



VALUING RESPECT

— BY *Shift* —

Discussion Paper #1
Evaluating Business Respect for Human Rights:
Towards a Shared Way of Thinking

BY SHIFT



Rights and Permissions

Quoting, copying and/or reproducing portions or all of this work is welcomed provided the following citation is used: Shift, "Evaluating Business Respect for Human Rights: Towards a Shared Way of Thinking." New York, 2018.

About Valuing Respect

Valuing Respect is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people.

Learn more: valuingrespect.org

About Shift

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team facilitates dialogue, builds capacity and develops new approaches with companies, government, civil society organizations and international institutions to bring about a world in which business gets done with respect for people's fundamental welfare and dignity. Shift is a non-profit, mission-driven organization.

Visit: shiftproject.org Follow us at @shiftproject

© Shift Project, Ltd. 2018



Introduction

This is the first discussion paper for the *Valuing Respect* project which aims to develop better ways to evaluate business respect for human rights. Our focus is on outcomes for people, so we are interested in both evidence of actual outcomes for people once they have happened, as well as those factors that offer an indicator of a *likely* outcome for people, and which can be used to support good and prevent bad outcomes.

Our hope is to build multi-stakeholder consensus about how to think about information and indicators¹ when evaluating business respect for human rights. This can help set the foundation for shared learning and enable the development of new ideas, methodologies and types of indicators that carry wide support across stakeholder groups. It can increase the opportunity for mutually reinforcing analysis, tools and interventions – whether led by investors, business leaders, civil society, or governments.

The paper proposes two complementary ways to think about the breadth of information – and associated indicators - that might be useful in evaluating a company's human rights performance and therefore supporting improvements.

- First, we suggest a “**causal pathway**” model which looks at the process through which outcomes – in this context, effects on people's human rights - come about. The model here builds on long-standing experience from the development and organizational management fields.
- Second, we propose focusing on a **few features of an organization** which appear to significantly influence whether it operates with respect for human rights. We have offered four initial categories for discussion. They are: *Organizational culture; Business model and strategy; Business processes; and Company relationships with affected stakeholders.*

The paper presents an overview and rationale for each of these approaches. The project team will engage diverse experts and stakeholders to test these ideas and further evolve our thinking. Our questions include:

- Do the two ways of thinking about evaluating business respect for human rights make sense? What resonates and seems helpful? What might some of the challenges or pitfalls be?

¹ The term ‘**indicator**’ is used to refer to a type of information (evidence) – quantitative or qualitative – that signals the existence of something or a change in the state of something.



