

Microenterprise Development Organization's Program Performance

Using Industry Data to
Understand and
Improve Program
Performance

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This PowerPoint will introduce the concepts of using industry data, as well as guidance on how to interpret the statistics and graphs that are presented in later presentations.

Definitions

- A **MicroTest measure (metric or indicator)** is a standard measure to assess performance across the industry.
- A **benchmark** refers to a measure of best practice performance.
- **Benchmarking** refers to the search for best practices that yield the benchmark performance, with emphasis on how you can apply the process to achieve superior results.

From "Benchmarking: uncovering Best Practices and Learning from Others", Dave Trimble, www.prosci.com/benchmarking.htm

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First, let's start with a few definitions.

MicroTest measures are metrics or indicators that are standard measures to assess performance across the industry. In MicroTest, we took considerable care to develop a set of indicators that define performance for the domestic microenterprise industry; are accurate, reliable and easy-to-use; and that allow us to make comparisons across programs and over time. Each metric or indicator has a very specific definition that is used by all MicroTest members. For a full list of the measures and definitions please see:
<http://fieldus.org/Microtest/MTMeasures05.pdf>.

A benchmark refers to a measure of best practice performance. Benchmarks are set for superior efforts in areas such as outreach, scale, or efficiency.

Benchmarking refers to the search for best practices. The attainment of superior performance in the indicators listed throughout this report can be a starting point for finding best practices, or, to be more specific, the behaviors that lead to superior performance.

MicroTest Measures

- MicroTest provides members with a series of measures important to practitioners and investors in the microenterprise development industry.
- Collected properly and analyzed over time, the measures are useful for understanding internal performance and changes over time.

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MicroTest measures were developed by practitioners for use by practitioners and funders, with the goal of program improvement. They are measures important to the microenterprise development field.

By using common indicators programs are able to measure changes over time, and make comparisons across programs. Common measures also allow for data to be aggregated across programs for advocacy purposes.

Using Industry Data

- Industry Norms – what is common performance in the field?
- Industry Standards – what are common minimum measures of performance that programs should attain?
- Top Performance – what numeric values signal top achievement?

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Industry data can be used to assess program performance in a few ways.

- Individual programs often work in isolation. It is helpful to have a sense of what is common in the field. This is particularly helpful for board members, who have a trustee responsibility in assuring that programs operate within industry norms.

- These common measures of performance have been used to develop industry standards, or minimum performance levels for specific indicators. In MicroTest, all members are able to compare their program performance with the AEO Numeric Accreditation Standards. In this report we will discuss the AEO Accreditation Standards where appropriate. For more information on the AEO Numeric Accreditation Standards please see:

<http://www.microenterpriseworks.org/index.asp?bid=227>.

Finally there are the indicators of top performance, that serve as a first step in identifying best practices.

Advantages of Using Industry Data and Identifying Best Practices

- Organizations open up to new ideas, methods, and tools to improve their effectiveness.
- Helps organizations overcome program inertia, by exposing them to breakout strategies.

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One big advantage of using industry data is that it helps organizations be open to new ideas. This requires programs to go beyond the numeric values to understand the processes that programs use to attain best in class performance. Frequently it opens organizations up to new transformational approaches in scale and quality.

To fully utilize industry data, you have to be open to new ideas, methods, tools, and approaches.

Using MT as a Starting Point for Benchmarking

- A strong quantitative value in an MT indicator is a starting point for exploration.
- Many indicators are the result of multiple policies, processes and local conditions, so it is necessary to understand the underlying drivers for the numerical result.
- Change is a part of program growth. Re-examining prior assumptions and perceptions, learning from others (and other fields), and pursuing innovation are ways to avoid program inertia.

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MT can be a valuable starting point for benchmarking, by helping programs understand industry norms and begin to identify best in class performance. As will be seen later, MT data can be used to spot new industry trends and breakout strategies.

A strong quantitative value in a MT measure is a starting point for exploration. It is not necessarily indicative of a best practice. For instance, a program may be strong in reaching a particular target group because their program offerings and outreach efforts are effective in reaching that target group. Or it could mean that the program is located in an area with a high proportion of that particular target group and that clients few alternatives available. In this latter case strong quantitative performance can be achieved as a result of mediocre program practices.

