

Accion's Frontier Investments Group: DRIVE EFFICIENCY THROUGH CENTRALIZATION

IRIS USE CASE



Accion's Frontier Investments Group (Frontier Investments) is an early and growth stage impact investing fund focused on catalyzing a new approach to financial inclusion. It invests in innovative technologies and disruptive business models that enhance the efficiency, reach, and scope of products and services for the unbanked. Accion is a global nonprofit organization with a mission to build a financially inclusive world by giving people the financial tools they need to improve their lives.

To streamline their impact measurement processes, the Frontier Investments team adopted IRIS to standardize their financial and social performance metrics, PULSE to centralize and track performance data, and Alternative Investment Management (AIM) to facilitate more thorough analysis and overall portfolio management. With its new impact measurement program, the team has increased transparency and can analyze trends across its portfolio, make better informed investment decisions, and guide investees toward scale, efficiency, and positive social impact. With IRIS as the foundation of its centralized impact measurement program, Frontier Investments' small team can work together more effectively and take a data-driven approach to portfolio management.

ACCION

IRIS USER AT A GLANCE: ACCION'S FRONTIER INVESTMENTS GROUP

USER TYPE	Direct investor–fund manager
TARGET GEOGRAPHY	East Asia and Pacific, Latin America and the Caribbean, North America, South Asia, sub-Saharan Africa
TARGET STAGE OF PORTFOLIO COMPANIES	<ul style="list-style-type: none">• Early stage• Growth stage
SECTOR ACTIVITIES	<ul style="list-style-type: none">• Financial Services• Information Technology and Communications
IMPACT OBJECTIVES	Access to Financial Services

What Works

► Use IRIS as a pillar of the impact measurement program

The social objective of Frontier Investments is to expand financial inclusion. To measure performance toward this objective, it uses operational and social metrics that assess scale, clients served, and quality of services provided. Frontier Investments uses IRIS in its metrics framework to manage its overall portfolio, communicate impact over time, and assess potential investment opportunities.

Given the diversity of their portfolio companies and the various metrics they reported, investment officers had found it time-consuming and difficult to analyze and compare the companies’ results. As a first step in designing their new impact measurement program, the Frontier Investments team reconciled existing metrics with IRIS metrics. With external support from industry associations and measurement experts, they identified a set of core IRIS metrics to apply to their portfolio. Harmonizing the various metrics with pre-defined IRIS metrics has reduced staff time spent creating and reconciling metrics and provided the added benefit of ensuring their metrics were consistent with industry-accepted best practices used by peers.

IRIS became a pillar of Frontier Investments’ impact measurement program because it could be applied across the diverse portfolio. However, given the nascent stage of some industries it invests in, such as branchless banking or alternative credit scoring, the team appreciates that they can add their own metrics to track alongside IRIS metrics if needed. Its metrics framework includes metrics specific to individual investments as well as those that can be applied across the portfolio. This approach provides insight into its overall portfolio performance while ensuring investees manage toward their individual business objectives.

Frontier Investments understands the burden that metrics reporting can have on portfolio companies, especially during early stages of operations. It thus typically works with its portfolio company management teams to learn about what they track to understand the company’s health. It believes that it is important to focus on operational metrics to gain visibility into a company’s future performance, and that ‘less is more’ when it comes to the amount of metrics used to measure performance. These operational metrics help Frontier Investments gain insight into their portfolio companies’ social

IRIS Use Cases highlight key features of effective impact measurement programs and metrics frameworks implemented by IRIS users. Impact measurement programs are the processes and activities that an organization adopts in order to manage progress toward desired social and environmental objectives. These activities include determining what to measure, collecting and analyzing the related information, and using the results in decision-making and reporting. Metrics frameworks classify how performance metrics are used within an organization’s impact measurement program.



FRONTIER INVESTMENTS’ IMPACT MEASUREMENT PROGRAM	
NUMBER OF METRICS TRACKED	73 total metrics <ul style="list-style-type: none">• 38 IRIS metrics• 35 user-defined metrics
COST OF IMPACT MEASUREMENT PROGRAM	Impact measurement is a basic operating expense within the portfolio management budget. Related expenses are staff time in terms of the metrics analyst’s and investment officers’ salaries. PULSE is free to nonprofit organizations and IRIS is available as a free public good. AIM requires an upfront implementation cost that varies by the scope of work and incurs an annual license fee.
DATA MANAGEMENT SYSTEM FOR PORTFOLIO COMPANIES	Frontier Investments chose PULSE because it is programmed with IRIS metrics, centralizes metrics tracking, automates monitoring, and streamlines internal and external reporting through dashboard reporting.
IMPACT MEASUREMENT PRACTICE STAFFING	Three investment officers spend 8-10 hours on performance data management per quarter. They are supported by two analysts that spend 15-20 hours per quarter on the program.

performance because operational efficiency and scale are critical components of expanded financial inclusion.

