Session 8:
Developing Social Objectives

Summary of the session

Objectives	*The purpose of this session is to equip participants in skills to develop SMART objectives based on social goals.* By the end of the session participants will have: • • Reviewed SMART principles; • Reviewed the process of translating social goals into SMART objectives. • Discussed the importance of baseline information availability to set the proper targets • Practised the process of translating social goals into SMART objectives using the example of their own institution Key messages: • SMART objectives support social goals – it is putting social goals into an operational context. • To set targets, baseline information is required. Often, the MFI will have to review the information available, analyse and find an alternative way to set the targets and fine-tune SMART objectives.
Session Structure	1. Introduction (2-3 min) 2. Process for developing social objectives – SMART objectives(25 min) 3. Baseline information for setting targets in SMART Objectives (30-35 min) 4. Developing SMART objectives for participant's own MFI (35 min) 5. Closure and link to the next session (5 min) •
Time/ Duration	**120 min**
Slides number	12-21
Materials	• HO 8.1 Case study People's bank setting SMART objectives • HO 7.3 Mission deconstruction and developing SMART objectives for participant's own MFI (from previous session)

Session delivery

1. Introduction: **(2-3 min)**	Say: This session continues exploring the first component of SPM: Developing Social Goals and Objectives, which began during the previous session. The purpose of this session is to learn the process of designing SMART social objectives based on social goals from the mission statement. Introduce objectives of the session (slide 13).
2. Process for developing social objectives – SMART objectives rule **(30 min)** *(Talk and exercise)*	**(5-7 min)** Say: If we want to deliberately manage SP, we need to develop specific objectives for each social goal. To translate each social goal into objectives you can use SMART principles.

Show slide 14 with the SMART rule and explain it. Write down the SMART rule on the flipchart, so that participants can refer to it during the exercise.

- Specific: Objectives should specify what they want to achieve.
- Measurable: You should be able to measure whether you are meeting the objectives or not.
- Achievable: you should be able to achieve it – not too ambitious
- Relevant: is the objective relevant for the social goal discussed?
- Time-bound: the objective should specify the exact time in which you will achieve it

Say:
Without SMART objectives, you have no specific information against which to measure your progress and, therefore, it would be difficult to know whether or not you are achieving your mission. However, if objectives are SMART, they are easier to manage because they are clear. Objectives are specific accomplishments that must be realized to achieve social goals.

Show slide 15 with the People's bank example of SMART objective: give an example of making the first social goal as a SMART objective. Ask participants if they think the objective meets the SMART principle and why?

(10 mins) Exercise:
Show slide 16 with the task and ask participants to work in pairs to make SMART social objectives from social goal number two. During the exercise the trainer moves around the room to observe how participants are doing the exercise and helps with guidance, where participants need it.

Examples for the trainer:
Reduce the client exit rate by 20% in the next 3 years OR Increase client satisfaction by 15% in the next 3 years

More examples in the table below:

STRATEGIC GOAL	SMART OBJECTIVES
Offer services to women who live in conditions of socioeconomic exclusion	**Individual outreach**: 95% of clients are women and male participation is no higher than 5% (ongoing). **Depth of outreach**: At the end of 2007, at least 50% of new clients should be below the poverty line. **Geographical coverage**: Expand coverage to 15 medium-sized towns by the end of 2008.
Offer integrated services to satisfy the needs of the target clientele	**Access to credit**: By the end of 2008, reach an average loan amount of USD 241. **Client retention rate**: Achieve a retention rate of 95% by the end of 2008. **New services**: To establish, by the end of 2008, three new alliances with institutions to offer additional services for clients.
Support the sustainability of clients, their families and communities	**Income**: Increase client income by at least 15% by the end of 2008. **Social participation**: Increase the

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<td>participation of clients in social organisations by 15%.
Education: Increase by 5% the attendance of clients’ children at school.
Savings: Clients’ savings will reach an average of USD 85 by the end of 2008.</td>
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(7-10 min) Going through the exercise:
Ask participants to share several examples. Discuss with the rest of the group if the objectives meet SMART criteria. For this purpose, write some of the objectives on the flipchart so that the group can see it and comment on the SMART compliance (in a similar way as for the objective for the People’s bank – assess each objective by S, M, A, R, T).
Pay attention to some of the common mistakes:
Show the difference between the objective and the activity, preferably using the mistakes of the participants:

Increase the satisfaction of clients by 10% by end of 2013. Versus: start measuring clients satisfaction by end of 2013;
Increase the number of clients’ children accessing schools to 2000 by September 2012 Versus: devote USD 2000 every year to support bus transport of children from villages to schools.

