

# Social Performance Management Principles

## What are the Social Performance Management Principles?

The Social Performance Management (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 a 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 processes will benefit not only from more loyal and satisfied clients, but also an ability to demonstrate social outcomes to external stakeholders, including social investors.