

Promoting Social Impact Measurement

– Basic Concept of Social Impact Measurement
for Solving Social Issues and Plans to be Taken –

March 2016
Working Group on Social Impact Measurement



Cabinet Office

1. Introduction

▶ Reasons Why Social Impact Measurement is Required

- Changes of social environment
- Changes of economic situation

• The attitude of funders has been changing after the financial crisis in 2008
• Also there is a trend that companies place more importance on their sociality as enterprise value and become willing to disclose non-financial info.

✓ International trends

- Changes in funders' attitude after the financial crisis.
Utilize the private sector's knowledge and technologies.

• Funders such as foundations and investors have come to seek outcomes more.
• Cooperative activities with NPOs and social impact investments are rapidly expanding.

“Visualization”
of social value

✓ Current status in Japan

- Social problems are becoming more diverse and complicated.
Financial limitation is increasing.

• With population declining and aging, social problems are becoming more diverse and complicated.
• There may be a limit wherein the administration plays the central role.

Necessity for
resource
mobilization from
private sector

It is indispensable to have social impact measurement accepted as the infrastructure for public interest activities.

2. Meaning of social impact measurement

- ▶ *Grasping social and environmental outcomes, resulting from the relevant businesses and activities including short-term and long-term changes, quantitatively and qualitatively then adding a value judgment.*

- ✓ Misunderstandings about measurement
- ⊙ It aims to extract value to achieve growth and improve their businesses.
- ✗ Not to audit, appraise them or waste business resources

- Objectives
 - i) To ensure accountability
 - ii) To facilitate learning and improvement

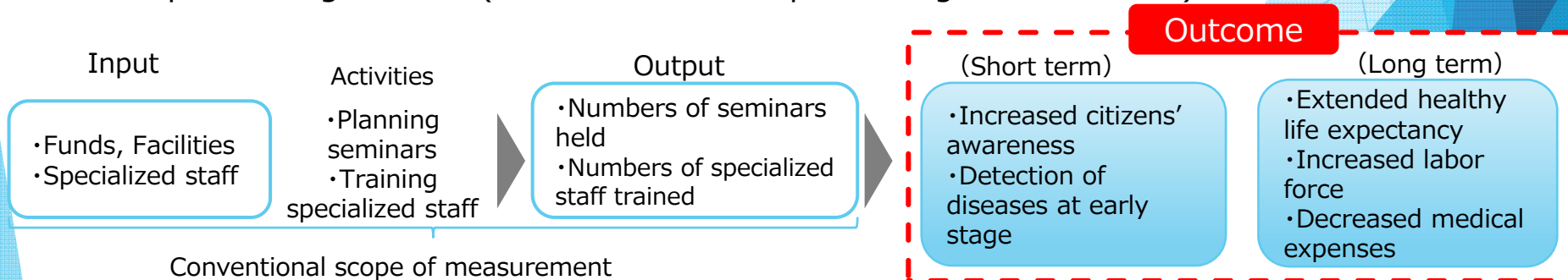
- Features - Go so far as to assess outcomes not limited to only assessing output

- ✓ Measurement conducted only based on measurement of the output does not fall under the category of social impact measurement.
【e.g. (outputs)】 Held events 4times. 100 participants.

- Utilize logic models(*) to clarify a logical connection from input to output and to outcomes.

- ✓ Check whether not to set the scope of outcomes to be assessed completely apart from the output or the activity.

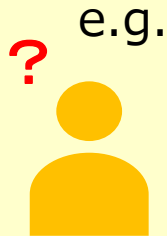
- ◆ Example of a logic model (Case of a business preventing adult diseases)



2. Meaning of social impact measurement(2)

▶ Utilization and significance

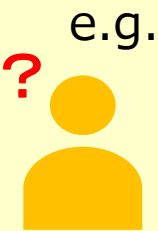
- How to utilize social impact measurement?
- ✓ For acquiring resources and achieving growth
 - Disclose the entity's strategies and the outcomes, thereby further attracting resources



- ✓ Entities will be able to further mobilize resources caused by deepen communication with funders
- ✓ Measurement results could be used as grounds for explaining the effectiveness of invested funds to funders
- ✓ Entities will be able to make an appeal with the social value they have created.

