
Measuring Social Performance for Social Progress Credit

How to Quantify the Social Outcome of Social Enterprises in Monetary Terms



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Center for Social value Enhancement Studies

Measurement Manual for Social Progress Credit, Revised Edition

Efforts by the Center for Social value Enhancement Studies to reflect the changing social economy ecosystem and provide the measurement standard and system are included. We hope that this revised edition is widely used in the measurement and expansion of social achievements, and that it contributes to solving social problems.

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Revised Edition, May 2024

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Foreword

Would you like to measure social value?

The Center for Social Value Enhancement Studies has been developing methodologies to measure social value and convert it into monetary terms.

Why do we need to monetize measurements?

Social value measurement methodologies typically fall into two categories: qualitative and quantitative. Quantitative measurements can be further categorized based on whether they're monetized. Monetization involves converting social values into monetary units, either through monetary value conversion methods or indicators. On the other hand, qualitative measurements are often represented through Likert scales or non-scored charts. Among these, monetization is chosen for several reasons:

Monetization allows for the comparison of social values across diverse industries. By converting values from various sectors such as employment, environment, education, and social welfare into "monetary units," it becomes easier to compare and evaluate their relative significance.

Furthermore, its repetitive application yields reliable results. Measurement can be systematically repeated following the principles and standard formulas for converting into monetary values. Since this eliminates the subjectivity of the measurer, the results are reliable.

In addition, it enables the incorporation of social values into corporate valuation. As the outcomes are translated into monetary terms, it allows for the analysis of cost-effectiveness to be integrated into managerial enhancements.

However, measuring the value in monetary terms also poses several challenges. Expertise is required to measure various industries, which involves considerable time and cost.

Therefore, efforts have been directed towards developing the “Measurement Manual for Social Progress Credit” since 2014 to promote the benefits of monetization. Over the past decade, 368 social enterprises in Korea have been selected to participate in experiments to measure their social value.

This manual is designed to outline the social progress measurements conducted on social enterprises up to this point. We encourage all readers will take an interest in the benefits of monetizing value, explore this measurement method firsthand, and utilize social progress incentive indicators tailored to their own countries or organizations.

May, 2024

Suk-kwon Na
President of Center for Social value Enhancement Studies(CSES)

Social Progress Credit

Social Progress Credit(SPC)

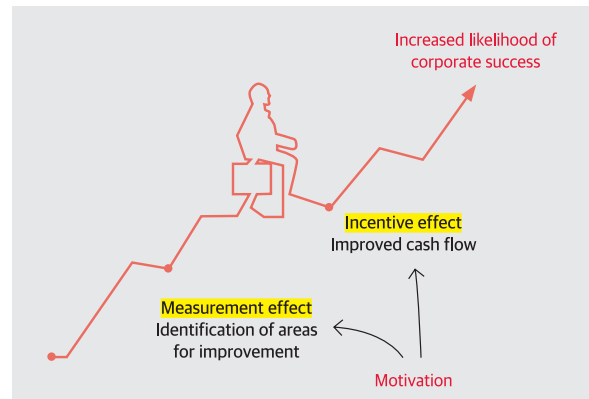
Social Progress Credit (SPC) is a project that measures the amount of social problems solved by companies (social progress) in monetary units and provides post-cash incentives accordingly. The social progress credit, which rewards companies that create social value, serves as a new starting point for forming our social (enterprise) ecosystem more sustainable. It is an innovative approach that can create much more social value than conventional social enterprise support systems, even with the same amount of resources invested. Through SPC's measurement and incentive effects, social enterprises can achieve their original goals, and struggling companies can find opportunities to turn their losses into profits.

Start of SPC

Not only social enterprises but all businesses should pursue social impact in the future. However, it is not easy to successfully run a business while pursuing social impact. There are limitations in attracting impact funds or more human resources to solve social problems. This is a major reason why young people hesitate to start a business that aims for social impact, such as social enterprises.

To solve this market failure, SK Group's Chairman, Chey proposed a policy experiment, Social Progress Credit (SPC) at the Davos Forum in 2013. "SPC provides outcome-based funding to companies that have created social value to improve social problems". In order to validate this policy experiment and to initiate policy diffusion, the Social Progress Credit Project was launched in 2015.

Mechanism of SPC



SPC can be divided into two main axes: “Measurement of Social Value (outcome/ performance)” and “Monetary Incentives (outcome-based funding)”

Through Social Progress Credit incentives, companies participating in solving social problems, can identify areas for business improvement and gain the power for growth and innovation.

Part 1

What is
Social Performance?

I. Social Performance

Under the Social Progress Credit (SPC) mechanism, we reward social value created by a social enterprise. However, the definition of social value is so diverse among stakeholders, and it is very difficult to agree on what constitutes a social value. Therefore, we suggested the concept of social performance that can be embraced by the social enterprises participating in this project. We define social performance as how well a social enterprise has translated its social missions into real business and then created and delivered socially desirable results. That refers to the social bottom line underlying a social enterprise business, and it is the corresponding term for financial performance in social accounting.

According to the logic model in <Table 1>, social performance can be divided into Process, Output, Outcome, and Impact. Since incentives are paid as rewards for social performance produced by social enterprises, the scheme measures the Outcome aspect of social performance. Impact is difficult to measure as it is mostly a mid-to long-term result; even if we manage to measure it, we cannot clearly identify the contribution of any social enterprise to its social impact. Considering this issue, at least for this SPC project, we have decided to exclude the Impact aspect to have a measuring scheme that all can agree to and accept.

<Table 1> What to measure: Types of social performance

Type	Description	Indicator
Process	Social Performance during the process of doing business	e.g., Respect for human rights during recruitment and employment of the disabled
Output	Social Performance directly related to production activities	e.g., Total number of disabled employees
Outcome	Change made to the quality of life (QoL) of all beneficiaries	e.g., Changes made to the personal lives of disabled employees
Impact	Changes made to overall society as a result of the business activities	e.g., Increase in the employment of the disabled

Fairness is a critical requirement in this program since its aim is to institutionalize a standardized, reliable incentive scheme in the social market and enable repeated measuring with credible results. Therefore, it focuses on the core indicators directly related to the mission of social enterprises, unlike their sustainability reports which address all issues related to their organizational performance.

It also, measures the social performance directly produced by a social enterprise, which, in very easy terms, means that simple donations or other charity activities unrelated to the mission or business of a social enterprise are excluded. However, in-kind contributions of products or services made in the process of doing business are included in social performance.

The SPC introduces a new price mechanism that integrates social value with economic value. To make this possible, it is essential to convert the measured social performance into a monetary value and tally that total value by year. It should not disrupt the current price mechanism that is partially functioning in the social market, and it should measure only the part of social performance that has not yet been incorporated into the market price as yet.

Part 2

How to measure

I . Methodology

II . Principles

1. Stakeholder accounting
2. Conservatism
3. Reference market-based

III . Measurement Scheme

I. Methodology

The SPC mechanism converts the social performance of social enterprises into monetary terms to incorporate social value into the price mechanism in the social market. When social performance is converted into monetary value, it becomes much easier to include it in any corporate valuation, compare different types of social performances based on the same standards, and ensure reliability by applying the same method repeatedly to social outcome measurement.

We have applied the Social Return on Investment (SROI) methodology to convert social performance into monetary value. SROI is most known among the conventional methodologies as a means of measuring social performance in terms of monetary value. Developed by the Roberts Enterprise Development Fund (REDF) in the US in 2000, it is increasingly chosen by many impact investors in Europe as well as the US. However, its theory needs to be developed and validated further since it was developed in the field for immediate implementation without spending enough time on it for full academic validation.

II. Principles

1. Stakeholder accounting: It measures benefit and cost in the stakeholders' accounts that are directly related to the business activities of a social enterprise.

For a social enterprise, society is the place where stakeholders related to business activities are convened together. Therefore, social performance should reflect the benefits and expenses of the stakeholders (referring not just to people, but also to the environment) generated by business activities. This principle is consistently applied to measure the social performance of businesses in the private sector by writing a sustainability report or doing social accounting. When this principle is applied, the social performance of a social enterprise reflects both the cost and benefit of each stakeholder. It is equivalent to social added value calculated by subcontracting social costs from social benefits.

1) Employment-type social enterprise: Employment of the vulnerable class

If we look at the account of workers, their total income was KRW 1 million in 2021, which includes KRW 500 thousand in earned income and KRW 500 thousand in government-subsidized living allowance. As they earn KRW 1.5 million in earned income through employment in a social enterprise in 2022, their disposable income increases by KRW 500 thousand. This implies that the livelihood and working conditions of workers improved to enhance their general quality of life. For the government, they were providing a worker KRW 500 thousand in living allowance in 2021, which means they saved KRW 500 thousand in budget as the worker got employed in 2022. Therefore, a total of KRW 1 million in social benefits occurs by combining the KRW 500 thousand increase in the worker's disposable income with the KRW 500 thousand savings in the government budget. In other

words, following the accounting principles of interest parties, the internal process performance of this social enterprise would be KRW 1 million. During actual measurement, we can simply calculate it as the difference in the workers' earned income.

2) Sales-type social enterprise: Discounted sales of prosthetic legs to charitable institutions

When selling prosthetic legs at a low price to charitable institutions using 3D technology, about KRW 1.5 million in market value is produced in the account of the person with disabilities. KRW 1 million, which combines the cost of KRW 500 thousand for purchasing the prosthetic leg, is produced as the final social performance by the account of the charitable institution.

