Social Performance Task Force®

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ISSUE 5

October 2015

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The SPTF's newest publication—*Your Board's Social Responsibilities: Guiding your board to manage social performance*—is a short guide for FSP managers on how to work with their boards to manage the FSP's social performance. The publication will also be useful for board chairs and members as well as for others who work with FSP boards, such as FSP executives and staff, technical assistance providers, or funders.

The guide summarizes and interprets some of the most important content from existing publications, drawing primarily from the Universal Standards Implementation Guide, and the sections of the SPTF Universal Standards for Social Performance Management ("the Universal Standards") that pertain to boards. Additional resources are listed for each section of the document, organized by how they can help boards manage social performance.

Your Board's Social Responsibilities

Guiding your board to manage social performance

Most boards have the best intentions for the financial services providers (FSPs) they lead, but many focus primarily on financial success without realizing that financial and social performance go hand-in-hand. Your board may need some straightforward guidance—an SPM orientation, a discussion of their SPM-related responsibilities, a simple SPM report—so that they can manage the double bottom-line.

Orient your board to SPM

SPM can seem like a lofty abstraction that board members don't associate with their own day-to-day work. Effective boards need information on the concrete importance of SPM, how it will benefit the institution, and what role they as leaders must play.

Discuss the importance of SPM and how it will benefit the institution

Explain the basics: SPM is a management style that puts customers at the center of all strategic and operational decisions. SPM begins with a clear social strategy, which is then carried out by the board, management, and employees.

Once they understand what SPM is, convince them that it's valuable for the institution (see **Box 1**). Discuss how stronger SPM practices will help the FSP serve clients better, strengthen the institution's financial performance, and help to solve operational challenges.

Use language that your board will find appealing. For example, the terms "balanced performance management" and "responsible finance" may be more palatable for financially minded board members.

Discuss the Universal Standards and key industry SPM initiatives

Many board members will not be aware of national and international efforts to support strong SPM practices, such as the SPTF Universal Standards for SPM, the CERISE SPI4 social audit tool, and the Smart Campaign's client protection standards. Boards don't need to understand the details of each

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complementary initiative. But they should know that SPM is a global phenomenon, that there are communities of practice dedicated to helping FSPs improve performance, and that impact investors are paying increasing attention. Key message: you aren't acting alone!

Find more strategies for discussing the importance of SPM with your board in the SPTF's Convincing the Skeptic.

Discuss the board's role in SPM

Your board will want to discuss what SPM means for their work. The board should expect to: establish/approve the FSP's social strategy; review social performance reports to check for progress toward social goals; hold the CEO accountable to achieving the social goals; and make strategic decisions about growth, prices, and profits that balance social and financial performance.

"Your board needs to know that SPM is a global phenomenon, that there are resources available to improve practice, and that investors are paying increased attention."

Box 1

Suggested talking points on the benefits of SPM

- **SPM can strengthen financial performance.**
  - The essence of SPM is knowing your clients and serving their needs. That is the key to success for any business, mission-driven or not, whether in financial services or another sector.
  - Robust client data allows for better segmentation, targeting, and cross-selling.
  - How you treat your staff is how they will treat your clients. Good SPM will reduce staff turnover and customer churn.
  - Client protection systems can be a smart risk management strategy whose costs are justified by new business generated.
- **There are ways to reduce SPM-related costs.**
  - SPM doesn't have to be big and costly to be meaningful. Most institutions start with small, less-costly changes first (e.g., monitoring just a handful of social targets, making a few changes to improve treatment of clients). You can build momentum over time for larger, systemic changes or for taking on tougher challenges (e.g., targeting harder-to-reach excluded segments).
  - After a social audit, most institutions find that they already have many good practices in place and can build from those (e.g., the FSP already interviews clients, so they simply add or refine questions to better understand client needs).
- **Social investors care about SPM.**
  - Increasingly, funders seek more than photos and heartwarming stories; they demand accountability for achieving real social results and reward FIs that can deliver social data.
  - Regulators and policymakers are raising the bar on client protection practices, social reporting, and in some cases, actual social outcomes. Proactive FSPs will benefit from staying ahead of these demands.

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Manage SPM at the board level

Once your board is oriented to SPM, they should begin the process of actively managing the institution's social performance.