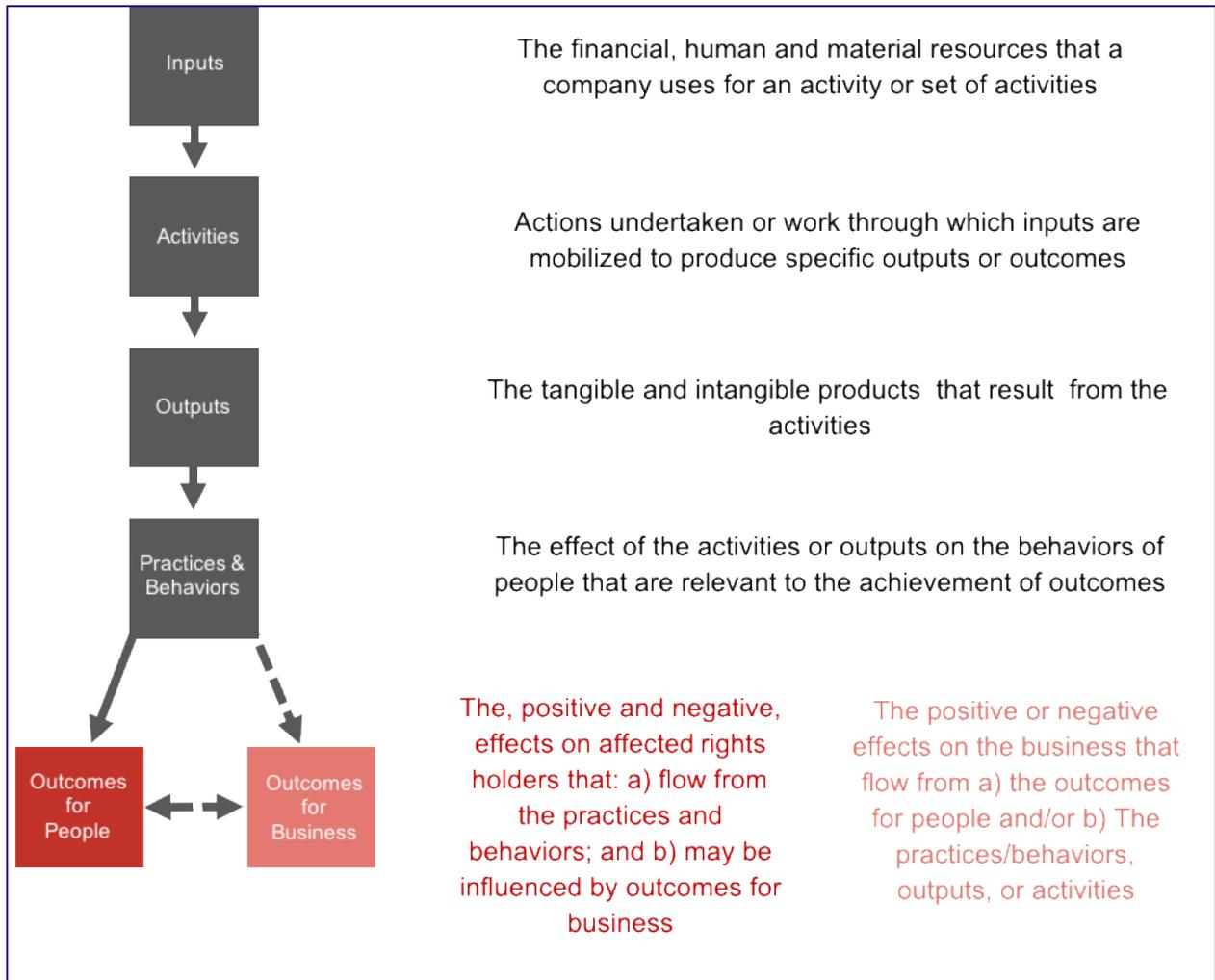
- Do stakeholders have experience of applying causal pathway analysis to tracking companies' human rights (or related) performance? What examples exist of clearly connecting outcomes for people with inputs, activities, outputs and behaviors/practices?
- What does focusing on key features of an organization offer to the challenge of evaluating business respect for human rights? Are the four features outlined here sensible starting points? What is missing?
- What methodologies – from the business and human rights field or beyond – exist for assessing the four features included, and how useful are they in our context?
- What other models or approaches should we be considering in this project?

A. Using Causal Pathways

Overview: A causal pathway model focuses on the process through which outcomes – in this context, effects on people's human rights – come about². It rests on a cause and effect sequence. Such models tend to include some configuration of inputs, activities, outputs, outcomes and impacts. They are used widely in diverse fields including development, public policy, and health and safety. However, this kind of model has yet to take hold in the corporate responsibility field, with a few recent exceptions³. We propose exploring the application of causal pathway thinking to the challenges of evaluating business respect for human rights. The following diagram illustrates this.

² The idea of something being 'causal' in this context has nothing to do with "cause" in the "cause, contribution and direct linkage" framework set out in the *UN Guiding Principles on Business and Human Rights*. The latter is about understanding the relationship of a business activity to an adverse human rights impact. We are using the causal pathway here to determine whether a strategy to avoid or reduce a negative impact is likely to work or not.

³ A notable example that is concerned with evaluation, and has informed our early thinking, is the *Social Capital Project* of the World Business Council for Sustainable Development. <https://www.wbcsd.org/Clusters/Social-Impact/Social-Capital-Protocol>



The descriptions and definitions along the pathway in the diagram above have been heavily informed by those used by development institutions⁴. But we have also adapted these to the business and human rights context. In particular, we have included:

⁴ Namely DFID, OECD DAC and the World Bank. See: *Indicators of Activities, Outputs, Outcomes and Impacts in Security and Justice Programming*, UK Department for International Development; 2013; *Development Results; An Overview of Results Measurement and Management*, OECD Development Assistance Committee, 2013; and *Results Framework and M&E Guidance Note*; The World Bank; 2013



- The category of **“practices/behaviors”** between “outputs” and “outcomes”. This reflects two considerations:
 - The existence of an activity (for example training or an audit), or an output (for example the results of an assessment) do not in and of themselves effect people’s human rights. What ultimately affects stakeholders are the decisions, actions, behaviors and practices of people in the company or a related third party (such as a business partner).
 - A practice/behavior is distinct from a process. A process is an intended sequence of actions that provides a template for everyone across the organization. A practice or behavior is something someone actually does, or a way in which they act. A practice or behavior may be in implementation of a prescribed process, be independent of any such process, or even be contrary to that process.
- The category of **“Outcomes for business”**: This recognizes the positive and negative impacts on the business related to outcomes for people (the so-called “business case”). This can be an especially important part of the causal pathway when it comes to allocating resources towards efforts to implement respect for human rights and the sustainability of improved practices. While our primary focus is on outcomes for business that flow from positive or negative outcomes for people, the dotted lines in the diagram indicate that it is also the case that good or bad outcomes for business:
 - might affect outcomes for people.
 - might flow from activities, outputs, and behaviors/practices yet have no effect on outcomes for people. For example, a company may stop doing business with a supplier or divest from a country due to on-going abuses of workers in its supply chain, with the sole result of reducing their reputational or financial risks, but no reduction in impacts on the workers concerned.