<Exhibit 1> Stakeholder accounting



According to the stakeholder accounting principle, the grant paid by the government or for-profit companies to address a social issue is considered a social expense in the relevant stakeholder account. The employment promotion subsidy paid to provide jobs for the vulnerable, the outsourcing fee paid by the government to a social enterprise, or the CSR budget of businesses are all considered direct purchases of or expenditures for products/services provided by a social enterprise. Such purchases and grants are all considered social costs in the SPC mechanism, so the entire amount should be subtracted from the social performance.

Subtracting the purchases and grants from the benefit is in line with the principle of the SPC mechanism rewarding only unrecognized social performance. The revenue and subsidy from the government or big businesses obtained by providing products/services can be deemed monetary rewards for the provided products/services; therefore, they have already been recognized and cleared by a price system in the market.

Part of the social value created by a social enterprise can be rewarded in trading products and services. SPC intends to fix the price mechanism of the market by rewarding social performance that has not been incorporated into the market price of the products and services. In other words, the SPC mechanism has been designed to overcome any failure of the social market.

Therefore, what has already been monetized in the market and consequently rewarded through sales or subsidy is excluded from the incentive payment. Only the unrecognized part of the social performance that is not reflected to the price is calculated for those incentives.

One important criterion of this principle is whether there is a proper market for the created value. This means that the specific social problem is being tackled through a market where supply and demand interact with each other to determine the price. If such market exists, then the social performance of an enterprise is deemed included in the price mechanism, and is therefore not included in the incentive calculation. Note, however, that the business hardships of market participants due to recession, severe competition, or other issues are not related to whether or not there is a proper market.

On the other hand, there may be a market for the value, but it is not yet sufficiently developed. Examples include: the labor market for the disadvantaged, including those with severe disabilities; the underpaid voucher market for low-income people, such as meal delivery or care services; the market for small farms or small merchants in underprivileged areas, etc. Fledgling markets created by the innovation of a social enterprise and markets where fraudulent or illicit activities are prevalent also belong to this category.

The SPC mechanism has the following criteria for a properly developed market:

- It is a competitive market driven by supply and demand.
- It has big for-profit businesses.

2. Conservatism: Social performance that is included in the SPC mechanism should be measured at the minimum level that all stakeholders can agree on

Measuring social performance is considered social accounting, which has to avoid an overestimation of social value. Therefore, it recognizes only the extent to which every stakeholder can agree on social performance to prevent controversy. To achieve this goal, first and foremost, the general consumer surplus is excluded from social performance. Commercial companies offer surplus to consumers for making profits by enhancing quality and saving costs based on product and process innovation. For example, a commercial enterprise that produces home appliances operates to provide a new product of superior quality at a much lower price; thus boosting surpluses for consumers as well as their own disposable income. Such innovation is only natural and necessary in the commercial market, giving rise to controversy as to whether it should be included in social performance and incentivized. Therefore, only the surplus for the vulnerable group, not for general consumers, is recognized in the SPC mechanism.

Second, only the value created additionally by a social enterprise compared to the best alternative is included in social performance. Social enterprises are not the only actors that can tackle social issues. The government, NPOs, and even for-profit companies can offer solutions to social issues. Therefore, the value created only by social enterprises compared to the best alternatives including the government, NPOs, and commercial enterprises should be recognized as social performance under the principle of conservative estimation.

3. Reference market-based: The price of ordinary market should be benchmarked to turn the created social value into monetary value.

The SPC mechanism estimates the market prices of products and services in the real world and recognizes only those with a clear proxy as social performance so as to minimize the distortion of price mechanism and market disruption. There are two ways to estimate the prices of social benefits generated by products and services provided by a social enterprise. Each of these two estimation methods will be dealt with in more detail in the chapter on social service performance.

1) Price-based estimation

It is a method used to estimate the monetary value of social performance based on the market price or the price that can give rise to production and consumption. Therefore, the bases for estimation are categorized into ordinary market price, willingness to supply, and willingness to pay.

2) Cost-based estimation

If it is difficult to determine the price-based estimation since there is no market price to consider for products and services of comparable quality, then the social performance can be estimated based on the additional cost paid by a social enterprise to create social value or the cost of the next best alternative to reduce social and environmental hazards. The cost-based method sees these two types of cost as the “minimal price” for estimating social performance, so it can also be understood as another type of price-based estimation but in a broader way.

III. Measurement Scheme

<Exhibit 2> shows how social performance is divided into four categories-Product&Service, Internal Process, environmental, and External performance-based on the mission of a social enterprise and how it creates social performance.

Product&Service performance refers to improvement in the quality of life (QoL) of the target group as a result of the provided social services in welfare, health care, education, art, culture, and others. It is measured based on the difference between the normal price in the market and the price offered by a social enterprise.

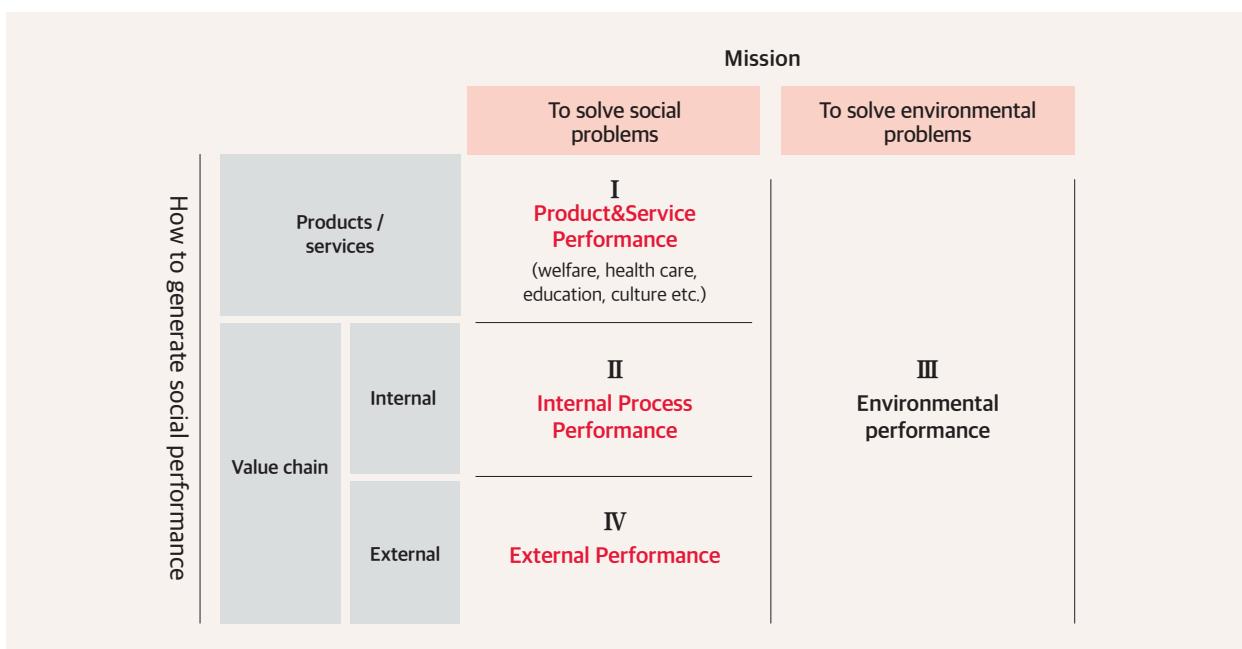
Internal Process performance indicates the increase in social benefit created by employing the underprivileged including those with challenges, low-income people, senior citizens, North Korean defectors, and marriage migrants, and it is usually measured by the increase in earned income.

Such increase in earned income includes the increase in disposable income that leads to better QoL for the employees and increase in the available government budget through budget savings and tax revenue increases.

Environmental performance indicates the alleviation of environmental pollution and savings in resources that can be calculated by measuring the monetary value of the saved resources and the cost of processing the pollutants.

External performance looks at the value added to the ecosystem by a social enterprise that is committed to supporting various social ecosystems and increasing the income of small-scale farmers, producers, and merchants in disadvantaged areas. Invigorating the ecosystem for philanthropy, NPOs, and social enterprises, building the socio-cultural asset, and raising citizen capacity for democracy are also included as values in External performance.

<Exhibit 2> Types of social performance



The types of social performance are not decided automatically based on the types of product/service, industry, or even organizational structure. For instance, even when there are two social enterprises offering the same care services to those in need, one may be committed to creating more jobs in the industry while the other focuses on delivering better care services to marginalized people.

In this case, when trying to measure their social performance, we need to apply different indicators: Internal Process performance for the former and Product&Service performance for the latter. Of course, if a company has the dual mission of achieving both, both Internal Process and Product&Service performances would be measured and combined.

We developed a standard formula for each social performance type based on the indicator scheme in <Exhibit 2>. The standard formula-which consists of indicators and proxies-is a principle as well as the basic method used to measure social performance using these types. Individual social performance indicators largely follow the standard formula for each social performance type, with slight modifications made whenever it is necessary to change the indicators and proxies to reflect the actual situation in the field.