Set a social strategy

Achieving a social mission requires purposeful management, guided by a formal strategic plan, or a "social strategy." The board should be involved in creating, implementing, and monitoring achievement of the strategy. Read more on the social strategy on page 49-58 of the Universal Standards Implementation Guide.

Review social performance data at the board level

Your board must use social performance data to make decisions, which means they must have access to that information. Provide your board regularly with data on the institution's social goals (see **Box 2**). Start with a simple dashboard report that provides concrete information about the institution. Discuss in concrete terms how the board can use data to inform strategic decisions—for example, client exit statistics grouped with data from exit interviews can help the board create a client retention strategy.

The SPTF Resource Center has example SPM dashboard reports.

The ultimate purpose of providing the board with social performance data is to enable them to make balanced strategic and operational decisions. In practice, this means reviewing every decision in light of how it will affect clients, not just the institution (see **"FYI" sidebar**).

Mange social risks

SPM data can demonstrate whether clients are satisfied and can also reveal problems such as abusive staff, client over-indebtedness, or client confusion over product terms and conditions. Dissatisfied or poorly served clients will struggle to repay their loans and ultimately leave the institution. Failure to protect clients will lead to reputational damage.

Ensure that board discussions about risk include this client-facing perspective. Be sure to provide the board with data on clients who pose the biggest risks

FYI

The "client check"

All decisions should pass the *client check*. This check may be as simple as asking: "how does this decision affect clients?" For example: *How will a reduction in brick-and-mortar offices and an increase in mobile agents affect clients? Positively? Negatively?*

At first, these discussions may feel forced. But in time, it should become second nature for the board to consider the client perspective at every major decision point.

Box 2

Example contents of an SPM report for the board

- Outreach to target clients (quantitative) and characteristics of current clients (qualitative)
- Social indicators that measure progress toward social targets
- Client retention data / feedback data or satisfaction surveys/ exit survey data
- Client protection risks and practices, including compliance with any relevant codes of conduct/ regulations
- Employee retention and satisfaction/ effectiveness of HR policies
- Growth targets vs. actual growth (for discussion on responsible growth)
- Profit allocation and data (for discussion on responsible prices and profits)
- Any 3rd-party analysis on the above (e.g. from internal audit or a social rating).

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"SPM is a way of doing business that puts clients at the center of every decision. The board must have the relevant data and be committed to asking critical questions about the social impact of each strategic decision."

for the FSP. For example, if you find that the majority of exit clients leave during their first or second loan cycles, provide additional data on those clients—such as demographic and business information, as well as exit interview data—to help the board make fully informed decisions about how to manage the risk of client exit.

The board should also work to prevent the risk of "mission drift" (moving away from the FSP's original social intention) particularly during periods of change, such as when accepting funding from new sources, when introducing new products and services (including new service providers), and when targeting new client segments. The board must have relevant social performance data and be committed to asking critical questions about the social impact of each strategic decision.

Balance social and financial performance

Balancing social and financial performance is not a board "activity;" it is a way of doing business. The following priorities are particularly important for a board's balanced performance management:

- **Evaluating the CEO based on the financial *and* social performance of the institution.** The FSP's social targets (defined in the "social strategy" discussed above) should be part of the CEO's performance criteria. Such criteria might include client outreach and retention targets, client outcome targets, and staff retention targets.
- **Setting and monitoring *growth targets* that promote client and institutional wellbeing.** The Board should understand both local market conditions that affect growth (external factors), and the institution's capacity for growth (internal factors), such as staff capacity and risk management capabilities. The Board should participate in setting target growth rates that allow the FSP to maintain good customer service, respect clients' rights, and ensure manageable workloads for employees. The Board should monitor whether the FSP is staying within the targeted growth rates, as well as whether institutional capacity is keeping pace with growth.
- **Aligning expectations between the institution and investors, particularly on profit, and pursuing profits that contribute to client and institutional wellbeing.** The board should also be involved in setting desired profit levels as well as institutional policies on the use of profits. Management, the board, and other investors should develop a shared understanding of the appropriate level of profit and the allocation of profits between investors, the institution, and clients. This will help maintain consistency between profit expectations/allocation and the FSP's social goals.

"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. info@sptf.info