Potential benefits: The apparent benefits of a causal pathway approach to thinking about evaluating business respect for human rights include:

- Always **putting outcomes to people at the core** when evaluating company efforts to respect human rights. It is arguably easy to lose track of this in favor of a focus on the large volume of qualitative and quantitative information that is available regarding the earlier points in a causal pathway. Put another way, it can ensure we do not get stuck focusing on input, activity and output evidence (and disclosure) just because that is where data exists or indicators are easier to develop.



- Stretching us to **co-create in the harder spaces** (i.e. around behaviors/practices; outcomes for people, and outcomes for business) for which there may be limited information or indicators at the moment. Note that this might take the business and human rights field into new territory around which we need to learn from others – for example, behavioral science/economics in relation to practices/behaviors, the development field regarding outcomes for people, and non-financial accounting in relation to outcomes for business.
- Provoking **strategy development and evaluation against that strategy**. It is very hard to work with a causal pathway framework without being forced to make choices about how to achieve desired goals. Another way to think about this is that the causal pathway encourages some kind of “theory of change”.
- Forcing a level of **specificity of desired outcomes** and **rigor about inter-relationships** along the pathway. This could support better discussions within companies, in industry groupings, in multi-stakeholder settings and when designing policy interventions. It might also be a valuable guide for communication between companies and their stakeholders (including investors).
- **Applicability in diverse contexts**. For example, one could apply causal pathway thinking to a specific salient human rights issue (e.g. forced labor, privacy or land-related rights). One could apply it at a regional, country or local community level. One could apply it to efforts to embed respect for human rights across a corporate group or in specific functions, business units, subsidiaries or sites. One could apply it to a specific program of work or collaboration.
- Allowing both **prediction and reflection**. This approach allows space for analysis and conclusions about what actions are likely to lead to better outcomes for people in the future. At the same time, it might aid analysis of the reasons for bad or good human rights outcomes that have already occurred.
- Allowing **systems thinking analysis** to be introduced – for example, by thinking about unintended consequences, implicit assumptions, and the influence of actions/actors not in the original, core causal chain. This is particularly significant in the context of evaluating business respect for human rights. For example, the effectiveness of efforts to achieve better outcomes for people can be considerably influenced by contextual factors such as local law, and the actions of local and national governments, as well other business enterprises.



B. Focus on a few features of an organization

There are features among the complex realities of all organizations (within and beyond the private sector) which seem to significantly influence: a) whether desired practices/behaviors “stick”; and b) the likelihood of intended goals being achieved on a consistent basis. When considering how to evaluate business respect for human rights, we are suggesting four areas that the experience of different stakeholder groups would suggest are important. They are: *Organizational culture; Business model and strategy; Business processes; and Company relationships with affected stakeholders.*

- 1) **Organizational culture:** This can be defined as the values and behaviors that contribute to the unique social and psychological environment of an organization⁵. For our purposes, the question is to what degree a company’s culture (values and behaviors) are rights-respecting. Many things – such as leadership, governance, senior management messaging and example-setting; performance incentives, professional codes and training - affect values and behaviors. A positive “culture” in the form of *values and behaviors* is the desired effect, yet we rarely seek to evaluate this, much less create qualitative and quantitative indicators as a basis for improvement.

Because organizations – in particular large multi-national corporations – are rarely homogenous, attention might also be paid to evaluating the values and behaviors in a given business function (such a legal, sales and marketing, government relations or procurement) or in a given geography. Other important considerations might include: what values and behaviors prevail when responding to crisis, threats to reputation or negative human rights outcomes; to what degree “bad news” or criticism is embraced; and how an organization embeds learning from its own errors (or indeed the errors of peers).

- 2) **Business model and strategy:** A business model is a description of how a business creates value. It includes a number of underlying assumptions about what customers value and the realities of delivering that value to customers at a given cost⁶. Conceived in this way, the success of a given business model and approach to creating value in the market might be dependent (implicitly or not) on economic realities that have human rights consequences e.g. the gender-pay gap; reduced labor costs abroad due to low wages; or consistent access to natural resources/raw materials at a given price.