Innovation often involves new thoughts of what is important and necessary, and what is not. Funder preferences can change, and new talent sources can be tapped. Creativity and ingenuity are often the factors in most short supply when considering alternatives to the status quo.

Presentation in this Series

- Six Areas of Program Performance
- MicroTest Measures
- Summary Statistics
- AEO Numeric Accreditation Standards
- Distributions
- Peer Group Comparison
- Correlations/Relationships to Other Metrics

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In this series, the MicroTest measures or indicators will be presented in the following manner:

The MicroTest workbook is divided into six areas of program performance: Outreach to Target Groups, Scale, Credit Program Effectiveness, Training Program Effectiveness, Efficiency, and Sustainability. The PowerPoint presentations roughly follow this format.

Generally, statistics are presented in multiple ways. First, the statistics will often be presented in summary, using standard statistical summary values of mean, median, minimum, and maximum. Next, a chart will graphically show the distribution of values among the participating programs. In addition, in selective cases the statistics are presented according to different subsets of programs, to illustrate different approaches or perspectives among programs. In some additional cases, the connections between statistics will be shown using statistical correlations.

Where appropriate, the AEO Numeric Microenterprise Accreditation Standard is given.

Finally, in selective cases, we've provided statistics around certain topics of interest to the field as a whole. For instance, there is a lot of interest in the field around the issues of increasing scale and program self-sufficiency.

Using Multiple Measures

- Multiple Measures of each of the Six Areas
- Usually advisable to look across multiple measures within each Area
- Example: Portfolio Quality
 - Restructured Loan Rate
 - Loan Loss Rate
 - Portfolio at Risk

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Each of the six areas in MicroTest utilizes multiple measures. It is often important to consider those areas together in any evaluation.

For instance, when looking at portfolio quality, MicroTest utilizes three measures: Portfolio at Risk (delinquencies), Loan Loss Rate (write-offs), and Restructured Loan Rates. Each represents a different aspect of risk and performance, and each is related to the other. For instance, a low Loan Loss Rate could be a sign of superior performance. However, a low loan loss rate coupled with a high Portfolio at Risk could signal an irregular write-off policy.

Summary Statistics

- Usually drawn from entire database, or clearly labeled subset.
- Mathematical calculations that have clear definitions and limitations
- A good starting point for analysis

The summary statistics are usually a good starting point for analysis. The statistics usually give a good idea of average performance, and the range of values within the industry.

Summary Statistics

- Mean (arithmetic average) : Sum of all values / number of cases; can be skewed by outliers
 - $2 + 2 + 3 + 6 + 12 = 25 / 5 = 5$
- Median – value in the middle; an equal number of cases above and below
 - $2, 2, 3, 6, 12 = 3$
- Low and high values
- Top Performance – minimum numeric value to reach top 20% of database

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The summary statistics are mathematical representations of the data. Throughout the report, we use two values for the notion of “average”, one the arithmetic average or mean, and the other the median or value in the middle. Note that neither of the mathematic terms necessarily describes what is “common”. We’ll explore this concept more fully in later presentations.

Top Performance is defined as the numeric value needed to reach to the top 20% of the database. It is a statistic, not a practice nor a behavior.

Distribution of Values

- Another way to understand normal and top performance.
- Median and mean values may not represent normal performance.
- Different distribution patterns may represent programs in very different conditions, or reacting to conditions in very different ways.

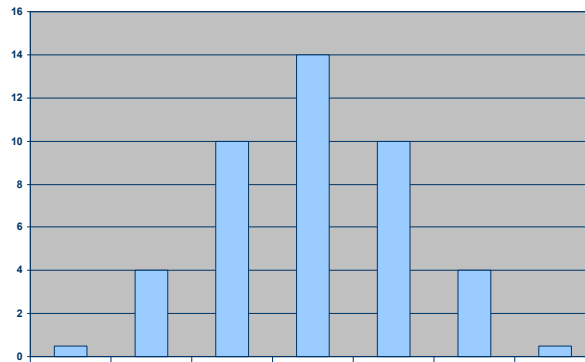
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The summary statistics should be used in conjunction with the distributions. The mean and median are not sufficient to really understand either normal performance or to identify breakout strategies.