✓ For managing business and making decisions

- Fully utilize the measurement results in making decisions on the content of businesses and allocation of resources with the aim of maximizing the social impact.



- ✓ Examination of businesses may trigger improvements in deployment and allocation of human resources and funds.
- ✓ Figuring out the progress and problems may encourage business entities to review the content thereof or even change their goals.
- ✓ related parties can share goals and deepen their understanding of recipients' businesses which will lead to the enhancement of mutual trust.

3. Measurement Methods

▶ Fundamental concept (Principles of measurement)

Materiality – Measurement should cover information that affects decisions on the stakeholders.

Proportionality – Measurement should be conducted in accordance with the objectives, size of the organization and resources (human resources and money).

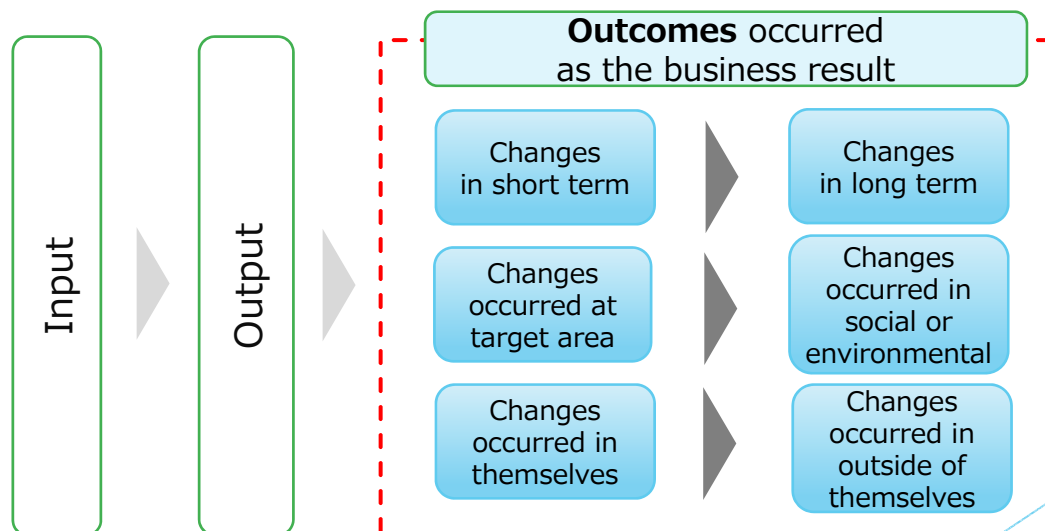
※ There are other principles such as Comparability, Stakeholder involvement, Transparency and so on.

- ✓ The Measurement methods should be selected in accordance with the objectives and needs, due to the strictness and the required cost varies by its method.
- ✓ currency conversion is not a requirement.

▶ What should be covered in the measurement (Scope of measurement)

Clarify the scope of outcomes (in short term and long term), stakeholders and so on.

