

MicroSave Briefing Note #162

Reinforcing the Role of the Board in Social Performance Management

Lalaine M. Joyas and Amina S. Mendez

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Background

Most advocates of social performance management (SPM) will agree that one of the major challenges in institutionalising SPM is getting the Board on board! Socially-oriented institutions, such as non-governmental organisations (NGOs), also face this challenge and, need to build their Boards' capacity for SPM.

[ASKI \(Alalay sa Kaunlaran, Inc.\)](#) a microfinance NGO operating in the northern Philippines, realised this and embarked on getting its Board more engaged in SPM, with the ultimate goal of improving the social outcomes of ASKI's various undertakings.

The composition of its nine-member Board seemed ideal for a socially-driven organisation. However, a recent social rating by Microfinanza and a beta testing of the Universal Standards for SPM revealed that the ASKI Board needed to improve its overall supervision of the institution's SPM. In order to achieve this, the Board would have to discuss ASKI's social performance regularly; identify SP-related issues, especially those that adversely affected clients; and make strategic decisions for ASKI based on accurate and reliable SP information. A Board member commented: *"When we had no SPM board manual, no clear Terms of Reference for the SP Board or capacity-building training, we were just sitting during meetings accepting all the social data the management was giving us without any real appreciation of its meaning or implication for the institution."*

Mentoring was provided to the ASKI Board members in order to address these challenges.¹ The objective of the mentoring was to make the Board members understand and appreciate their roles and responsibilities in SPM. This involved discussing and analysing SP information and making decisions based on it. It was emphasised that SPM is part of effective governance in order to ensure that ASKI does not depart from its original mission as it grows into a more mature and professional as an institution.

Defining Roles and Responsibilities

With the help of *MicroSave* through the OIA project, ASKI developed a SPM Manual for the Board, which defines the Board's roles and responsibilities in SPM. This includes:

- Mission and Vision development, focus, and preservation; Setting strategy / approving strategy regarding client targeting and products offered;
- Balancing social and financial performance;

- Monitoring the financial and social performance management of the organisation;
- Evaluating the performance of the executive on both social and financial goals;
- Ensuring the board is monitoring and guiding the SPM within the organisation;
- Ensuring the right board members (whose values are aligned with the organisational mission, vision and values) are selected and are oriented on SPM;
- Demanding / asking for reports on SPM and client protection from the management.

The ASKI Handbook on SPM for its Board of Directors is intended to be a guide on how to support and strengthen SPM by providing key insights and information on the following:

- What is SPM?
- Why should the Board think about SPM?
- What are the roles and responsibilities of the Board regarding SPM?
- How frequently should the Board discuss SPM?
- What social information is made available to the Board?
- What questions should the Board ask its senior management?
- What are some of the pitfalls that the Board should carefully take into consideration?

In order to reinforce the practice of SPM at Board level, a Board SPM Committee was formed with the primary function of assisting the Board in fulfilling its responsibilities for translating the organisational mission into action. Currently, there are six committee members who meet once every two months prior to a full Board meeting. The committee is primarily responsible for providing an overview of ASKI's SPM initiatives; for encouraging the Board to regularly review ASKI's social performance; for holding the Board accountable for the use of SP data for decision-making at the Board level; and for incorporating SP criteria into the CEO's performance appraisal. These responsibilities are spelled out in a terms of reference, which must be understood and adhered to by each committee member. The Committee recognises that, *"The Board's SPM 'team's' main purpose is to monitor and assess the progress of ASKI against its social goals through chosen indicators and provide feedback. It also makes sure that SP is part of the conversation in other committees of the Board."*

¹ASKI received support from Opportunity International Australia for the implementation of the project "Towards SPM Excellence at ASKI". Together with *MicroSave*, OIA supported technical assistance work on SPM at ASKI through training, coaching and mentoring for various ASKI stakeholders, including the Board and ManCom.