Social performances produced by social enterprises participating in the SPC project for 2015 and 2016, all nicely fit into one of the four types based on the scheme in <Exhibit 2>. Therefore, it was possible to apply the standard formula to almost all of these participating enterprises. When applying the standard formula was not feasible, a slight modification was made while still maintaining the basic principles of the standard formula to achieve a more accurate result. Terms have been improved in the 2024 revised edition for clearer measurement.

Part 3

Social Performance Measurement

I . Product&Service Performance

1. Market price
2. Willingness to supply
3. Willingness to pay
4. Additional operating expense

II . Internal Process Performance

1. Direct employment performance
2. Transitional employment performance

III . Environmental Performance

1. Material recycling to reduce the consumption of new resources
2. Alleviating environmental pollution by adopting eco-friendly materials and cleaner processes

IV . External Performance

1. Paying more to the vulnerable
2. Providing more transaction opportunities
3. Contributing to creating and maintaining socio-cultural assets for communities or society
 - 3-1. Enhancing the efficiency of public spending
 - 3-2. Enhancing the added value of artistic and cultural assets

I . Product&Service Performance

Product&Service performance refers to the performance produced by leveraging the goods and services a social enterprise (SE). More specifically, it is the increase in social benefit made by offering the necessary goods and services to those marginalized in the conventional market to enhance their quality of life. It also includes the benefits coming from more effective solutions enabled by such new goods and services.

The core principle of converting Product&Service performance into monetary value is to recognize the additional value generated by the service of a social enterprise compared to the value of the service provided by other entities in the existing market.

In other words, it is an estimation of the additional social benefit gained beyond the paid price. Here this price can be paid either directly by recipients or indirectly by the government or donors.

Therefore, it is really important to determine a proxy for the reference market to measure Product&Service performance. How to set this proxy is closely related to how a social enterprise produces its Product&Service performance. The proxy for the reference market used to measure Product&Service performance can be divided into five elements, as described in <Table 2>.

<Table 2> The Product&Service proxy and how to generate social performance

How to estimate proxy		Cases
Price based	Market price	Lower price for the same quality
	Willingness to supply	Specialized service offered to groups marginalized in the market
	Willingness to pay	Better efficiency when addressing social problems by offering new goods/services
Cost based	Additional operating expenses	Better quality for the same price
	Alternative method cost	The cost to be paid by society for existing solutions if there were no solutions provided by the enterprise

Product&Service performance & target group

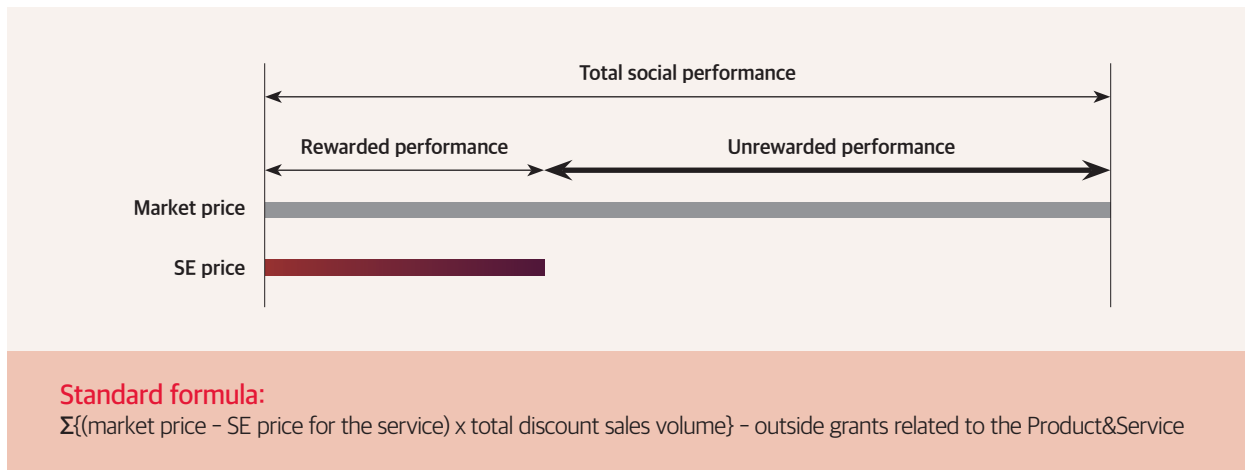
Having lower price or higher quality does not automatically translate into social performance. Increasing consumer surplus by offering lower prices or higher quality through innovation is only the natural result of usual market competition.

Therefore, we recognize only the surplus increase directed toward those marginalized in the market (the target group) as social performance. This definition means that the surplus for general consumers is excluded and that only the performance related to a target issue or a target group is included as social performance. Here, we use words like beneficiaries or target groups as opposed to terms like general consumers when measuring social performance.

1. Market price: Better service access by offering the same quality at a lower price

If there is a generally accepted price in the market for goods and services of the same quality, such a market price can be the benchmark used to estimate social performance. The contents and quality of Product&Service would be the same as those of the best alternative services, but additional benefits can be created by increasing the access of the target group and offering the service at a discount or for free. The concept map and standard formula for this social performance type can be seen in <Exhibit 3>.

<Exhibit 3> Concept map and standard formula for Product&Service performance based on market price



1) Calculation method

Product&Service performance of this type is measured based on how much discount is offered by a social enterprise against the general market price. The price offered by a social enterprise is subtracted from the market price, which is then multiplied by the total discounted sales volume. If a social enterprise provides the service for free, then the unrewarded performance becomes equal to the general market price. In this case, such performance is calculated by multiplying the general market price by the total volume offered for free. If the social enterprise has received grants from outside so as to offer a discount or a free service, then these grants should be subtracted as they are considered a social cost according to the stakeholder accounting principle.

2) Example

<Table 3> shows the result of measuring the Product&Service performance of the Health Welfare Social Cooperative (HWSC), which provides health care services to local residents and the disadvantaged.

HWSC was established to reach out to those in need and offer medical services inclusively to all. It has offered health care services equivalent to those of general primary health care organizations at a discount or free of charge to the vulnerable social groups in the region. More specifically, it offered health care services worth KRW 60,000 in other health care organizations at KRW 20,000 for 500 times, along with free regular health check-up services worth KRW 150,000 to 30 people.

Based on this information, its performance is calculated in <Table 3>.

<Table 3> Example: Product&Service performance based on market price

Service type	Market price (KRW)	SE price (KRW)	Social benefit per unit (KRW)	Number (of times) of service provision	Final(unrewarded) social performance per month (KRW)
Uncovered service fee discount for the vulnerable	60,000	20,000	40,000	500	20,000,000
Free health check-up for the vulnerable	150,000	0	150,000	30	4,500,000
Total					4,500,000

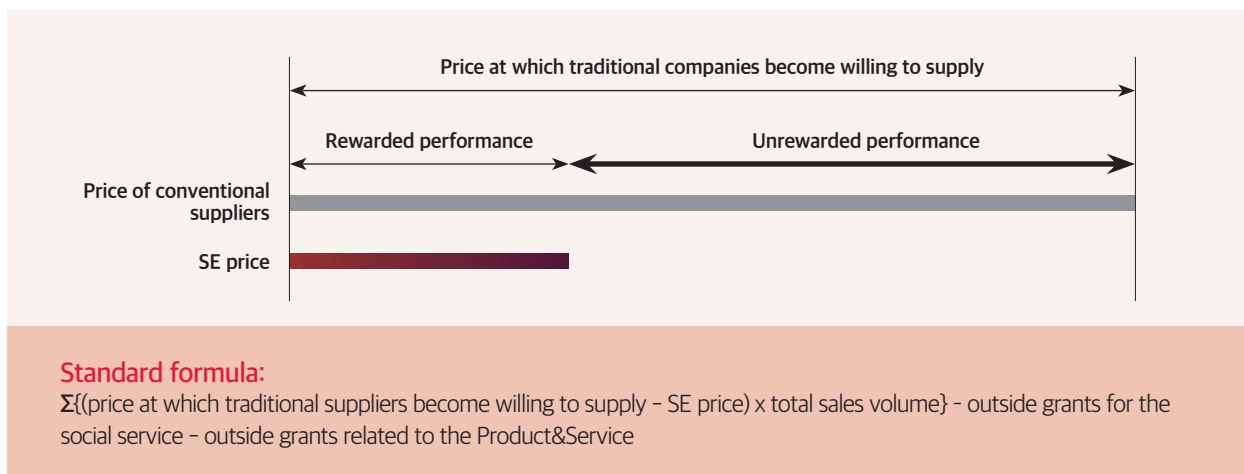
2. Willingness to supply: Products/services tailored to those marginalized in the market

Some vulnerable groups do not have proper access to products and services in the existing market. For example, those with challenges or juvenile ex-cons have difficulty using group tour services due to safety issues or social stigma. A social enterprise can develop tour products for these marginalized groups that are excluded from the existing market by providing tailored products and services to produce social performance.

Examples include universally designed products for the disabled or elderly, movies with subtitles for the aurally challenged, or narrations for the visually challenged.

As for products or services newly introduced for the vulnerable who are excluded from the conventional market, their social benefits are estimated based on the price point at which commercial enterprises in the industry have the willingness to supply them. The gap between the price point where traditional suppliers become willing to supply and the price set by a social enterprise is recognized as the social performance produced. This method is basically the same as the market price-based method described in <Exhibit 3>. <Exhibit 4> shows the concept map and standard formula for this social performance type.