Like its portfolio companies, Frontier Investments' impact measurement program is at an early stage, and the team designed it to be flexible and accommodating to investees' available resources, portfolio-level structural changes, and impact investing industry advancements. However, while Frontier Investments expects that related practices such as analyses, data collection techniques, staff responsibilities, and reporting practices may change over time, it will maintain its use of IRIS. The breadth of the IRIS metrics library means that Frontier Investments can continue to rely on a single metrics resource as the pillar for portfolio assessment, complemented by financial inclusion metrics specific to its investees' operations. For details on Frontier Investments' metrics framework, see the end of this use case.

► Build the business case for an impact measurement program

In 2010, an analyst on the Frontier Investments' team began building the business case for implementing a centralized approach to portfolio and pipeline management and for adopting a set of common metrics to improve impact measurement. She recognized that a single data management system to track and report all aspects of the portfolio's performance would address the existing data duplicated in multiple spreadsheets and siloed organizational knowledge. These changes would require a slightly increased operating budget to implement the new technology system and staff reorganization so an analyst could devote time to implementing the new program, training the team, and establishing a maintenance plan. The case therefore had to be made internally that centralizing the team's data and portfolio management made strategic sense for the organization.

The analyst, acting as an internal champion for the impact measurement program, and her Frontier Investments' colleagues, gained support to implement the new program from Accion's leadership. They showed that the long-term benefits of centralizing their data and portfolio management systems outweighed the upfront costs. For example, they explained that a long-term benefit of using IRIS includes Frontier Investments' ability to leverage future impact investing industry benchmarks that will result from the IRIS initiative's data aggregation work. Furthermore, they showed that adopting technology platforms that helped Frontier Investments work more efficiently aligned with organizational goals to provide capital to companies that increase the scale, scope, and efficiency of financial services delivery. Once they got internal buy-in across the organization, the team was able to begin the implementation process.

Getting organizational buy-in, from team members to executive management, was especially important because implementing the program took longer than expected. Adopting new processes required behavior change. The team did not fully anticipate how the technology, metrics, and staff would interact in practice and had to revisit several originally-proposed processes to ensure that the system was aligned with the investment process and team preferences. Having both the support to see the implementation through and the flexibility to address concerns along the way were essential to ensuring a successful program roll-out.

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► Centralize the team's knowledge management

Frontier Investments historically captured and stored performance information using various systems and formats. When establishing the new impact measurement program, the team chose PULSE and AIM as complementary tools to synchronize and streamline social performance tracking and pipeline/portfolio management. These systems enabled everyone to access the same information, remain accountable for performance reporting, and better utilize the resulting data. AIM tracks the status of different pipeline opportunities and information on investments made, while PULSE captures metrics data and tracks the performance of its portfolio companies over time. Frontier Investments has developed performance dashboards in Salesforce using data generated from PULSE. These dashboards illustrate the financial and operational performance of portfolio companies and its overall portfolio over time.

Beyond using complementary technologies, Frontier Investments also centralized relationship and knowledge management for all metrics-related activities into one analyst position. Focusing responsibilities ensured accountability for implementing the new program and managing its ongoing success. However, everyone, including the Frontier Investments Program Director, dedicates time to using IRIS, AIM, and PULSE, leading to team-wide commitment to data-driven portfolio management.

Investment officers spend an average of 8-10 hours per quarter on performance data management across their managed portfolio companies. Their responsibilities include inputting and analyzing financial and social data for monthly governance and portfolio management meetings. They receive additional support from two analysts, who each devote 15-20 hours per quarter to the program. For each new company added to the portfolio, the analysts spend 4-5 additional hours to make customized IRIS metrics sets and add them into PULSE.

AIM (Alternative Information Management) is an information management system that centralizes institutional knowledge related to fundraising, investment due diligence, and portfolio management for alternative asset fund managers and institutional investors. PULSE is a cloud-based metrics tracking and reporting tool that helps organizations track and benchmark financial, operational, environmental, and social data to better demonstrate impact. Both products are by App-X and are Salesforce.com applications.

► Integrate social and financial performance reporting into investment terms

Prior to implementing its new program, most of Frontier Investments' portfolio companies tracked various metrics. As a result, Frontier Investments had difficulty comparing its investees' performance and communicating its portfolio's overall impact to stakeholders.

Frontier Investments believes that non-financial data is as important as financial data in providing insight into companies' long-term performance. Thus, it now requires in its investment terms that investees report social and operational performance data on a regular basis. For investees that do not have a metrics-based performance system, Frontier Investments has offered hands-on assistance for metrics selection and data tracking. This process also helps ensure that the metrics that portfolio companies report are aligned with IRIS.

