

## **Case study**

# A Government data-driven approach to foster social impact measurement practice: Providing a public database of 'Baseline' and 'Threshold' data by impact themes

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### **Context and Description (incl. geographical scope and timeframe)**

Since the early 2010s, both the public and private sectors in Korea have looked at the social and solidarity ecosystem (SSE) with great interest.

Many policies have been implemented at a large scale on a broad range to promote SSE Ecosystems, including the act of social enterprise certification. Though the early policies were mainly led by the Ministry of Employment and Labor, the players from the public side were diversified in the mid- and late 2010s as SSE got more recognition with its potential to contribute to solving social problems at a broader level over time. The Ministry of SMEs and Startups (MSS) is the representative public player actively engaging in the ecosystem since late 2010s, fueled by growing interests on social venture as a new form of business in existing start-up ecosystem.

Backed by the supportive policies, the private sector has rapidly grown at scale extending the boundary of the ecosystem. 'Seoul Forest Social Venture Cluster' is a prominent case, where more than 300 social ventures with 3,500 people gathered in the district near Seoul Forest, created a collaborative effect, and even evolved to form a Social Venture Consultative group. Impact investing has expanded hugely up to about 500 million USD within the last 3 years, diversification has been observed across various aspect of the market, in terms of the player, type of capital and financing instruments, etc. Impact funds have also grown noticeably during the mid- and late 2010s, putting the social and solidarity economy in the spotlight so that the mainstream market has started to recognize it as a blue ocean.

As the ecosystem matured over time, social impact measurement emerged as a core agenda throughout the sector. Growing needs to assess the performance of policies and investments on social ventures required clearer social impact measurement. The rapid expansion of the ecosystem also alerted stakeholders to impact washing. Many methodologies on social impact measurement were developed by various organizations, and in 2020 stakeholders recognized the need for a consensus on measuring and reporting social impact with relevance, aligned with global standards.

### **Main objectives**

Korean Technology Finance Corporation (KOTEC), a government-affiliated institution under MSS, was one of the main governmental agencies enthusiastic about facilitating financing to innovative social ventures and contributing to the growth of the sector. This interest led to the development of various programs fostering social ventures and the establishment of an evaluation center for social venture. While KOTEC had developed its own evaluation model for social ventures, KOTEC faced a need for a more comprehensive and reliable framework for measuring social venture's performance objectively, especially aligned with global standards, to apply broadly across its existing programs and even to a new impact financing instruments for exclusive use of social venture.

Hence, it is no surprise that KOTEC and MSS came to a conclusion that an Impact Management Project (IMP), a forum building global consensus on measuring, managing and reporting impacts on sustainability, should be examined in terms of suitability and feasibility to applying in a local context. KOTEC specified its purpose to examine the priority tasks to ensure suitability of IMP applying it to a domestic ecosystem, and to conducting a sort of pilot test for figuring out a practical long-term roadmap.

### **Activities**

KOTEC commissioned a research project from Impact Square (ISQ), a social venture accelerator founded in 2010, to conduct a range of consulting research projects regarding impact business. ISQ also has its own research lab especially focusing on social impact measurement.

During 6 months of the project, ISQ examined the necessity and feasibility of applying the IMP framework to the Korean SSE ecosystem. In the initial stage of the project, ISQ mainly focused on figuring out the priority tasks, with a focus on the role of public or governmental players in fostering and spreading the impact measurement culture based on IMP introduction.

The project brought several encouraging results: ten priority social impact themes were drawn based on a formal survey on social ventures. Among them, two themes were selected as a pilot test-bed, in which ISQ gathered existing statistics and public data to create a public data library for social impact measurement. Authorized governmental agencies drew a dozen detailed data categories under each theme respectively so that 'baseline' and 'threshold' data could be suggested for each social impact theme and for each sub-data category. Lastly, the research team developed a few cases measuring the social impact of social ventures, based on the data set established by the research, to check out the applicability of the data to real social venture cases.

### **Challenges**

The inspiring outcomes of the project were possible since the interest of the Korean SSE ecosystem was ripe for such impact measurement practice and policies. Government arbitrarily regulated the social impact measurement scheme, and academic research was disconnected from practical site observations. Also the practitioners and social ventures on site, of course, showed a greatly growing interest in finding better ways to measure social impact correctly and properly.

But the great attention given to social impact measurement has resulted in a chaotic and fragmented situation in which every player has their own measurement practice with no alignment between methods. Given that the ecosystem was not lacking methodology, but rather flooded with too many frames and methodologies, it has been a bit challenging to establish a common ground and spread the understanding that IMP-led global consensus can provide a consistent and clear framework for Korean SSE ecosystem's uptake of impact measurement practice. This might not be a unique challenge for Korea, since global ecosystems have also witnessed different methodologies crowded across the world. But as global ecosystems have come to a consensus on IMP, the Korean SSE ecosystem is going through the journey of overcoming the challenges.

