

## **Performance Measurement for Microenterprise Programs**

Performance measurement is the process of collecting and analyzing key pieces of data that describe the effectiveness of your program and the outcomes it produces over time. This measurement process must be built on top of solid data collection systems. This summary explores the benefits of performance measurement for microenterprise organizations, and the key data collection and management information capacities that are the basis for effective performance measurement.

### **Why is Performance Measurement Important?**

Performance measurement is a critical tool for microenterprise organizations that want to improve the quality and effectiveness of their programs. It provides information that allows an organization to identify and document its strengths and weaknesses, and monitor progress over time. Performance measurement can be used by programs in six key ways:

1. To better analyze and understand program performance;
2. To inform decisions about how to improve the program;
3. To inform strategic planning efforts and create measurable objectives;
4. To stay accountable to board, staff, customers and donors;
5. To improve education and advocacy work;
6. To make a stronger case for funding support.

### **What Does a Performance Measurement Process Tell a Program?**

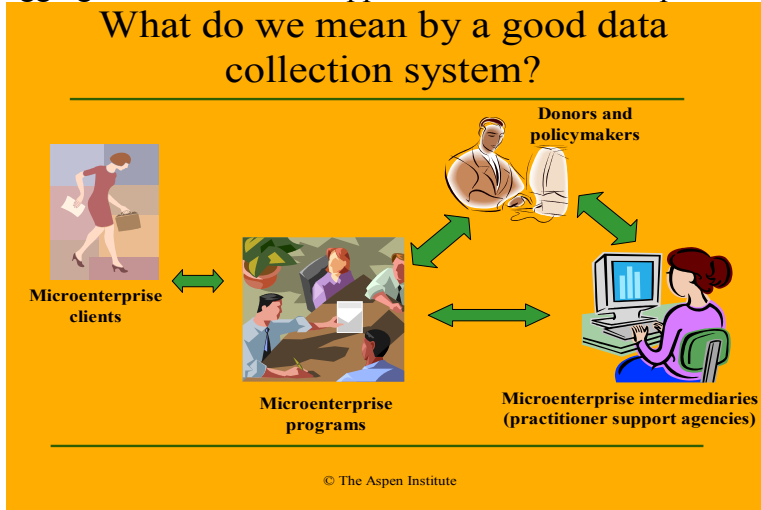
Certainly all microenterprise programs collect data, and they use that data to attract and inform donors, and make management decisions. Performance measurement goes beyond the process of collecting individual pieces of data to construct a set of measures and indicators that provide a comprehensive picture of a program's effectiveness: who it is serving, the outputs it is producing in terms of clients trained and loans made, how effective it is in graduating clients and getting its loans repaid, how much it spends to serve a client, and what outcomes its clients are achieving. Performance measurement involves a structured process of collecting data on these key areas, and creating a process for analyzing the data and responding to the insights it yields.

### **How Does a Data Collection Process Support Performance Measurement?**

To engage successfully in performance measurement, a program must have a well-designed and implemented data collection system. In the absence of an overall strategy and well-managed process for data collection, the result may be incomplete or inaccurate information about the quality and performance of your program's activities. An integrated system can help you consistently collect relevant data that can be used to improve your microenterprise program.

A data collection system includes all the pieces of information that must flow from clients to microenterprise programs, to intermediary agencies supporting programs, and back again. Ideally, programs take client-level data, *analyze and reflect* on it, and make service improvements that benefit clients. Likewise, intermediaries take all the program-level data, *analyze and reflect* on it, and then provide resources and technical support to

help programs make improvements. Both programs and intermediaries often use aggregate data to solicit support from donors or respond to policy makers' inquiries.



Just collecting data isn't a data collection system. Collecting, aggregating, analyzing and reflecting on data provide the building blocks for a good data collection system.

### **What is the Role of a Management Information System (MIS)?**

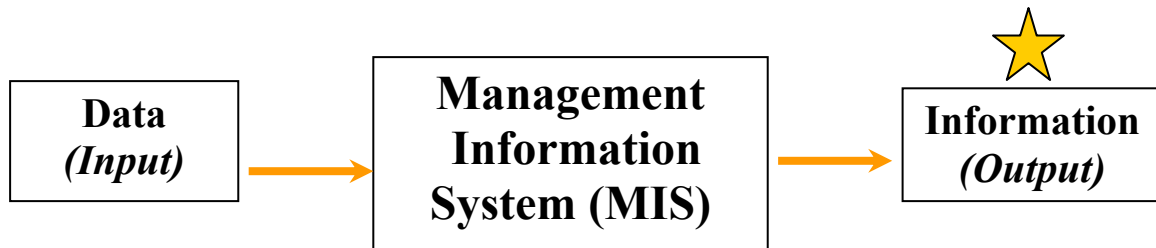
If an organization is interested in having a good data collection system and being able to track, analyze and report on both performance and outcomes data, there is one essential underpinning for making that happen, and that is developing a good MIS.