<Exhibit 4> Concept map and standard formula for social service performance based on the willingness to supply



1) Calculation method

This Product&Service performance is measured by estimating the price that suppliers are willing to receive for the products or services they supply to the target group.

It can be surveyed by asking suppliers directly or calculated by adding an appropriate margin to the expected cost or expense when the product or service is provided to the target group.

2) Example

<Table 4> shows the example of a theater effort exclusively for senior citizens. While existing theaters offer simple discounts to the elderly for newly released movies, this senior-only theater shows classical movies on an ongoing basis to promote a feeling of nostalgia and offer a venue where senior citizens can mingle with one another. The theater’s social performance is measured based on the ticket price gap with conventional movie theaters. The ticket price of conventional theaters is estimated by considering the profit threshold when only classical movies are shown, and then compared against that of the senior-only theater to see how much cheaper the latter service is.

<Table 4> Product&Service performance based on the willingness to supply

Ticket price at existing theaters for classical movies (estimated)(KRW)	Ticket price at the theaters for the elderly for classical movies (KRW)	Price discount offered by the senior-only theater (KRW)	Number of visitors per year	Final(unrewarded) social performance (KRW)
4,300	2,000	2,300	100,000	230,000,000
Total				230,000,000

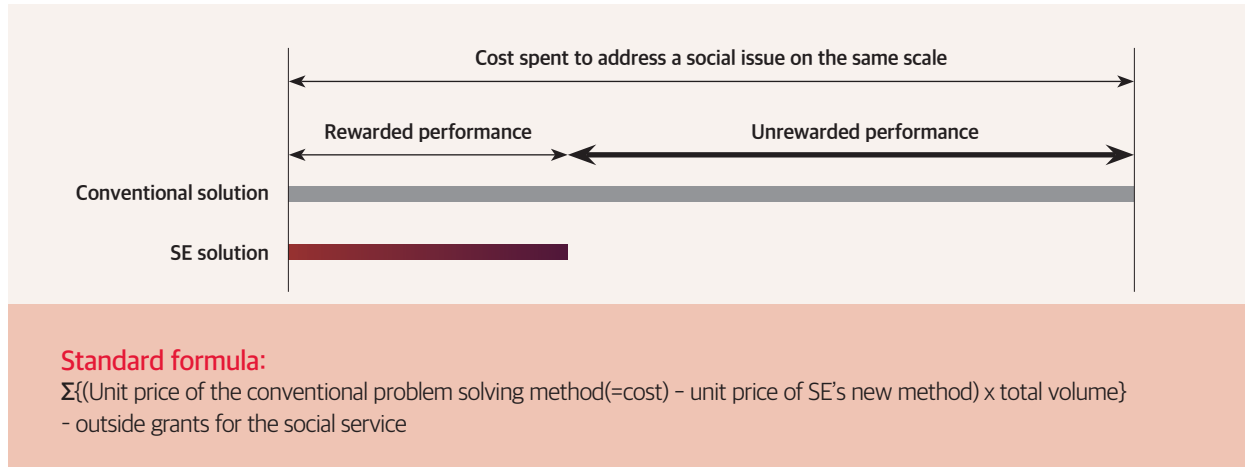
3. Willingness to pay: More efficiency in addressing social issues using new products/ services

As for new products and services without any comparable markets or suppliers, the two methods explained above cannot be applied to estimate a benchmark price. In this case, the willingness to pay can be used as the basis for price estimation. However, surveying the price point where individual consumers become willing to buy the product or service is not a feasible option, as it can add heavy costs. If the public sector is spending-or has plans to spend-a certain amount of money to address a specific social issue, this budget can be considered willingness to pay for solving the social problem.

A social enterprise can tackle a social problem by providing new products or services that have not existed in the conventional market. However, this does not necessarily mean that there has been no attempt whatsoever in the conventional market so far to address the given social problem before the social enterprise came along. The government and civic groups always work to tackle social problems in their own ways. A social enterprise can solve the issue more effectively by introducing a new, innovative product or service. If the new solution devised by a social enterprise is more efficient than the conventional one, then other actors like the government or NPOs would spend the allocated budget to purchase the more efficient product or service developed by the social enterprise instead of the conventional ones. This is where willingness to pay starts to form and the service efficiency gap between the existing solution and the new product/service of a social enterprise is translated into social performance.

The concept map and standard formula for this social performance type can be found in <Exhibit 5>.

<Exhibit 5> Social service performance based on the willingness to pay



1) Calculation method

Let us call the minimum unit to solve a specific social problem “a problem-solving unit”. The unit cost of social outcomes can differ between a social enterprise and the government or NPO. If a social enterprise is more efficient in solving the problem, it can significantly reduce related costs, and the saved amount should be multiplied by the size of the social outcome (total volume of the social outcome) to estimate the social performance. This method is quite similar to the BACO (Best Available Charitable Option) of the Acumen Fund.

2) Example

<Table 5> is the result of measuring the social performance of a social enterprise that offers solutions to credit delinquents. The conventional solution for the government is to encourage these credit delinquents to improve their financial status by going through the uniform credit repair process. However, this social enterprise has developed a program that can be tailored to individual credit delinquents using a therapeutic approach. In this case, the gap between the two methods in terms of the cost spent by one credit delinquent is multiplied by the number of people per year who successfully managed to repair their bad credit records through the program of the social enterprise. The details of this estimation can be found in <Table 5>.

<Table 5> Social service performance based on the willingness to pay

Service type	Unit cost of SE's social outcome (KRW)	Unit cost of social outcome in the conventional market (KRW)	Cost saving per social outcome unit (KRW)	Units of social outcome in total	Final(unrewarded) social performance (KRW)
Credit repair cost per person	800,000	1,200,000	400,000	100	40,000,000
Total					40,000,000

4. Additional operating expense: Better quality at the same price

Even when the service price is the same as the next best alternative, the contents and quality of the service can be enhanced by investing more resources. In this case, we have to estimate the conventional market price corresponding to the higher quality, but it can be quite difficult. When the market price is officially given (e.g., a voucher-type Product&Service), the benefit to the recipients can be enhanced by offering products/services of higher quality for the same price by putting in more resources. For example, if it is a meal delivery service for underfed children, the production cost rate of food producers would be around 53%, but that of social enterprises in the public meal delivery service could reach up to 80%. However, the extra resources that raise the cost rate can result in more nutritionally balanced, better-quality meals for kids.

Case example

- ① More input of materials than the next best alternative in the conventional market: A social lunch delivery enterprise provides lunchboxes of better quality by spending more money on better food materials.
- ② Free provision of product/service not found in the next-best alternative to the conventional market: A Product&Service that provides greater care service by using more nurses for better medical service without charging more.
- ③ Better service by paying more to service personnel: A social enterprise that pays more to professional caregivers to enhance the quality of their services.

In this case, the additional operating expense is the “estimated minimum market price”, deemed to be the unrewarded performance. That is because when the price is controlled, like in a voucher-type service, the quality increase driven by the additional cost cannot be estimated based on the market price. Since the additional investment of resources is all for better quality, as long as the quality has been enhanced by the additional expense, it will be translated into benefits for recipients. <Exhibit 6> shows the concept map and standard formula for this method.

<Exhibit 6> Product&Service performance based on additional operating expenses

	Total social performance		
	Rewarded performance	Unrewarded performance	Rewarded performance
Market price			
SE price			
	Production cost	Additional input cost	Margin

Standard formula:

$$\Sigma\{(SE\ cost - market\ cost) \times total\ supply\ volume\} - outside\ grants\ for\ the\ Product\&\ Service$$

1) Calculation method

Product&Service performance of this type is calculated by subtracting the unit cost of the service on the average market from the unit cost paid by a social enterprise and then multiplying it by the total supply volume. Any type of outside grant paid for the additional input of resources is also subtracted from the formula.

2) Example

<Table 6> shows the result of measuring the Product&Service performance of a social enterprise that provides long-term care services. The social enterprise offers the service at the same price as the next best alternative in the commercial market but pays an additional monthly salary of KRW 150,000 to each of the 40 professional caregivers for better service quality at the average monthly salary of the industry. According to the theory of the service profit chain, we assume that a higher salary makes for a more loyal service worker and then produces more effort and better service quality. Apart from the salaries for caregivers, this social enterprise also spends KRW 1 million per person every month to place two nurses on the premises to monitor the health of patients closely and offer immediate health care assistance when necessary. This practice is a unique service provided by this social enterprise, and it does not exist in the conventional care service market. Its Product&Service performance is produced by placing more input on better service quality, as explained in <Table 6>.

<Table 6> Product&Service performance based on additional operating expenses

Additional input factors	Additional expenses (per month and person) (KRW)	Number of employees	Final(unrewarded) social performance per month (KRW)
Labor cost increase for professional caregivers over the industry average	150,000	40	6,000,000
Labor cost increase to place nurses on the premises	1,000,000	2	2,000,000
Total			8,000,000

5. Alternative method cost: The cost to be paid by society for existing solutions if there were no solutions provided by the enterprise

It may be difficult to estimate the cost if it is a completely new solution that previously did not exist on the market. In this case, we can take the cost to society of solving the specific social problem as the standard.