◆ A figure of outcomes scope

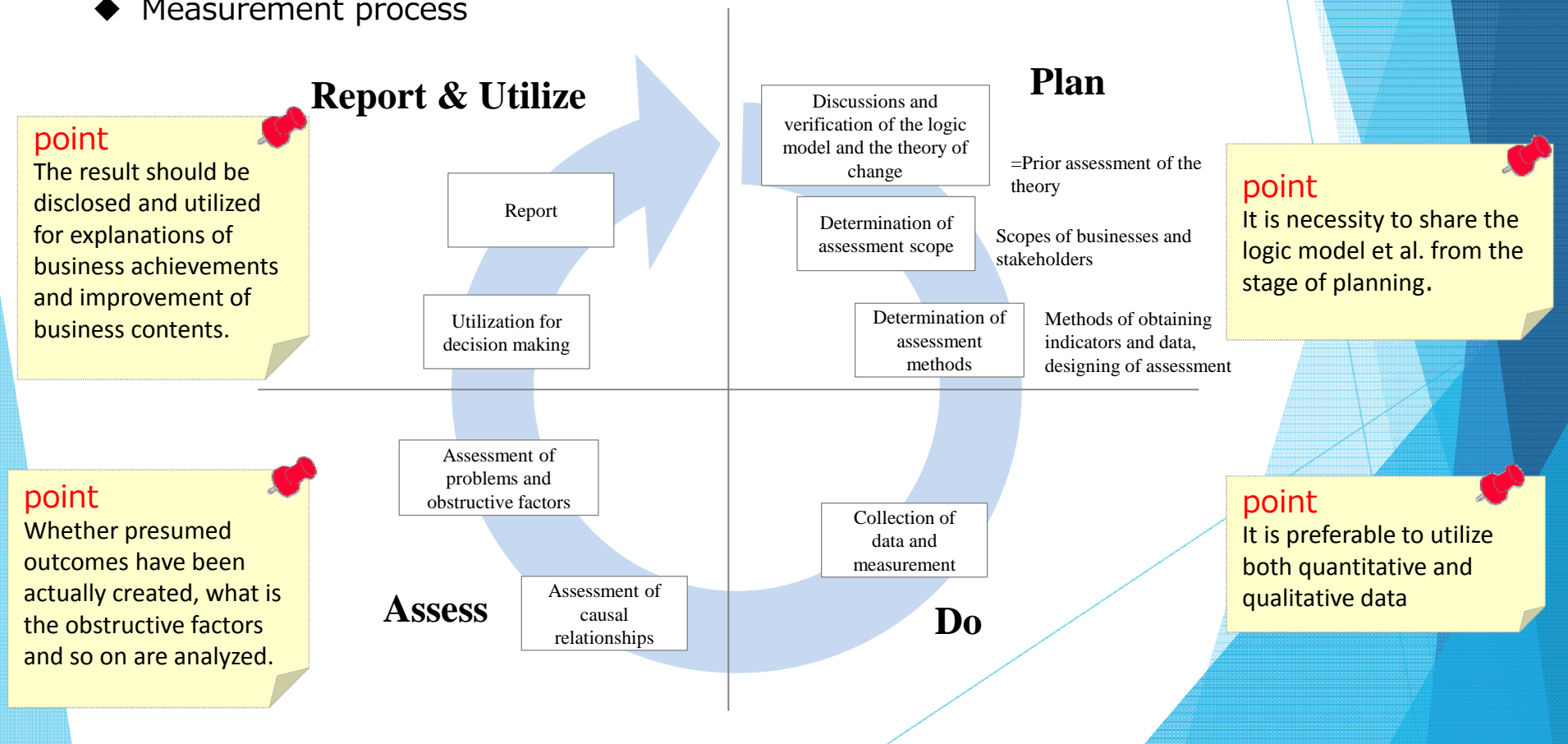


- ✓ Longer and wider outcomes they will grasp, the difficulty become increase.
- ✓ Clarify the scope to be covered in the measurement based on the measurement objectives, business recourses and so on.

3. Measurement Methods (2)

- ▶ What procedures should be followed (measurement process)
 - The process of the measurement roughly consists of four steps

◆ Measurement process



4. Reporting and disclosure of measurement results

it is preferable to disclose the following data necessary for stakeholders in understanding relevant businesses and judging the reliability.

e.g.)