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<td>3. Baseline information before SMART Objectives are set(30-35 min)

(Case study)</td>
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<u>Say</u>:
As we have seen, SMART Objectives require measurable data to make them (first) measurable and (second) to decide, if the objective is realistic or too ambitious. For developing SMART Objectives we usually need very specific information. For example, you want to set an objective of outreach to 50% of poor women in 2 years, you need to know how many female clients you currently have and how poor the female clients are. If you have 48% of poor female clients – the objective is obviously not very ambitious. But if female clients account for 70% of your clientele, but only 20% of them are poor, there is definitely room to improve.
In general, you need to be able to measure two things

Number of female clients
Poverty level of your clients

The first is very simple to measure. The second – requires much more effort.

So, the issue we want to discuss now is the ABILITY TO SET TARGETS. The developed objective might be SMART according to principles, but an institution may not always be able to set the target, due to a lack of baseline.

Let’s look at a short case study to see how this should be organized. I will give you a case study, your task will be to read it and answer the questions at the bottom of the case. Please work in groups of three sitting next to each other. You do not need to fill in the table in detail, it is just a place to put any comments if needed.

(1 min)
Divide the participants into groups of three sitting next to each other. Distribute the HO 8.1 Case study the People’s bank setting SMART objectives.

(15 min)
Participants work in groups of three. The trainer moves and observes progress and helps.

(15 min)
Processing and discussing in the plenary: The discussion should be around the
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following main question (one by one go through each of the strategic goal):

- Can they set SMART objectives for each of the strategic objectives? Do they have enough information? Are there baseline indicators?

In terms of the SMART parameters in this case study, we can assume that the strategic objectives are relevant (they are derived from the mission – ok, and we have no other information contradicting to the relevance of the objectives) and time-bound criteria is assumed as easy to comply with. So, the main issues will occur around objectives being specific, measurable and achievable.

1) For the first strategic objective the target might not be easy to set because some measurable points are absent, e.g. poverty clusters, number of people. For the first strategic objective, even if the definitions are there, we still do not know the current status – how many clients are poor, not-so poor etc, and so to which extent do we want to improve outreach (e.g. how many poor clients do we want – this will depend on how many we already have).
   Solution: for the first strategic objective we have to start measuring poverty levels and the number of people in each category and have a baseline first, in order to define where we would like to move to. When they measure the current situation, they will see, that for example X% of clients are poor, Y% are not so poor etc. Then they will judge if these figures are something they would like to improve, or to keep going, or even change in other ways. For example, if they find out that 75% of clients are poor, they might set an objective of 1) keeping it; 2) increasing it up to 80%; 3) looking to the remaining 25% and improving the situation in that segment (e.g. increase of the poorest), or vice versa; etc.

2) For the second strategic objective: the bank has figures of an overall rate of exit, so this one should be easier to set. For example, they can decide to decrease it from 15% (baseline) to 14% (objective) or lower rates within a year. Additionally, they can start tracking exit rates by products or by cycles – this should be easy, taking into account that their MIS system is strong. Then they can set targets for them, which in total will lead to an overall decrease of drop-out rates. The SMART objective in this regard can be, for example, to reduce the client exit rate to 14% in 2012, or to reduce the client exit rate by each product by one percentage point by the end of 2012, or to reduce client exit rate by 5 percentage points in the category of poor clients by the end of 2012, etc.

What about the achievability of the objectives? Obviously organizations have to have some statistics in order to see how the drop-out rates develop over time, due to which factors and how this can influence the future. For example, for a 5 % decrease in drop-out – is it OK or is it too ambitious or too easy to achieve? The answer will be different for different MFIs, depending on their portfolio management abilities, product design, service quality, delinquency management, external environment, and so on.

3) For the third strategic objective there are no figures yet, so the organization cannot set measurable targets. Nor is there any system in place which enables these to be easily tracked. So, again, they first have to decide how to measure these "understanding of loan parameters" – which indicators to choose, who is going to conduct the first measurement, will this be a sample or 100% of the clients who will be covered, etc – e.g. design the whole system. Then when the system is designed, there can be a measurement for the current year and then SMART objectives can be set to improve it. For this strategic objective the baseline information, including the system of its collection, is needed. Once they are in place, the SMART objective can be