Many believe that developing a strong MIS simply involves buying the right technology. Yet an MIS is more than a software package, or even the right combination of software and hardware, although both can make one's organizational life easier. Rather, an MIS is the whole set of processes and actions involved in capturing data in its raw form, processing that data into information, and then disseminating that information to key staff in forms that enable them to make decisions, and be accountable to funders and other stakeholders. An MIS involves people; it involves flows of information from clients, staff, financial transactions and other sources, and their input into depositaries that support data storage, aggregation and analysis. At its simplest level, those depositaries can be paper files, but more generally they are software applications that facilitate aggregation and analysis.

*A Management Information System is the series of processes and actions involved in capturing raw data, processing it into usable information and disseminating it to users in the form needed in order to make appropriate decisions.*

Below is a graphic depiction of the MIS definition above, isolating its three key parts. An MIS system takes data, and through a whole set of actions changes that data into information useful for decision-making, accountability, and advocacy and fund-raising.

The star over the far right-hand box (Information), indicates that while information is the end point of the chart, it is actually the starting point for developing a good MIS; you have to know where you are going before you can know what you need to get there.



### **How Do I Know What Questions to Ask?**

Building an MIS that supports performance measurement involves asking two kinds of questions: How is our program performing, and how are our clients doing?

Program Performance questions help a program understand the quality, effectiveness and efficiency of its services. It considers such issues as: Are we reaching our intended target market? What is the scale of our services? How well do our services operate? How efficient are we? How sustainable are we? All of these questions can be answered with data that a microenterprise program needs to collect and maintain in order to function, i.e., in a client contact database, in loan portfolio management systems, in accounting systems, and so forth.

Client Outcomes questions help a program understand the changes clients experience after having participated in program services. They can only be answered by going *outside* the program to survey clients who have received substantial services and have had time to put what they learned/received into use.

### **Why Are Common Definitions Important?**

As your organization develops indicators, or measures, that provide information on the program and performance questions listed above, it is important to consider how those measures are defined. Common definitions are important in the microenterprise industry for a variety of reasons. As we'll see in the next section, from a management perspective, your data will have more value if you can compare it to that of other programs. Yet, if programs use different definitions for a particular measure – for example, in determining which individuals are counted as clients, or how to calculate their loan loss rate – comparisons can not be made. Common definitions also allow funders to understand a microenterprise program's work and results within the context of a level playing field. Finally, common measures allow an industry to create standards and to develop accreditation processes that can be applied to all the organizations operating in that industry. An industry with standards and a solid accreditation and certification process looks stronger to funders, as well as to the customers of the services the programs provide.

### **How Do We Turn Data Into Information?**

Once you've determined the questions your program wants to answer, and collected the needed data, you are ready to interpret and analyze your data. The key to interpreting data is looking at it in relation to something, and there are a variety of things that programs need to consider in terms of comparison.

First and foremost, compare your results to your own program goals – those set by yourself and/or set for you by your donors. Are you meeting those goals? Look also at trends over time in your data. How are you doing compared to last year or the year before? Are things improving or getting worse? Are they going in the right direction?

It is also important to find out how you compare to your peers. This is especially important to new programs that want to know if they are on the right track; however, it is also helpful to make this comparison if you think that you are struggling with one aspect of performance or another. Comparison to industry leaders can help push your program forward and set challenging performance goals. Finally, you want to compare yourself to industry standards to make sure you are in step with the industry on various measures and to industry leaders on measures that are particularly important to your organization.

### **How Do We Get the Most Out of Our Information?**

To get the full benefit out of its performance measurement and data collection system, a program needs to use their information for program management, to be accountable to the program board and funders, and to advocate on behalf of the organization and the microenterprise industry.

Ideas for using your information to support program management include:

- Identify measures that correlate to your most important goals. Are you on track?
- Use the data to set new or annual goals for the organization.
- Include more than just front-line staff in data conversations, so that all staff can understand the organization's key challenges and goals, and dedicate their efforts to addressing them.
- Integrate data discussions into existing staff and management discussions. Ask staff:
  - What do the data say about the organization's performance and areas for improvement?
  - Do the data challenge any assumptions about the program or its clients?
- Use incentives to provoke interest in the data.

Program performance and client outcomes data can aid in board accountability. Ways to use your program and client information with your board include:

- Have a discussion with your board to focus on key measures that relate to the organization's strategic goals.
- Present some of the key cost and self-sufficiency/sustainability measures to your finance and/or fund-raising committee.
- Recognize that performance measures can be both a tool for board development, and require board development. Make sure that board members understand why

these measures and data are important, and what they can tell them as board members.

- Create a brief fact sheet (one-page) that board members can use to share key facts with interested parties.

Finally, use your data with external audiences to educate, advocate and fund-raise.

- Use your organization's, and the field's, cost data to compare your program against other economic development programs (i.e., business retention programs).
- Use your data on targeting, scale, etc. as you report to donors, or describe your organization's outreach to potential funders.
- Report to donors on positive trends over time in key measures, to express your organization's improvement.
- Add a tagline at the end of press releases or key marketing pieces that shares key facts about your microenterprise program.
- Mix hard numbers with client anecdotes, putting a "face" to the data, while at the same time lending rigor to your client success stories.