VALUING RESPECT
BY *Shift*

Developing Indicators of Rights-Respecting Leadership and Governance

An Overview

Introduction

The *UN Guiding Principles on Business and Human Rights* set the expectation that a company's commitment to respect human rights "be embedded from the top of the business enterprise through all its functions, which otherwise may act without awareness or regard for human rights." Embedding has implications for how the most senior business leaders behave, as well as the governance systems they put in place to direct and control the company.

This resource offers a menu of indicators for rights-respecting leadership and governance that companies and their stakeholders can draw upon to **gather signals about a company's commitment, seriousness and competence to embed respect for human rights into the business**. The indicators have been developed to be relevant to all companies regardless of size, ownership structure or industry. They are intended for use by:

a. Business leaders seeking to assess the strengths and weaknesses of their company leadership, governance and culture with regard to respect for human rights; and
b. Investors and civil society organizations to inform their analysis, strategies and efforts aimed at incentivizing companies to respect human rights.

Focusing on Culture

The indicators of company leadership and governance that we currently pay attention to tend to focus on formal systems - such as explicit codes of conduct, policies and procedures; organizational structures, roles and responsibilities; and formal rewards (such as incentive compensation) and punishment. This is understandable. These items are important and relatively easy to verify – from within and sometimes from outside the organization.

But the current focus risks over-valuing those aspects of leadership and governance that are about compliance with external requirements or expectations. More importantly, it risks implying that the role of business senior leaders is simply to put in place formal governance systems and processes that set out how things s*hould* happen in an organization. Our current focus misses the profound role that senior leaders and the governance systems play in influencing how things

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actually happen in the organization: that is, on how they affect organizational culture. In the words of Harvard Business School Professor John Kotter, organizational culture can be understood as:

> "norms of behavior and shared values of a group of people. *Norms of behavior* are common or pervasive ways of acting that persist because group members tend to behave in ways that teach these practices to new members, rewarding those who fit in and sanctioning those that do not. *Shared values* are important concerns and goals shared by most of the people in a group that tend to shape group behavior and that often persist over time even when group membership changes." (*Leading Change*, HBS Press, 1996, p. 148)

With this backdrop in mind, and as a precursor to drafting leadership and governance indicators, the Valuing Respect project conducted desk research, interviews and consultations around the question: **What are the unique features, or norms of behavior and shared values, of a truly rights-respecting company?** We started by looking at more mature business areas, such as safety, ethics, and diversity to find out what kind of culture supports the desired business conduct and outcomes for workers. We also spoke to leaders from across business, the investor community and civil society to seek their "views from the coalface". And we kept front of mind the letter and spirit of the UN Guiding Principles on Business and Human Rights. A short discussion paper *Rights-Respecting Corporate Culture: Identifying the Cultural Norms and Values that Underpin Business Respect for Human Rights* can be found at the Valuing Respect portal.

Our conclusion is that the norms and values that support a rights-respecting culture resonate with other aspects of a responsible corporate culture. However, four norms and values appear to be particularly important, and even unique, for respecting human rights. They are:

- **Authenticity of Commitment:** meaning that the organization acts in a manner consistent with its publicly asserted commitment, including when faced with inevitable tensions between respect for human rights and other business goals.
- **Responsibility and Accountability:** meaning that respect for human rights is embraced as the duty of people in every part of the business, and that key staff are empowered and motivated to embed respect for human rights across the company.
- **Respect and empathy:** meaning that everyone in the organization is motivated to know and care about whether and how it might be involved with harm to the human rights of people, including to remote individuals and communities.
- **Openness and learning:** meaning that the organization seeks out and embraces new insights about human rights risks and makes an effort to learn from its mistakes as well as successes;

The Structure

This Valuing Respect resource offers a menu of indicators for leadership and governance that are critical to achieve these four norms and value that underpin a rights-respecting culture. For each of the norms and values, indicators are organized in relation to three questions.

1. What **formal governance** arrangements and processes should senior leaders put in place?
   These indicators reflect the relevance of formal structures as the framework that informs behaviors critical to a rights-respecting culture. They are most likely to be reflected in formal disclosure and most easily measurable.

2. How should **senior leaders themselves act** and what should they do to show that they value respect for human rights?
   These indicators reflect the importance of senior leaders modeling the norms and values through their own words and behaviors in interactions inside and outside the business. They will be largely qualitative and may be observable to some extent outside the organization.

3. If the above (formal arrangements and leadership actions) are in place, what **perspectives and behaviors should be observable among employees** across the organization?
   These indicators reflect the evidence of whether and to what extent the behaviors that formal structures and leaders' actions are aimed at achieving translate into the actual culture of the organization. They are most difficult to measure outside the organization but can be measured through employee surveys and other qualitative techniques.

Throughout the indicators, we use the term "senior leaders" to include, but not be limited to, the most senior executives of the company (such as the CEO, COO, CFO, General Counsel etc.). The term also includes other individuals who hold important leadership positions, such as heads of departments or functions, country or regional office managers, or general managers of specific operational sites.

Next Steps

The Valuing Respect project team is currently testing drafts of the Leadership and Governance indicators with various stakeholder groups. We will publish a more developed draft on the project portal in Q4 of 2019 for wider stakeholder feedback.

We welcome interest from anyone who would like to be directly involved in discussions of the indicators.

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