	designed, for example: Ensure all (100%) clients are aware of our range of products, and fully understand the effective rate of interest they pay on loans, and the interest they receive on their savings. 4) The fourth objective can be designed once the issues for the first one are solved. If they have not yet tracked any progress out of poverty, it will not be an easy task even to decide what kind of objective to set. For example, in two years the target of 5% of poorest people to move from being the poorest people to poor people – is it realistic or too ambitious or not ambitious at all? In some contexts, moving 1% out of the poorest to the poor in two years might be an ambitious objective (e.g. war, conflict, migration environment, etc), while in others it might be relatively easy to achieve (a developing economy). So the organization should have some experience in setting SMART objectives. **Note:** changing the proportions of poor/poorest/not-so-poor in the overall portfolio has a limited connection with the objective about positive change. For example, if the poorest were 40% of portfolio and in two years became 20% - it does not mean that their life was improved. When we measure change, we should make sure that progress is measured, related to the same clients who used our services. • What should organizations do in such situations? MFIs need to have a baseline to set targets. If there is no baseline, they need to start collecting information, and once ready, they can set up targets and finalize objectives. Of course, if there is no information for any of the social goals, it is a strong warning signal for the MFI. If the MFI has information only to set SMART Objectives for one goal – it is still acceptable. You may set objectives for other goals when you will get the baseline allowing targets to be set up. Thus we should also differentiate between objectives (improve, reach, keep…) and activities (e.g. set up poverty measurable system, drop-out monitoring system, measure client satisfaction, etc): the latter helps to design and monitor the first.
4. Developing SMART objectives for participant's own MFI **(55min)** *(Work individually or in institutional groups)*	Ask participants to develop social SMART objectives for their own MFI, using the HO 7.3 Developing SMART objectives for their own MFI from the previous session. (slide 19) **(20 min)** The task should be completed individually (if participants wish, they may join their colleagues from the same organization). The trainer moves from one to another participant and works and consults them. **(30 min)** In the plenary, the trainer asks 2-3 representatives to present the examples of their work to the whole group. Discuss if the baseline is available to set the targets. If not, ask participants to think about what should be done in order to start collecting relevant data.
7. Closure and link to the next session **(5 mins)**	Summarize the session with participants and ask them to mention key learning points. The trainer can ask guiding questions in order to help participants to name conclusions out of the session: • To deliberately manage SP, one needs to develop specific objectives for each social goal. • Without SMART objectives, one has no specific information against which to measure progress and, therefore, it would be difficult to know whether or not the mission is being achieved or not. • Sometimes more than one objective can be linked to the same goal. • Objectives are not the same as activities. Activities are necessary to achieve social objectives and objectives help you monitor and assess

	progress towards the organization's social goals • To set targets, baseline information is required. Often, an MFI will have to review the information available, analyse and find an alternative way to set the targets and fine-tune SMART objectives. Conclude this and the previous session (slide 20): There are many possible objectives; we have seen only some which emerged from the People's Bank Case Study. However, when translating a mission into social goals and objectives, you should always follow the same steps: 1. Write out the mission. 2. Define key terms embedded within your mission statement. 3. Identify and formulate social goals embedded in the mission. 4. Articulate each goal with social objectives using SMART principles. Link to the next session.

Handout 8.1 Case study: the People's Bank setting SMART Objectives

People's Bank mission:
Improve the well-being and status of large numbers of the poor including women and their families by providing long-term access to quality financial services.

People's Bank social goals:
1. Reaching target clients: Poor women and their families
2. Meeting target-client needs/capacities: Providing quality financial services
3. Change in target clients' lives: Improving their well-being

In the next two years the People's Bank would like to concentrate on the following objectives:*Reaching poor women and their families*
1. Increase the number of poor female clients at entry to at least 50% by 2013
   Providing quality financial services
2. Reduce the client exit rate by 10% in each cycle each year
3. By the end of the next year, ensure 75% of clients receive clear information about our range of products, the effective rate of interest that they pay on loans, and the interest they receive on their savings
   Improving well being
4. In two years, reduce the poverty level of clients by moving at least 50% of clients up one level of the poverty scale

The following information is available about the bank:
The bank decided to accept the definition of poverty as "households living below USD 2 per day per capita". The bank does not currently measure the poverty level of clients.
Loan officers collect the following information during the loan assessment for each loan cycle:
- Family status (number of people living in one house, number of adults working in the family or otherwise earning incomes)
- Income types, business types, salaries
- Income of the family (total)
- Expenses of the family

The bank's MIS is strong, and can easily accommodate additional information. Some information from the loan application form is entered into the database, for example information about family size. Information about incomes and expenses is not entered in the database.

The bank measures the exit rate by branches and by institution for the whole clientele base, not differentiating by cycles or products. The annual exit rate for the last 3 years has stayed at an average level of 35%.

The number of active clients of the bank: 12,000

The bank has information about the number of clients in each cycle, and in general has quite well structured portfolio reports, allowing segmentation by products, by branches, by loan officers, etc.

Loan personnel claim that they clearly explain all parameters and details of each product, the internal audit checks confirm this in general, however no specific figures are available.

QUESTIONS:
- Are the targets set by the bank in SMART objectives realistic? How do we know this?

- For which SMART objectives does the bank collect baseline information and set targets?
- What is needed in order for the bank to start collecting information to set targets and measure performance against the targets?

MICROFINANCE CENTRE

Handout 7.3 Mission deconstruction and developing SMART objectives for your own MFI

Name of MFI: ____

Mission statement: ____

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Social goal: Outreach to target clients		
SMART Objectives:		**S**pecific **M**easurable **A**chievable **R**elevant **T**ime-bound
Social goal: Meeting Target clients needs		
SMART Objectives:		**S**pecific **M**easurable **A**chievable **R**elevant **T**ime-bound
Social goal: Contributing to Positive Change		
		Specific **M**easurable **A**chievable **R**elevant **T**ime-bound