II. Internal Process Performance

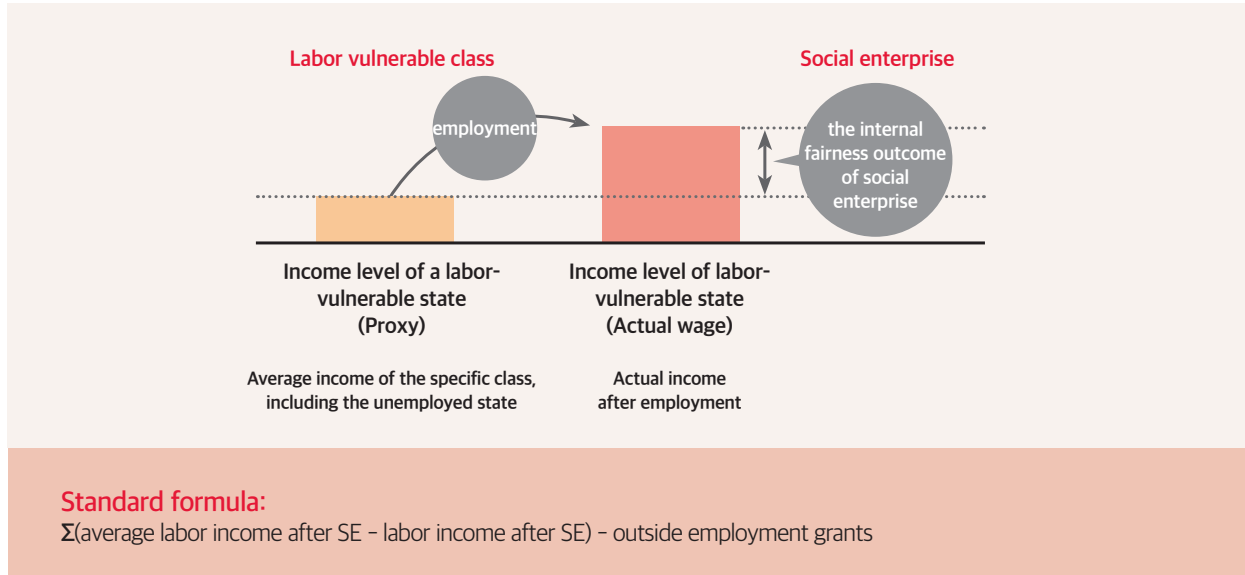
The vulnerable groups in the labor market include those with challenges, such as the elderly and the homeless who have difficulty entering the labor market. Internal Process performance of a social enterprise refers to the range of social benefits created by employing these vulnerable groups. Social benefits include higher incomes and better living conditions for these disadvantaged people. Internal Process performance generated by such social enterprises is categorized as direct employment and transitional employment performance.

1. Direct employment performance

To estimate the social performance of directly employing the disadvantaged in monetary terms, we have to examine the income increase of those employed in a job at a social enterprise. As explained before for the stakeholder accounting principle, the increase in labor income includes the increase in disposable income, the budget saving for the government, and the increase in tax revenue (income tax). The increase in disposable income is then translated into a higher quality of life, better health, and improved social relations for the employed.

The concept map and standard formula for Direct employment performance can be found in <Exhibit 7>.

<Exhibit 7> Concept map and standard formula for direct employment



1) Calculation method

Internal Process performance is measured by calculating the salary paid to socially vulnerable employees by a social enterprise subtracted from “the labor income of the employees before getting jobs at a social enterprise.” In other words, it is the increase in their labor income. “The labor income before a social enterprise” can be calculated based on the income statistics issued by the government by applying the labor income proxy assigned to each type of vulnerable group. Outside employment subsidies are also subtracted from this value.

2) Example

<Table 7> shows the result for Internal Process performance produced by a social enterprise that hires 11 people from socially vulnerable groups.

To apply the labor income proxy before the social enterprise, employees are grouped into aged/low-income/disabled, with the disabled group subcategorized into those with minor or severe disabilities. The employees are then divided again based on gender and years of service (up to 5 years vs. more than 5 years). The length of employment is also included as a factor because employees who have worked five years or longer are deemed to have settled down into the labor market, so a higher proxy is applied to these people than to similar employees who have worked less than five years.

As shown in <Table 7>, Internal Process performance of the individuals is calculated by subtracting their income before working at the social enterprise from the salary paid to them by the social enterprise. Total social performance can be calculated by aggregating individual Internal Process performances. The government's employment subsidy is deducted from the aggregate value to estimate the final Internal Process performance.

*Labor income proxy

It would be great if we could survey the labor income of all the workers before they worked at a social enterprise to measure their exact Internal Process performance. However, this process can be quite inefficient in terms of reliability and cost. Therefore, we use the national income statistics announced every year as a proxy. The statistics show the average income level by gender, age, level of disability, and disability type.

<Table 7> Direct employment performance

Vulnerable groups by type	Number of employees	Length of employment (years)	Average Monthly salary (KRW)	Monthly income Before SE (proxy) (KRW)	Total (annual) employment performance (KRW)	Outside employment grants (KRW)	Final (unrewarded) performance (KRW)
Younger old (male)	4	Up to 5	1,600,000	990,000	29,280,000	Employment subsidy from the government	
Younger old (female)	1	Up to 5	1,600,000	585,000	12,180,000		
Low income (male)	1	Up to 5	1,600,000	835,000	9,180,000		
Low income (female)	1	More than 5	1,850,000	1,220,000	7,560,000		
Mentally challenged (severe, female)	1	Up to 5	1,300,000	68,000	14,784,000		
Physically challenged (minor, female)	3	More than 5	1,600,000	1,000,000	21,600,000		
Total					94,584,000	40,000,000	54,584,000

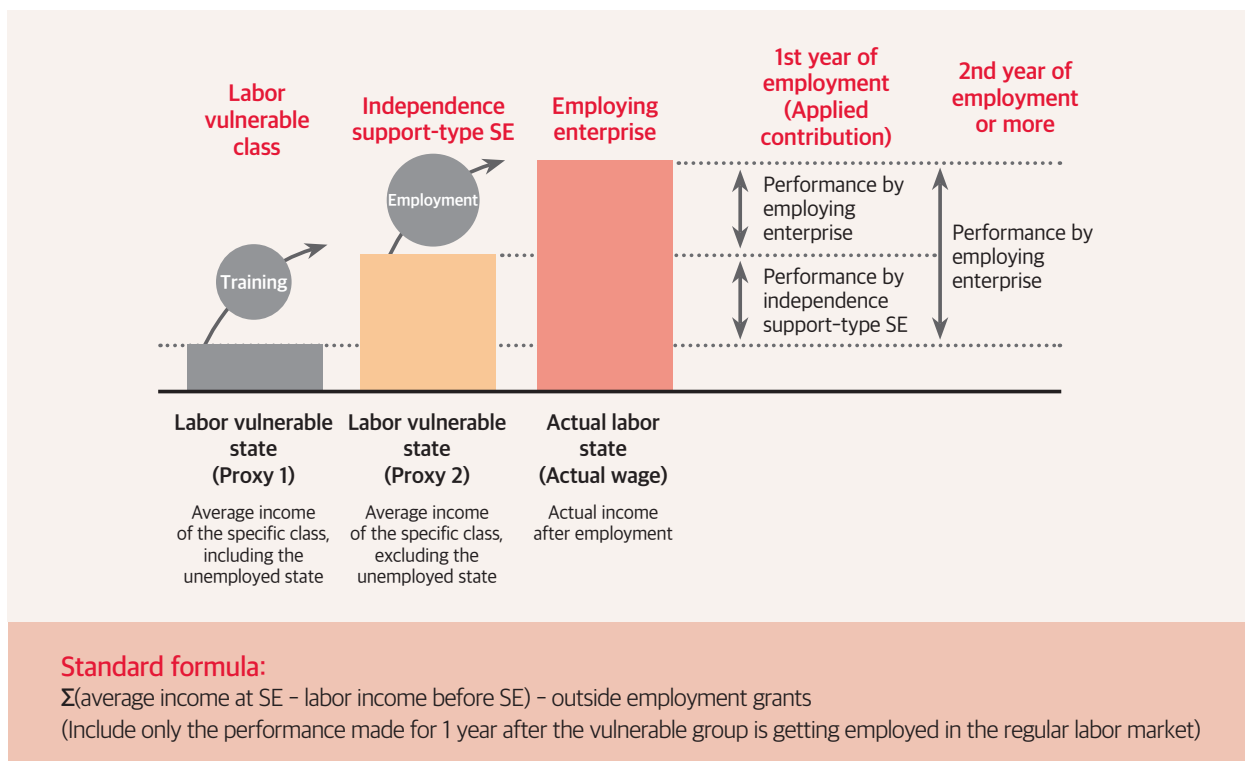
2. Transitional employment performance

Social enterprises sometimes support workers in getting jobs at other workplaces instead of maintaining direct employment for these socially vulnerable groups. They provide learning opportunities to enhance

their capabilities through direct employment—serving as transitional workplaces—so that these employees can successfully transition to the regular labor market. Transitional Internal Process performance is only recognized when a social enterprise fulfills its mandate of supporting the employment of a socially vulnerable group, offering practical assistance like technical or vocational training, introducing job vacancies to job seekers, thereby helping them get a job or start a business. In such cases, the improvement in the work capabilities of “unqualified job seekers” by grooming them to be “qualified” for the regular labor market is recognized as transitional Internal Process performance to be measured.