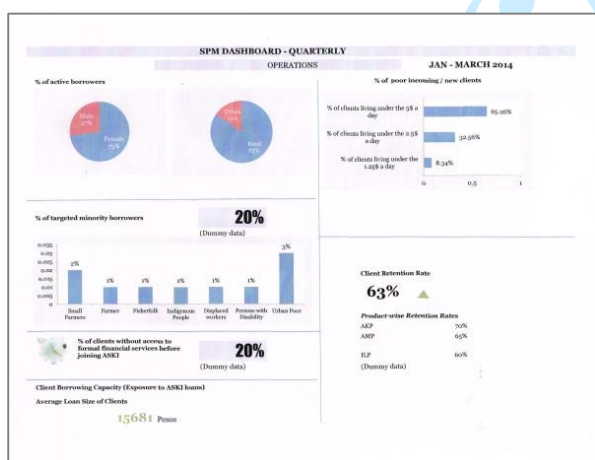
Use of SP Information by the Board

In the OIA-supported project on SPM, *MicroSave* worked with ASKI to improve stakeholders' access to SP information, so that they could use it when making decisions. Mentoring was provided to Board members so that they were able to improve the monitoring of the institution's social performance through a regular report. This is provided to the Board's SPM Committee in particular.

The report is called *The SP Dashboard for the Board*, and it has 23 indicators on the following key performance areas: clients; operations; finance; people and process. The dashboard is an easy-to-read graphical presentation of the current status of ASKI's social performance based on these indicators. Some indicators are reported on a monthly and quarterly basis, but an annual report includes all indicators.

For better appreciation and understanding of some indicators, such as client satisfaction, dropout and poverty levels, the Board also receives reports on regular and special studies conducted by ASKI's Research & Development (R&D) Department. Findings from studies on client satisfaction, the Progress out of Poverty Index (PPI) and client dropouts are outlined concisely in such reports.

SP reports are first presented to and discussed by the Board's SPM Committee. The Chair of the Committee then presents highlights from the discussion during the meeting



of the full Board. A presentation and a discussion on ASKI's overall performance (social and financial) are part of the regular agenda of every Board meeting.

Mentoring support provided to the ASKI Board through the SPM initiative focused on improving the Board's capacity to analyse SP information, with the aim that the Board would use SP information for strategic decision-making.

When the SP Dashboard was presented to the Board during the first and second quarters of 2014, conversations about client and staff retention were active and informed by extensive feedback. Since the SP Dashboard only shows general retention rates for

clients, the Board requested per product and per cycle analysis. For staff retention, the Board requested a more detailed report from the Human Resource Department on the reasons for staff exit and the status of staff resignations (permanent versus probationary).

In addition, the client feedback report for the first quarter showed an increasing trend in complaints that were uncategorised for lack data. This led to a refinement of the process for validating and verifying all complaints. Consequently, the number of uncategorised complaints decreased.

Support & SP Information from Management

ASKI's Management Committee (ManCom) plays a proactive role in ensuring that the Board fulfils its assigned duties in SPM. The appointment of an SPM coordinator (currently the Head of Corporate Planning or Corplan) means that SP-related initiatives are well coordinated and regularly reported to the Board. Corplan is also charged with gathering and consolidating all SP information and presenting it through *The SP Dashboard for the Board*.

ManCom also ensures that SP reports and related issues are discussed in its regular meetings. This prepares the team should the Board require further elaboration on any of the SP information. ASKI's CEO Mr. Rolando Victoria appreciates the way that social performance is tackled and discussed at both Board and management levels. He sees shared responsibility for accountability and transparency in SP and this, according to him, makes his job easier.

Conclusion

After having been mentored for several months, Board members feel more confident about being able to fulfil their designated roles in SPM. One of them commented: "Now, we are more equipped to ask questions, challenge the data and see implications. We have a way of knowing whether or not the clients are being treated well. We have a way of making sure we always give the best possible service to our clients." The Board realises that managing SP can yield both internal and external benefits for ASKI, such as improved productivity and efficiency, and this gives the institution a competitive advantage.

Its Board is now truly empowered and engaged in fulfilling its role on SPM. However, ASKI's ManCom cannot afford to rest on its laurels, especially now that ASKI is formalising its Group of Companies, and all the different business units need to work towards the achievement of common aims and objectives.

In the coming year, *The SP Dashboard for the Board* is sure to evolve as issues, special needs and benchmarks become more refined. Currently the report has several information gaps, but once these pieces of information become available to the institution, especially to the Board, ASKI can look forward to making insightful and balanced decisions that will help it to achieve its goals.