### **Key Success Factors**

Working on the lessons learnt from the 2020 phase of the project, the second phase explores the answer of solving remaining challenges. The success of the initial project was mainly due to two factors.

Firstly, the government planned this project in the perspective of long-term and continuous work, spanning over three years in its initial phase. This kind of project, which aims to establish a public database, is inevitably dependent on the role of governmental agencies. KOTEC and MSS agreed with the ISQ's suggestion that a basic database should be provided in priority for IMP introduction on domestic ecosystems, and they took a proactive and passionate position. Since the project was designed as a three-year project from the beginning, KOTEC accepted that the first year should take the form of pilot project. It also held a conference to share and expand the results of the project, conducted a short-term interval project right after the first year's project, and now KOTEC has commissioned an ISQ second-year project as a follow up.

Secondly, the project has been carried out with stakeholder engagement and collaboration, including with government, intermediary organizations, academia and practitioners in social ventures. Each player had its own role and strength in this collaborative project, and worked together to achieve common purpose. While many Korean governmental policies still use a top-down model, this project has shown that the public and private sector can collaborate together in a way that allows government to listen to practitioners about what they actually need on site,

and that the intermediary research team complemented the expertise from academia's contribution. Practitioners from social ventures, who especially participated in the case development, also proposed what would be helpful for social ventures to uptake impact measurement practice.

### **Impact and Unexpected Implications**

As a result of the project, the basic database for impact measurement for two impact themes (employment and resource recirculation) which covers over 50% of social ventures in Korea is now available to the public on the KOTEC website. The next project in 2021 is also on-going and will gather more data for five additional impact themes to cover at least more than 80% of existing social ventures in Korea, develop 10 more cases measuring impact of social ventures using the data, and prepare some plan to facilitate the adoption of data and IMP framework. That is to say, the initial project successfully built the foundation for fostering the uptake of social impact measurement in Korea SSE ecosystem.

Besides, there were two unexpected yet meaningful findings and implications. Gathering and providing the basic data for social impact was doubtlessly a good start, but there needs to be a lot more measures. As the team found that social ventures often lack resources to uptake impact measurement by themselves, find it difficult to understand the concepts and methodologies, or have no capacity to collect the essential data which should be collected directly by social venture, lectures and workshops should be provided on a large scale, accompanied by policies or programs to support the social venture's data collection.

It was also meaningful to find out that social ventures are not only 'users' of the database, but also can be 'contributors' or 'providers' of the data. Actually public and governmental statistics often have blind spots where the numbers are separated from reality. In the case of the development process, it is found that on some occasions the social ventures themselves apprehend the real situation better than the statistics and can possibly collect more realistic data on site. This kind of data should be reflected in the database more consistently to improve the quality of the database in long term.

### **Lessons Learnt for Other Places/Locations**

A variety of concepts and methodologies on social impact measurement emerge and are jumbled up in the ecosystem by nature when the SSE ecosystem becomes more interested in impact measurement over time. This raises a need for better establishing the fundamental foundations across the ecosystem, which is a common challenge that many other countries might face. As in the Korean case, it is obvious that neither the public nor the private sector can solve this issue alone. It needs to be addressed through close collaboration.

In addition, there is a common data category that is applied identically over different countries while some data categories should be adjusted and applied within the local context. These kinds of data might be better collected through collaboration among multiple countries. For instance, environmental outcomes related to carbon emissions, e-waste and renewable energy often include subdata categories commonly applied among countries, but many national governments differ in the capacity to gather data, the quality and quantity of data, and underlying institutions and policies that support data collection. The Korean project also referred to statistics from other countries since some datapoints were not even set in domestic statistics. This kind of domain can be a land of opportunities for collaboration across nations on advancing social impact measurement practices.

## References

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## Authors' full information

**Timothy Hyunmyung Dho, Namhee Yun, and Hyerim Baek** work at Impact Square, a social venture accelerator based in Seoul, founded in 2010. Impact Square started with a range of consulting and research projects regarding CSR, ESG and other various themes under impact business, contributing to the growth of Korean SSE ecosystem from the start. Now the company focuses on accelerating and investing in social ventures to maximize their impact, along with its strong focus and accumulated expertise on impact measurement with its own research lab called 'Impactology'. The authors were in main in charge of the KOTEC project mentioned in the article above.

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    - He has been member of the Korea Social Enterprise Promotion Agency committee for innovation for 2018-2021 June.
    - He has advised many governmental agencies on impact finance, SOC (social overhead capitals), urban renewal, social impact bond, social innovation R&D, Impact measurement & evaluation, innovation of public institutions, balanced regional development, ESG, etc
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