<Exhibit 8> shows the concept map and standard formula for transitional Internal Process performance.

<Exhibit 8> Concept map and standard formula for transitional employment



1) Calculation method

Transitional Internal Process performance refers to the outcome of improvements made to the capabilities of the socially vulnerable, letting them transition from “unqualified” to “qualified job seekers” in the labor market. However, it is quite tricky to accurately measure the contribution made by a social enterprise to the employment of the socially vulnerable. It is also very difficult to evaluate the salary level of the companies where they are working.

Thus, as an alternative indicator, labor income before social enterprises is used as the income level of the “unqualified job seekers” with the average wage at social enterprises utilized as the expected income level of the “qualified job seekers” so as to recognize the gap between the two as transitional Internal Process performance that actually contributes to the financial independence of the socially vulnerable.

There is one condition: since this is only the “transitional Internal Process” performance produced in the process of entering the regular labor market, it is limited to one year after being employed by other companies.

2) Example

<Table 8> shows the result of measuring the performance that supports the transition of three people in the target groups from social enterprises to other companies. This performance is measured by looking at the income before social enterprises and then the average income paid by social enterprises depending on the target group types.

As transitional employment performance is confined to one year after getting employed at other companies, both the time employment was made and the length of employment for the year have to be considered.

<Table 8> Transitional employment performance evaluation

Target group	Employment date (at other companies)	Length of employment at other companies (months)	Monthly salary before SE (proxy 1) (KRW)	Average monthly salary at SE (proxy 2) (KRW)	Final(unrewarded) social performance (KRW)
Younger old (female)	June 01, 2015	7	500,000	1,100,000	4,200,000
Younger old (male)	Oct 01, 2014	9	900,000	1,100,000	1,600,000
Those with minor disabilities (female)	Oct 01, 2015	3	350,000	1,000,000	1,950,000
Total					7,750,000

III. Environmental Performance

Environmental performance indicates the improvements made in preventing resource depletion and alleviating environmental degradation through business activities. One way to achieve this goal is to reuse or recycle used materials or products to save on new materials and products. The eco-cost incurred from pollution can also be reduced by applying eco-friendly materials and cleaner production processes.

It is also essential to understand how businesses create their environmental performance if we want to measure it. There are two ways to create environmental value:

- Recycle to reduce the consumption of resources needed for new products – This includes all types of recycling: reuse, refurbishing, remanufacturing, upcycling, etc.
- Deploy eco-friendly materials or cleaner production processes to lessen pollution

1. Material recycling to reduce the consumption of new resources

This process refers to the activities undertaken to disassemble and process end-of-life products and turn them into materials that can be recycled. It includes all types of recycling: reuse, refurbishing, remanufacturing, upcycling, etc. It effectively reduces new consumption of those raw materials needed for production. For example, recycling vinyl scrap to use it as textile material can be one way of reducing the consumption of cotton and polyester. Disassembling discarded machinery and selectively collecting its metal parts to recycle them for

new products would also lower the consumption of new resources. In this case, the value of new resources saved by recycling should be viewed as environmental performance. However, if the recycled material is already actively traded in the existing market, the environmental benefit coming from such recycling should be deemed already rewarded in the market. Only the part of the value that does not have an active market as of yet is included in the performance and is an unrewarded portion.

The concept map and standard formula for this type of social performance can be found in <Exhibit 9>.

Resource savings and substitutability

Even when a material or a product is recycled, if this process cannot control the consumption of new materials or products, the recycling cannot be said to have actually led to any saving of resources.

For example, a consumer who buys one bicycle is unlikely to purchase another one since bicycles are durable goods. If the bicycle is made of recycled steel components, it has generated an environmental performance since it has actually controlled the consumption of new steel resources. However, the story can be quite different when it comes to clothes. One consumer can purchase multiple pieces of clothing. This means that even though a consumer has purchased a recycled clothing item, it cannot be said to have substituted for future purchases of other clothes since clothes have low substitutability.

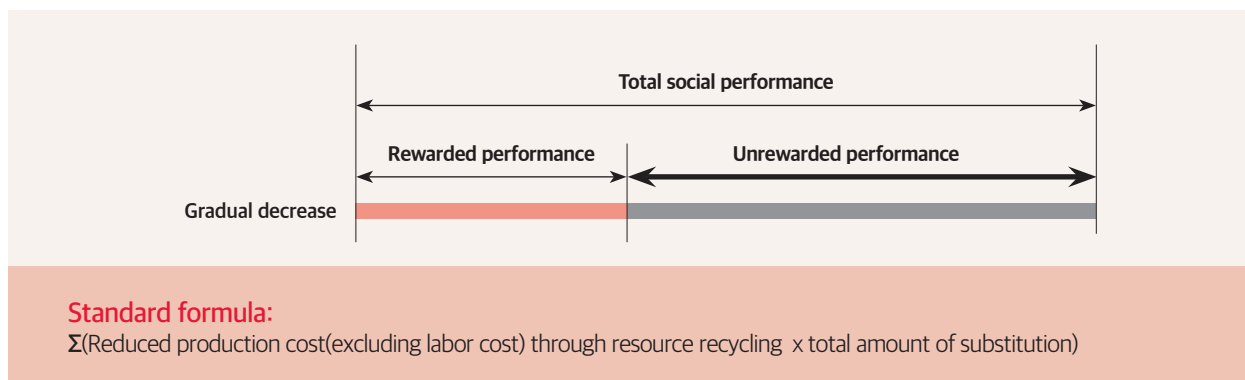
Therefore, substitutability can be recognized only when the following aspects are satisfied:

- Consumers generally have one or only a few units of a product (e.g., smartphones, bicycles, etc.).
- The product has high added value, such as superior design, or it is brand apart from the basic functions.
- Even though the product has almost non-existent substitutability, buying one can save the budget of the government or companies since it is traded in B2B or B2G markets, so the saved budget can be spent on the environment.

In practice, however, resources are severely wasted, and reusable second-hand products are discarded without being recycled. Even when substitutability is low, disposable income can decrease by the amount spent on a second-hand product purchase. Therefore, we are not including the substitutability factor in the measurement.

Note: In the first year of the project (2015), the social performance incentive scheme applied the substitutability criterion rigorously when evaluating the performance of participating social enterprises. However, in 2016, the rigorous substitutability standards were eased, and the application of substitutability was deferred as part of the effort to improve the measuring indicators due to the aforementioned reasons. We look forward to having a more active social discussion on this issue soon.

<Exhibit 9> Concept map and standard formula for environmental performance: Recycling to reduce consumption of new resources



1) Calculation method

The value of recycling is measured by looking at the saved materials for a new product and calculated by subtracting the labor cost from the production cost of the new product. For example, when 100 kg of waste banners were recycled to substitute for the consumption of 80 kg of cotton, the cost of producing the 80 kg of cotton minus the labor cost became the total value of the saved resources. The reason why the value is based not on the material cost, but on the production cost minus the labor cost is to reflect the savings in indirect costs made by recycling, although its proportion is still minimal.

To be sure, such environmental performance is recognized only when the recycled material does not have an active transaction market.

2) Example

<Table 9> shows the performance of a social enterprise that collects waste firefighting garments and waste bicycles and disassembles them into synthetic resin or aluminum to have them recycled into new bicycle saddles. When synthetic resin and aluminum are extracted from waste firefighting garments and waste bicycle saddles, respectively, and recycled into materials for a new bicycle saddle, this can reduce the consumption of leather and new aluminum that would have been used for such saddle production. This social enterprise sources 100% of the materials for a saddle from recycled synthetic resin, 80% of the aluminum fixture from recycled material, and 20% from the new one. It directly handles the entire recycling and production process, from collection to reassembling; thus generating 100% of the added value for the saddles.

This social enterprise annually sells 1,000 bicycle saddles priced at KRW 20,000. The cost of leather and aluminum accounts for 10% and 40% of the saddle price, respectively. The production cost-excluding the labor cost for leather used at the top part of the saddle-accounts for 40%, which is 100% substituted by the recycled synthetic resin. The production cost, excluding the labor cost for the aluminum for the fixture part, accounts for 60%, and 80% of the aluminum sourced from recycled material. However, the recycling rate of aluminum in Korea exceeds 34% of the total aluminum consumption. This means that recycled aluminum is actively traded on the market. Thus, the benefit stemming from aluminum recycling is excluded from the final social performance. The result for this formula is described in <Table 9>.

