staff Incentives**
This briefing frames the key questions to consider when reviewing an FSP's staff incentive system. It then identifies some emerging practices that FSPs are finding helpful in ensuring that the staff incentive systems appropriately balance their social and financial performance objectives.

And finally...

When your financial bottom line is pinched, it's tempting to think that the solution is to squeeze more work out of your employees. An SPM approach, however, helps FSPs work smarter–in a way that is valuable to clients, staff, and the institution itself. This means being clear about what we're trying to achieve and how, being aware of our limitations, and ensuring that everyone is part of the conversation on how to serve clients better. Luckily, the Universal Standards are a great roadmap through this exciting and challenging landscape.

"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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