Frontier Investments generally takes a seat on every investee company board. In addition to the annual audit of company financial accounts, this position helps ensure the companies have some accountability for accurately reported data, as they discuss performance data in regular board meetings. Over time, Frontier Investments expects that the data will help it better manage its portfolio by providing insight into its portfolio companies' long-term progress toward financial and social objectives.

FRONTIER INVESTMENTS' IMPACT MEASUREMENT PROGRAM IMPLEMENTATION TIMELINE

GOT SYSTEMS RUNNING

9 MONTHS

- Implemented AIM and PULSE
- Selected metrics and developed framework
- Provided trainings and education for the team on system changes
- Updated data collection guidelines for staff and investees

EVALUATED AND IMPROVED METRICS TRACKING AND ANALYSIS

5 MONTHS

- Refined metrics framework
- Developed performance dashboards for investee companies

Benefits

Prior to its new impact measurement program, Frontier Investments was collecting non-financial data from its investees using a fragmented approach that resulted in inefficient data management practices. Now, the team saves time and aligns with industry best practices by using IRIS as a common metrics source. Frontier Investments' staff has access to information by using PULSE and AIM as a centralized technology system. The changes also bring increased accountability to data collection and reporting via streamlined internal processes that monitor its pipeline and existing investments' performance. Frontier Investments expects to continue using IRIS as the pillar of its impact measurement work and intends to use future IRIS benchmarks aggregated across the industry as part of a data-driven approach to managing its portfolio.

Frontier Investments' Metrics Framework

Frontier Investments actively monitors the performance of its portfolio companies through attendance at company board meetings, monthly Frontier Investments' governance meetings, and PULSE. The types of metrics Frontier Investments tracks can be summarized in three core categories:

Organizational: organization and product descriptions, impact objectives, governance policies, and social policies

Financial: revenue, profitability (including gross margin, salary and operating expense, and EBITDA), and cash flow

Social/Operational: scale, quality (measured in terms of price, efficiency, and reach), and customers

For social/operational "quality" metrics, Frontier Investments uses the definition of quality developed by Accion's Center for Financial Inclusion: expanded access (by geography, price, and underserved population segment reached) and increased product diversity.

The following three pages detail the metrics framework used by Frontier Investments.

RELATED LINKS

[View Frontier Investments' IRIS Registry page >](#)

[Browse the IRIS metrics library online >](#)

Portfolio Performance Metric Framework: Organizational Information

				METRICS TRACKED BY PORTFOLIO COMPANY					
		IRIS ID	METRIC	TIAXA	SHUBHAM	MOBILE TRANSACTIONS INTERNATIONAL	GLOBOKASNET	VINDHYA	PARALIFE
ORGANIZATION AND PRODUCT DESCRIPTION	OD5828	Name of Organization		✓	✓	✓	✓	✓	✓
	OD5990	Reporting Currency		✓	✓	✓	✓	✓	✓
	OD7796	Organization Web Address		✓	✓	✓	✓	✓	✓
	OD2999	Legal Structure		✓	✓	✓	✓	✓	✓
	OD3520	Year Founded		✓	✓	✓	✓	✓	✓
	OD6855	Location of Organization's Headquarters		✓	✓	✓	✓	✓	✓
	OD1777	Location of Organization's Operating Facilities		✓	✓	✓	✓	✓	✓
	OD6306	Operational Model	Financial Services	✓	✓	✓	✓	✓	✓
			Services					✓	
	OD7481	Sector Activities	Financial Services	✓	✓	✓	✓		✓
			ITC	✓		✓	✓	✓	
	OD8350	Customer Model	B2B	✓		✓	✓	✓	✓
			B2C		✓	✓			
IMPACT OBJECTIVES	OD2735	Mission Statement		✓	✓	✓	✓	✓	✓
	OD6247	Social Impact Objectives	Access to Financial Services	✓	✓	✓	✓	✓	✓
			Equality and Empowerment					✓	
			Affordable Housing		✓				
GOVERNANCE & OWNERSHIP	OI2330	Governance Policies		✓	✓	✓	✓	✓	✓
	OI3630	Board of Directors: Meeting Frequency		✓	✓	✓	✓	✓	✓
	OI1075	Board of Directors		✓	✓	✓	✓	✓	✓
	OI4070	Board of Directors: Independence		✓	✓	✓	✓	✓	✓
SOCIAL POLICIES	OI9379	Local Compliance		✓	✓	✓	✓	✓	✓
	OI5164	Financial Statement Review		✓	✓	✓	✓	✓	✓
	OI8113	Market Research on Clients		✓	✓	✓	✓	✓	✓

✓ = Currently being tracked

✓ = Frontier Investments actively working with company to begin tracking this metric