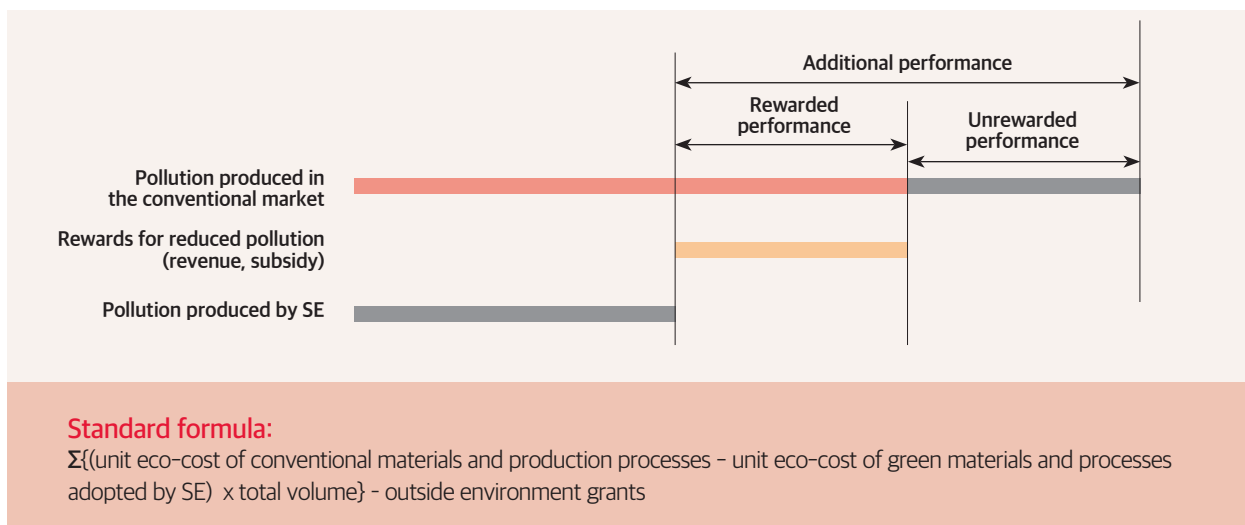
<Table 9> Environmental performance: Savings in resource consumption

Product type and sales volume	Unit price (KRW)	Recycled resource	Original raw material	Original raw material's share in new saddles (%)	Production cost by material (labor cost excluded) (%)	Materials substitution rate (%)	Final (unrewarded) social performance (KRW)
1,000 bicycle saddles	20,000	Waste synthetic resin	Leather	10	40	100	800,000
		Waste aluminum	Aluminum	40	60	80	3,840,000 (already marketized)
Total							800,000

2. Alleviating environmental pollution by adopting eco-friendly materials and cleaner processes

When pollution is alleviated by adopting an eco friendlier production process compared to the conventional one, the reduction is recognized as environmental performance. One example would be to use eco-friendly materials instead of the conventional ones found in the existing market. This would lead to less pollution in the air, land, and water. If pretreated cotton is used instead of chemically treated cotton for a t-shirt, for example, the negative impact on humans and nature can be minimized. This shows that we can effectively reduce environmental pollution by employing cleaner processes in production, packaging, shipment, delivery and disposal. <Exhibit 10> shows the concept map and standard formula for this environmental performance type.

<Exhibit 10> Concept map and standard formula for environmental performance: Reduction in environmental pollution through cleaner production



1) Calculation method

Alleviation of environmental pollution is calculated based on eco-costs.

Eco-cost refers to the environmental burden generated from the production, use, and disposal of products as expressed in monetary terms. Pollution reduction by using eco-friendly materials or a cleaner production process is measured based on the gap between the eco-cost of conventional methods and the eco-cost of eco-friendly methods implemented by a social enterprise. The total savings in eco-costs are tallied, from which of the outside grants related to environmental performance are subtracted. In this SPC project, we adopted the Eco-cost DB developed by Delft University.

2) Example

<Table 10> shows the result of calculating the environmental performance of a social enterprise that produces garments made of eco-friendly or recycled materials.

This company uses recycled polyester (eco-cost = KRW 1,500/kg) with lower eco-cost instead of the polyester (eco-cost = KRW 1,800/kg) generally used in clothing production. It also uses fabric extracted from bamboo trees (eco-cost = KRW 100/kg) instead of cotton (eco-cost = KRW 1,200/kg), reducing such an environmental burden. Details of the calculation can be found in <Table 10>.

<Table 10> Environmental performance: Reducing pollution

Product type	Conventional materials			Eco-friendly materials used by SE			Final (unrewarded) social performance (KRW)
	Material	Consumption (forecast)(Kg)	Eco-cost (KRW)	Material	Consumption (Kg)	Eco-cost (KRW)	
Clothes	Polyester	2,000	1,800	Recycled polyester	2,000	1,500	600,000
	Cotton	3,000	1,200	Bamboo extract	3,000	100	3,300,000
Total							3,900,000

IV. External Performance

External performance refers to the social outcome accrued on the value chain outside a social enterprise, unlike Product&Service performance or Internal Process performance, as explained earlier. It means the contribution to improving profit and capability of small-scale farmers/merchants in disadvantaged geographies and social-purpose organizations within the social economy ecosystem, and it also includes the positive impact of preserving and enhancing the necessary socio-cultural assets of a nation or a community.

External performance can be achieved in three ways:

- Increase the asset or income(earnings) of the vulnerable organization or community in the social ecosystem by paying more money than the existing transaction channels
- Boost the income(earnings) of the vulnerable organization or community in the social ecosystem by offering more transaction opportunities(volume) to target groups
- Expand the socio-cultural assets and save public budget by creating and maintaining public assets including culture, art, or public spaces for citizens

Furthermore, External performance includes contributions to enhancing the capabilities of social enterprises and producers in disadvantaged areas and helping them generate better performance through marketing, R&D, and consulting services etc. In such cases, the additional contribution made by a specific social enterprise is evaluated according to the measuring principles introduced here in the Product&Service performance section.

1. Paying more to the vulnerable

Producers of underdeveloped economies or poor farmers in villages usually lack the bargaining power to gain an appropriate level of payment for their products.

By paying a higher price than the existing market, a social enterprise can boost the income or earnings of these small-scale producers.

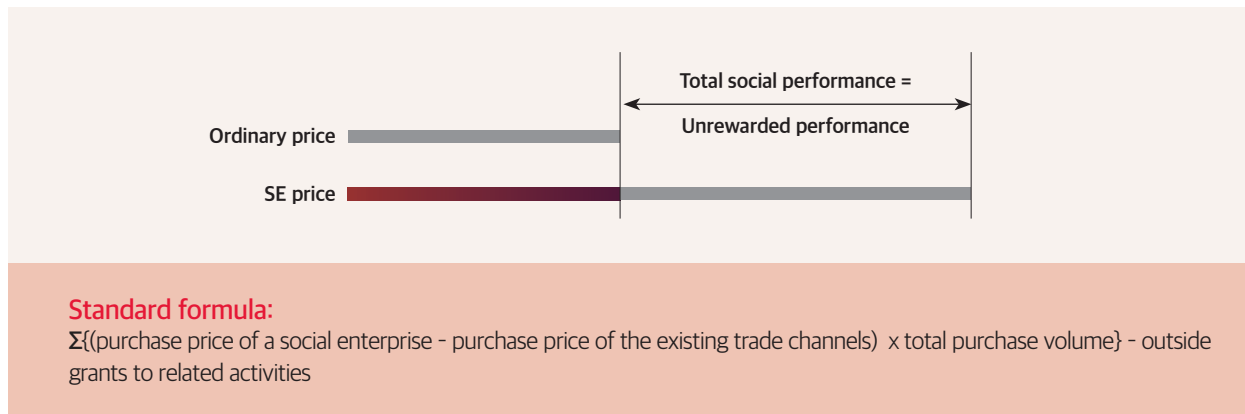
The concept map and standard formula for this type of External performance can be found in <Exhibit 11>.

***Paying more to the vulnerable**

Boost community income by paying higher prices than the general market price to promote fair transactions for the disadvantaged.

- Trade with small-scale farmers
- Trade with small-scale producers
- Trade with small-scale merchants
- Trade with other social enterprises
- Crowdfunding for public-interest entities (charity fundraising)

<Exhibit 11> Concept map and standard formula for External performance: Pay a higher price



1) Calculation method

External performance is measured by aggregating the extra money paid by social enterprises to suppliers compared to the money paid by the existing channels. Related outside grants are not included in the performance and are therefore subtracted from the sum.

2) Example

<Table 11> shows the result of measuring the External performance of a social enterprise that produces foods processed by sourcing food materials from small-scale farmers. The enterprise chooses farmers with small land (less than 2 hectares) and who consequently have no choice but to accept the low prices set by the existing distribution channels. It pays higher prices for the agricultural products of these small-scale farmers, thereby contributing to their income increase. The details can be found in <Table 11>.

<Table 11> External performance: Pay more to the vulnerable

Farmer	Crop	SE purchasing price (KRW/box)	Existing channel's purchasing price (KRW/box)	Total volume (annual) (boxes)	Final(unrewarded) social performance (KRW)
A (1ha)	Carrots	24,000	20,000	2,000	8,000,000
	Tomatoes	30,000	25,000	4,000	20,000,000
B (1.2ha)	Cabbages	18,000	16,000	1,000	20,000,000
	Apples	32,000	28,000	3,000	12,000,000
Total					42,000,000

2. Providing more transaction opportunities

This type of social performance involves supporting small-scale farmers/merchants in disadvantaged geographies/ industries that have a hard time securing trade opportunities since they do not have access to a (stable) distribution channel. Access to distribution channels would help these underprivileged producers survive and grow into independent economic players. Examples include supporting the product/service distribution of a struggling social enterprise or developing tour products for remote villages in financial difficulty to stimulate their local economies.