- ✓ Outline of the organization and businesses, related stakeholders, the logic model
- ✓ Scopes of businesses to be assessed, targeted stakeholders and outcomes, and the grounds for specifying such scopes.
- ✓ Measurement methods (measurement techniques, indicator for each outcome, and methods of collecting data), and the grounds for selecting such methods
- ✓ Measurement results (including grounds for outcomes, analysis results of the outcomes, and limits of the analysis)
- ✓ Utilization of measurement results in decision making. et al.

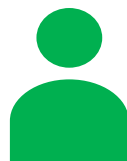
- ✓ **[Comply or Explain]** “whether to comply with the basic standards or to explain why not ”
Considering the principle of proportionality, it is impossible that all entities engaging in social businesses will acquire all material information and make reports. In fact, required information and data may sometimes be unavailable or a rough estimation may be made. Nevertheless, such limitations should be referred to and stated in reports.

5. Experience of Social Impact Measurement

- Opinions of a company conducting measurement

Q.1 What activities are you doing?

We have made investment in the FP Corporation that engages in recycling and manufacturing of food tray containers. The company is characterized with its unique technologies and high rate of employees with disabilities, with some of them assuming major posts.



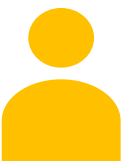
Kamakura
Investment
Management
Co., Ltd.

We are offering support for self-reliance and job search to young people suffering from various problems. Our users have difficulties in finding jobs due to their individual experience, family backgrounds, and attributes.



K2
International
Co., Ltd.

We engage in venture philanthropy business using the Japan Venture Philanthropy Fund, which we operate jointly with the Nippon Foundation



Social
Investment
Partners

Q.2 How to address the measurement?

We conducted social impact measurement for the FP Corporation in order to create a **visualization of its efforts** to hire people with disabilities and presented the measurement results at the general meeting of our customers (beneficiaries). We also **transmit our message** as a shareholder of the company, requesting it to further promote such activities.

When measuring social impact, we quantified levels of their difficulties based on their status and **shared within the company the awareness** that effective support programs differ depending on such levels of difficulties. Thanks to **numerical grounds added to our know-how**, which has been accumulated based on personal experience of each counselor, it has become possible to offer more concrete and effective support to each user.

We consider that social impact measurement **facilitated our learning and has led to business improvements.**

As part of our efforts for due diligence, we set KPIs for measuring social impact while **using logic models and other frameworks** in establishing business plans together with support recipients. By making social impact visible in this manner, the performance achieved by recipients is clarified, and at the same time, steps that recipients should aim at over a medium term **become clear in the process** of creating logic models and setting KPIs.

6. Issues and Counter Plans for disseminating

✓ Issues

- Lack of understanding concerning the significance and necessity
- Lack of understanding concerning methods
- Lack of tools such as standard methods and indicators necessary
- Insufficient basic information and shortage of reference materials (Definitions of terminology, translation of foreign papers et al.)
- Shortage of personnel for conducting measurement
- Bearing of costs and ideal forms of support

✓ Counter Plans (Plans should be taken)

- Holding of a symposium aiming to disseminate social impact measurement and establishment of a forum for promoting measurement
- Preparation of an measurement declaration and a roadmap by related parties
- Translation of measurement-related terms into Japanese and clarification of definitions
- Development of guidebooks on basic tools such as logic models and the theory of change in Japanese
- Listing up of related foreign documents and translation of major ones into Japanese
- Holding of training sessions for fostering personnel and implementation of model projects
- Sharing of knowledge by accumulating best practices and through peer review

Working Group on Social Impact Measurement

This WG's objective is below;

The WG was established under the Council for Promotion of the Society of Mutual Assistance which hosted by Minister of State for Economic and Fiscal Policy to make the first step of social impact measurement promotion in Japan. The fundamental concept, issues and experiences around the measurement would be collected and reviewed with experts. Moreover disseminating the achievement enhance the opportunities of practicing social impact measurement by stakeholders such as not for profit organizations, for profit organizations, foundations and fund mediators with providing the tools for discussion on measurement method development.