Portfolio Performance Metric Framework: Financial Information

			METRICS TRACKED BY PORTFOLIO COMPANY					
	IRIS ID	METRIC	TIAXA	SHUBHAM	MOBILE TRANSACTIONS INTERNATIONAL	GLOBOKASNET	VINDHYA	PARALIFE
REVENUE	FP5958	Earned Revenue	✓	✓	✓	✓	✓	✓
	N/A	Transaction Revenue			✓			
	PI2025	Earned Premium						✓
	N/A	Interest Revenue		✓				
	N/A	Fees		✓				
	N/A	Annualized Gross Portfolio Yield		✓				
PROFITABILITY	FP9049	Cost of Goods Sold	✓	✓	✓	✓	✓	✓
	FP7629	Gross Profit	✓	✓	✓	✓	✓	✓
	FP4373	Gross Margin	✓	✓	✓	✓	✓	✓
	FP4831	Personnel Expense		✓		✓	✓	✓
	FP1001	Operating Expense	✓	✓	✓	✓	✓	✓
	FP1657	EBITDA ¹	✓	✓	✓	✓	✓	✓
	FP1717	Impairment Loss [Provisioning Expense]	✓	✓				
	FP1012	Interest Expense		✓				
	FP8569	Operating Efficiency		✓				
	FP1301	Net Income	✓	✓	✓	✓	✓	✓
	FP2635, FP6373	Non Performing Loans (Portfolio at Risk) - 30 days & 90 days		✓				
	N/A	Return (Margin) on Balance Advances	✓					
	N/A	Value per Share						✓
CASH FLOW/ LIQUIDITY	FP6462	Cash and Cash Equivalents - Period End		✓	✓	✓	✓	
	FP4812	Cash Flow from Operating Activities		✓	✓	✓	✓	
	FP9703	Cash Flow from Investing Activities		✓	✓	✓	✓	
	N/A	Debt Ratio		✓				
	N/A	Capital Adequacy		✓				

✓ = Currently being tracked

✓ = Frontier Investments actively working with company to begin tracking this metric

N/A = Custom metrics defined by Frontier Investments and not included in IRIS

¹ EBTDA for Shubham due to interest expense being part of Cost of Goods Sold

Portfolio Performance Metric Framework: Social/Operational Information

			METRICS TRACKED BY PORTFOLIO COMPANY					
	IRIS ID	METRIC	TIAXA	SHUBHAM	MOBILE TRANSACTIONS INTERNATIONAL	GLOBOKASNET	VINDHYA	PARALIFE
SCALE	PI1263	Units/Volume Sold [Transactions / Loans] ²	✓		✓	✓	✓	✓
	N/A	Transaction Value ³	✓		✓	✓	✓	
	PI5965	Number of Housing Units Financed		✓				
	PI7569	Loan Portfolio Outstanding Value- Investments	✓	✓				
	PI2758	Micro entrepreneur Distributors [Active Agents]			✓	✓		
	OI3160	Full Time Employees ["FTEs"]					✓	
	PI4060	Client Individual [Users]	✓	✓				
QUALITY	N/A	Revenue per FTE / Agent			✓	✓	✓	
	N/A	Cost per FTE / Agent			✓	✓	✓	
	N/A	Cost of services rendered per FTE					✓	
	N/A	Billable FTE Expense					✓	
	N/A	Employee Attrition Rate					✓	
	N/A	Agent Churn Rate			✓	✓		
	N/A	Revenue per Transaction			✓	✓		
	N/A	Commissions per Agent			✓	✓		
	PI9250	Seasoned Loan Officer Productivity / Transactions per Agent		✓	✓	✓		
	N/A	Leads to loans		✓				
	N/A	Processing time		✓			✓	
	N/A	Average Transaction	✓		✓	✓	✓	
CLIENT	N/A	Average Loan Size Disbursement		✓				
	N/A	Customer by channel	✓	✓	✓	✓		
	N/A	Differently-abled Employees					✓	
	N/A	Transactions per User / Client	✓					
	N/A	Percentage of Voluntary Policies						✓

✓ = Currently being tracked

✓ = Frontier Investments actively working with company to begin tracking this metric

N/A = Custom metrics defined by Frontier Investments and not included in IRIS

² In the case of Vindhya, units refer to number of MFI loans processed³ In the case of Vindhya, value refers to value of MFI loans processed

This IRIS use case is a publication of the Global Impact Investing Network (GIIN®). Members of the GIIN team who contributed to its writing are Sarah Gelfand, Kelly McCarthy, Melody Meyer, and Min Pease. They thank Monica Brand and Sara Taylor of Accion and Charlene Bachman for their perspectives.

IRIS is an initiative of the Global Impact Investing Network (GIIN®), a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

For more information, please visit www.thegiin.org.

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