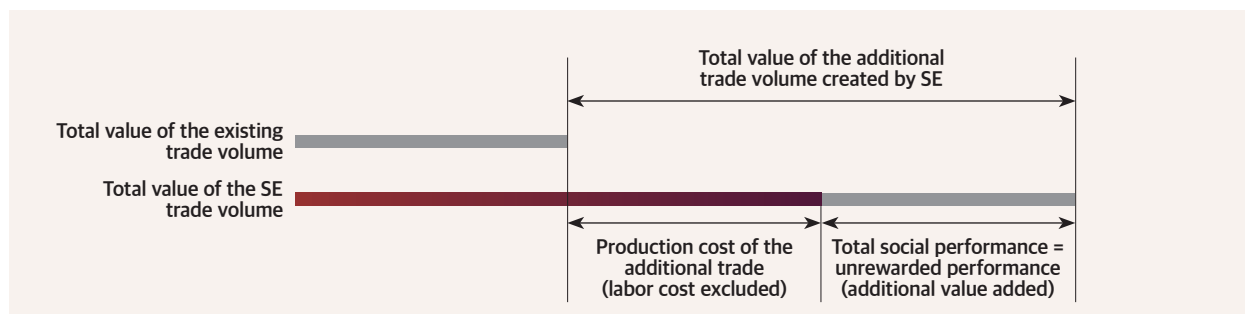
The concept map and standard formula for this type of social performance can be found in <Exhibit 12>.

Increase profit by offering more trade opportunities

Generate income by increasing the transaction volume to protect socio-cultural assets or vulnerable producers

- Fair trade (poor areas/producers)
- Fair travel (limited to underdeveloped community/companies)
- Crowdfunding for public-interest entities (reward type)

<Exhibit 12> Concept map and standard formula for External performance: Provide more transaction opportunities



Standard formula:

$\Sigma(\text{additional trade value of a social enterprise} \times \text{added value rate of the product or service}) - \text{outside grants related to the social ecosystem}$

1) Calculation method

External performance of this type can be measured by the value added (from the perspective of a client company) and additionally made by a social enterprise. It refers to the value added coming from the extra purchase of a social enterprise compared to that from the existing trade channels.

2) Example

A social enterprise in the fair travel sector develops tour products for remote villages in an underdeveloped country that usually does not have a sound economic foundation. This can help community members earn money by participating in the hospitality business for travelers. In this case, the social enterprise is stimulating an ecosystem for the local economy through tourism. When measuring the performance of the External, transactions with big companies—where financial rewards are sufficiently given through air fares or multinational franchise hotels—are excluded. In other words, only direct transactions with the small-scale businesses of local residents are recognized as social performance.

More details can be found in <Table 12>.

<Table 12> External performance: Offer more opportunities

Village	Service type	Added value ratio (%)	Annual trade with local players (KRW)	Final(unrewarded) social performance (KRW)
Korean remote village '00 Village'	Lodging	32	20,000,000	6,400,000
	Eatery	50	30,000,000	15,000,000
Nepalese remote village '000 Village'	Lodging	40	20,000,000	8,000,000
	Eatery	45	40,000,000	18,000,000
	Others	50	10,000,000	5,000,000
Total				52,400,000

3. Contributing to creating and maintaining socio-cultural assets for communities or society

Some social enterprises focus on creating and preserving socio-cultural assets for communities or society. Their social performance can be better measured by applying different formulas modified to fit different situations instead of applying one uniform standard. Two types of modified formulas have been developed so far.

Socio-cultural assets

Socio-cultural assets include art and culture as well as general social capital (i.e., citizenship, democracy, and community trust).

3-1. Enhancing the efficiency of public spending

Let us first look at cases of creating and preserving the socio-cultural assets that can be shared among all citizens. Creating open public spaces and offering services that enhance the socio-cultural level of communities belong to this category. Note, however, that socio-cultural assets have an intangible value, which makes it very difficult to express them in monetary terms. This leaves us no choice but to apply only the indirect measuring indexes. Usually, it is the government or local authorities that assume the responsibility of creating and managing public assets. Thus, social performance in creating socio-cultural assets can be measured by examining how efficiently and effectively the budget for public assets has been allocated and spent. For the measurement, the standard formula for “enhancing the efficiency of tackling social issues through new products/services” is applied mutatis mutandis.

1) Example

<Table 13> shows the result of measuring the performance of a social enterprise that creates public spaces together with the citizens without the lead of government initiatives. This social enterprise designs and builds facilities for citizens in unused spaces of neighborhoods or government office buildings by involving citizens throughout the process from design to operation; thus making the spaces more convenient and actively used by the citizens. If it doubled the visits by citizens compared to conventional public spaces, efficiency of budget spending and value of the public assets would also double. Then, the economic value of the spaces increases as much as the increase in how much the space is used and enjoyed by citizens. Such an increase is used as a yardstick to measure the social performance. In other words, social value coming from the increase in citizen participation is measured indirectly based on the increase in economic value of these spaces. The result of measuring the performance of this social enterprise can be found in <Table 13>.

<Table 13> External performance: Enhance efficiency in public budgets

Project	Users when SE leads the project (person)	Users when conventional players lead the project (person)	Increase in asset value (times)	Value of the space before the project (KRW)	Final(unrewarded) social performance (KRW)
Space for citizens in the OO City Hall	150,000	75,000	2	100,000,000	100,000,000
Total					100,000,000

3-2. Enhance the added value of artistic and cultural assets

This is a case wherein a social enterprise protects artistic and cultural assets that are difficult to develop under the current social structure. Indeed, in Korea, the market for fine art pieces is very small with high entry barrier; thus widening the divide among artists. Especially, young and rising artists are in a financial bind, often barely making ends meet. If these young artists leave the fine art scene due to financial difficulties, we will lose our future socio-cultural assets. The value of preventing such losses and protecting artistic and cultural assets can be measured only by indirect indexes, since directly measuring such intangible value is not feasible. Here is an example: There is a social enterprise that develops the artistic and cultural assets of society by offering rising artists access to the art market or opportunities to show their artwork to potential buyers. In this case, the

standard formula for “giving more transaction opportunities” is applied mutatis mutandis to measure the added value given to artists through transactions and turn such value into social performance.

1) Example

<Table 14> shows the result of measuring the social performance of a social enterprise that introduces up-and-coming artists to the public and to the market. This enterprise discovers talented new artists who are struggling to get an opportunity and introduces them to the public, who want to buy affordable artwork but have been excluded from the art market because of prohibitive prices. By doing so, it helps artists focus on creating art and, as a result, keeps the cultural assets of society. Its social performance is indirectly assessed by measuring the value added of the artwork sold by the social enterprise. The result of measuring the performance of a social enterprise can be found in <Table 14>.

<Table 14> External performance: Added value of artistic and cultural assets

Artist	Artwork	Added value ratio of the artwork (%)	Total transaction value of the artist (KRW)	Final(unrewarded) social performance (KRW)
Kim, 00	A 000	95 (5% of materials cost excluded)	5,000,000	4,750,000
	B 000	95 (5% of materials cost excluded)	2,000,000	1,900,000
Lee, 00	C 000	95 (5% of materials cost excluded)	3,000,000	2,850,000
Total				9,500,000

Epilogue

Our society faces a myriad of complex issues including environmental pollution, social inequality, and aging population. These social issues are continuously escalating and expanding at a rapid pace.

In response to these rapidly escalating issues, the SPC Project was launched to address them. This project was initiated by an idea proposed by Tae-won Chey, chairman of South Korea's SK Group. Rewarding social enterprises in proportion to their success in tackling social issues through market principles could induce positive motivation for business across the social spectrum to engage in solving social problems. Launched in 2015, this project uses the mechanism of “the better, the more,” offering increased incentives for those who tackle more social issues.

Across nine rounds of social enterprise selection, we have measured the social performance of 368 companies in all. These enterprises have collectively generated social progress valued at USD 287,912,087, for which we have paid USD 44,175,824 in cash incentives.

The effectiveness of the SPC Project was evident through the acknowledgment from participating companies.

“The SPC Project serves as a safety net for social enterprises. The incentives offered by the SPC Project were crucial in achieving positive outcomes, enabling us to employ and train vulnerable populations consistently despite financial hardships especially during the COVID-19 pandemic.”

- Momjobgo (A company participating since 2017)

“The SPC’s measurement indicators have bolstered our confidence in our key performance indexes. Through the project, we have gained insight into how the social value we create is translated into economic value, thereby driving our company’s growth through staff training.”

- Cizion (A company participating since 2015)

The effectiveness of the SPC Project has been validated within the academic community. In 2022, a study highlighting the efficacy of the SPC Project was featured in *Management Science*, a leading global journal in the field of management. In 2020, the project was showcased as a business case study at Harvard Business School. In 2023, an editorial on the World Economic Forum’s website titled “How social enterprises offer big businesses pathways to sustainable innovations” presented examples of how large corporations have implemented methodologies for measuring social performance originally developed through social enterprises.

Based on this measurement expertise, the SPC Project is currently being implemented in eight local governments in South Korea, with international projects also underway. Collaborating with the Japan Fundraising Association (JFRA), we are conducting experiments with a new SPC model; in the Global Alliance for Social Entrepreneurship (GASE), run by the Schwab Foundation of the World Economic Forum (WEF), we plan to spearhead the Innovative Finance agenda in partnership with the Rockefeller Philanthropy Advisors in 2024.

As such, we hope that the effect of the SPC project will continue not only in Korea but also in other countries. We look forward to seeing a steady flow of examples demonstrating the expansion of the social innovation ecosystem driven by SPC’s mechanisms, and we kindly ask for your continued interest.

CSES