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Finding Balance

In this edition of the *ESR Review* our authors address the concern of balance—specifically, how microfinance institutions and NGOs can strike an appropriate balance between their stated social mission and the realities of positive cash flow that keep the doors open.

Even though all the articles take up the question of balance within the context of microfinance, those who run other types of organizations will profit. We have selected issues and articles that transcend microfinance; while other groups may not have the same profitability drivers as MFIs, every social entrepreneur and organization faces the task of blending activities to meet the needs of all stakeholder groups.

Our research section begins with Dwight Haase's consideration of how MFIs can equalize their clientele of men and women in Nicaragua. Based on extensive interviews and analysis, Haase's contribution blends organizational and structural practices of MFIs with the constraints and norms of the country's culture to explain differential

benefits between men and women. Jasmine Mohanty and Debadutta Panda write about how innovation has been an important factor in helping MFIs in India meet growing demand. One of the key innovations they note is leveraging relationships between MFIs and commercial banks in India—drawing on the unique strengths of each business model to broaden penetration.

Gary Woller opens our perspective section with an important reminder: One key issue to balance is the difference between reality and hype. Part of balancing social and economic missions lies in some form with stakeholder management—helping stakeholders create reasonable expectations about what they should expect from the organization. Problems with mission drift most often occur when expectations become so high that false trade-offs between the economic and social missions are deemed necessary.

James Copestake, of the University of Bath, takes up the issue of mission drift. Again, while his context is the MFI, his message should resonate with every practitioner who is forced to make trade-offs between two competing resources or objectives. He begins by helping us all understand what drives mission drift and how it differs from simply missed performance targets. Using this model as a framework and building on his research in Imp-Act, Copestake provides all practitioners with four recommendations to help their organizations simultaneously improve financial and social performance.

Our best practices contribution is unique. About a year ago, Brigham Young University professors tasked a group of MBA students to think about the burgeoning movement among MFIs and the capital market. Their goal was to discover ways to expand the pool of capital available for investment by MFIs. The students focused on the “how” ques-

tions: How do they make themselves attractive to capital market players? How do they learn to walk and talk in ways that investment bankers can understand?

Similarly, how do investors learn about MFIs? How do investors learn to screen out the hype from the reality in a segment that most view as charitable giving? The lessons of this exercise should be learned by any development practitioner seeking to access financial resources from those traditionally viewed as hostile.

Geetha Rao Ramani finishes our issue with an excellent review of Joanna Ledgerwood and Victoria White’s *Transforming Microfinance Institutions: Providing Full Financial Services to the Poor*, a book right on target for MFIs seeking to expand beyond a purely social mission and toward a balanced mission where financial performance becomes critical for success.

I thank a wonderful staff that helps me coordinate the work of

good authors and brings together a wonderful publication. Our production editor, Joy Wouden, moves into a different role after this issue. Our relationship will move from face to face to cyberspace as she moves away from Provo. Rachael Haney, our designer, deserves a public thank you for her work in creating and directing engaging artwork. Finally, thanks to Todd Manwaring and his staff for fulfilling a publisher’s role among so many others. Without his work and support, this magazine would not come to fruition.

I hope you find this issue intriguing, engaging, and enlarging. The issue of learning how to find the right balance and avoid mission drift is one we all face—in business and life. The articles in this issue provide some insight as we go about our important tasks.



Paul C. Godfrey