Normal Distribution



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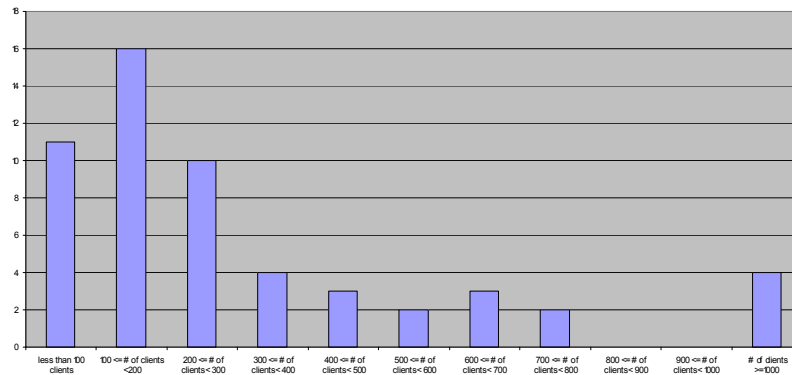
Performance Goals
MicroTest

Most, when thinking about the notions of “averages” assume that the distribution of potential values is normal, meaning that most values tend toward the average and that outliers are relatively rare.

The shape of the formal normal distribution is shown above.

One of the assumptions in the normal distribution is that everyone in the population is experiencing a similar set of variables, and that on average most react to the variables in a fairly similar manner. For example, when looking at human height we know that genetics is the main determinate of height, with other factors like nutrition playing key roles. Looking across the population you see that most are fairly close to the average of around 5 feet 9 inches, and that the tallest person, at 8 feet 11 inches, is very rare.

Long-Tailed Distributions



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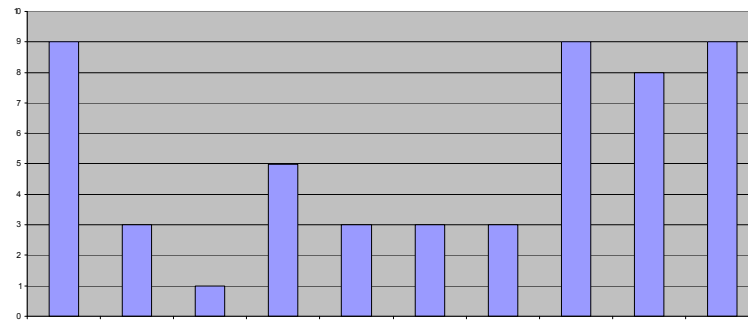
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Here is a distribution that looks somewhat different. While we see some clustering of values on the left, we also see some significant outliers trailing out to the right. These outliers could represent very poor or very strong performance. They could represent a very different set of conditions, or importantly, an innovative reaction to conditions that could signal breakout strategies.

This is what is known as a long-tailed distribution. If we think of this in terms of our human height example, the outliers could represent humans 25, 100, or 200 feet tall – something surely we would consider a different breed!

Multiple Peak Distributions



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In this case we can identify multiple instances of clustering. There isn't one "normal", but multiple ones. In this case if we calculated the mean and median values, they would be outside of either of these clusters.

Some examples of where we might experience distributions that look like this:

- In Outreach to Target Groups, programs may be working in communities with both high and low percentages of particular populations (varying local conditions)
- In Training Program Effectiveness, we may see differences in programs requiring, or not, business plans as part of loan applications (different program emphasis)

Distributions with Little or No Clustering

- Difficult to interpret
- Could mean that there isn't a lot of similar tendencies or defining pressures across those in the sample

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In other instances we will find few, if any, instances of clustering. This may mean that there are insufficient cases to show clustering. Or it could mean that there aren't similar tendencies or defining pressures across programs.

For More Information

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<http://fieldus.org/li/microtest.html>

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Please review each of the specific topics in the PowerPoint presentations. If you have questions, please contact MicroTest using the information listed in this slide.