Business strategy and related strategic decisions are further areas that appear to merit focus when evaluating business respect for human rights. A business strategy is about how a given company goes about achieving its financial and other goals, usually with a focus on how to out-perform

⁵ Based on <http://www.businessdictionary.com/definition/organizational-culture.html>

⁶ Magretta, J. *Why Business Models Matter*, Harvard Business Review, 2002. Link: <https://hbr.org/2002/05/why-business-models-matter>



competitors. This might include the creation of a new business model (often referred to as “disruption”) but can often be about subtler decisions such as pricing, entering new markets, competing on speed of delivery to customers, acquiring and selling assets, partnering, outsourcing etc. Any such choices may carry human rights implications, depending on how they are designed and implemented⁷.

Because business models and strategy are so fundamental to the commercial success of a company (and return to shareholders), the extent to which a company addresses human rights risks inherent in its business model and strategy would seem indicative of the credibility of its commitment to respect human rights. Making business models and strategy a focus of evaluation (and improvement) of business respect for human rights arguably takes us closer to the so-called “mainstream” of what senior leaders in a company focus on. Further, it may open up space for considering relationships between traditional commercial targets and indicators, and targets and indicators concerned with outcomes for people.

- 3) **Business processes:** Processes are the means by which organizations (whether in the private, public or not-for-profit sector) sequence and guide tasks and activities to get things done to meet objectives. In a business context, processes might include standardized approaches to resolving customer complaints, new product development, procurement or capital/resource allocation. A focus on processes can offer a powerful lens for understanding organizations because it opens up the black box of an enterprise to demonstrate how strategy and policy commitments are connected to roles, responsibilities and expectations of different parts of the firm⁸. Understanding the processes in place regarding a given objective offers one way to understand how a company functions on a day-to-day basis to achieve desired results.

The UN Guiding Principles on Business and Human Rights set out the need for companies to have certain formal processes in place to implement their responsibility to respect human rights. We believe that it is therefore important to evaluate the processes that significantly - intentionally or unintentionally - affect the ability of the company to reduce human rights-related risks and impacts. These include but are not limited to: a) human rights due diligence (assessing, identifying, acting upon, tracking and communicating about actual and potential human rights impacts); and b) remediation processes to address actual impacts that occur.

⁷ Investors can play a significant role in setting the time horizon and focus of business strategy. Investors concerned with short-term valuation might, for example, only be concerned with “strategy” as it relates to meeting quarterly targets. In the extreme, so-called activist investors might see and drive cost savings or price hiking that have an immediate adverse impact on human rights.

⁸ Garvin, D. *The Processes of Organization and Management*, MIT Sloan Management Review; 1998, Link: <https://sloanreview.mit.edu/article/the-processes-of-organization-and-management/>



4) **Company relationships with affected stakeholders:** Relationships with people who have been or may be affected by business activities are influenced by a number of factors beyond those activities themselves. These include the extent to which, and manner in which, companies communicate with, engage with, listen and respond to, involve and partner with, seek to learn from or otherwise invest in relationships with these stakeholders. Meaningful indicators of the quality of a company's approaches to engagement with affected stakeholders, and the experience of affected stakeholders of that relationship, may serve as good proxies for the likelihood of those stakeholders' human rights being respected. Of course, forming positive relationships with affected stakeholders is not always straightforward for a company, nor are relationships easy things to evaluate. For example:

- where a brand or corporate group identifies the likelihood of risks to people (e.g. forced labor) in their value chain they may not easily be able to identify the precise location in the value chain where the at-risk individuals are, much less form a relationship with them. This might require building relationships with legitimate proxies, such as representative organizations or victim's groups.
- where direct relationships between companies and rights-holders exist they can be positively or negatively disrupted by interventions from third parties (for example government, other companies or interest groups).
- even within a relatively small and identifiable group of affected stakeholders, individuals may have quite different experiences of engagement with the company.

As such, evaluating the quality of processes that build and sustain relationships, and the experience of affected stakeholders of the relationship, will require care and ingenuity.

Conclusion

Here we have offered two ways of thinking about evaluation of business respect for human rights, each of which we believe may have value in its own right and be compatible with the other. We present these for consultation and look forward to receiving views from all stakeholders with an interest in this conversation.

We believe that multi-stakeholder consensus about how to think about evaluating business respect for human rights can help set the foundation for the development of new ideas, improved methodologies and types of indicators that carry wide support across stakeholder groups. We foresee that this would, in turn, increase the opportunity for mutually reinforcing analysis, tools and interventions – whether led by investors, business leaders, civil society, or governments.