

Evaluating business respect for human rights

A Theory of Change Methodology to Develop Meaningful Indicators

Introduction

Why this resource?

Companies and stakeholders have a genuine desire to understand the effectiveness of efforts to do business with respect for human rights. What works? What is leading to genuine change in business practices and behaviors? What makes a positive difference to the lives of affected people?

When we want to track something, our tendency is to jump straight to measurement: developing indicators, agreeing on metrics, and collecting data. This does give us more information about what is happening (e.g. the scale and location of forced or child labor in a supply chain, or the number and nature of local community grievances at a mining location). It can even provide information about changes over time.

But measurement and monitoring alone do not help us to understand *why and how* things are happening, nor whether the things happening are *achieving desired outcomes*. We often end up with more information, but no rigorous way of making sense of it. We have more knowledge, but not always more wisdom. Learning and insight is limited.

This methodology, around which we are building a tool for practitioners, offers a way out of this. It provides a simple framework for companies and their stakeholders to develop and work with indicators in ways that support learning about what is working and why, in relation to their specific objectives for advancing business respect for human rights. Its purpose is to support decision-making and allocation of resources towards what is effective in delivering tangible outcomes for workers, consumers, and communities.

The Proposition

The proposition is that companies and their stakeholders should apply “Theory of Change” thinking to their specific objectives for advancing respect for human rights. The theory of change approach is not a Valuing Respect project

invention; we are drawing on well-established monitoring and evaluation practices from other fields, namely international development, public policy and organizational learning.

The theory of change approach provides a way for companies and their stakeholders to:

- **Develop indicators** by identifying what needs to be measured, with reference to the outcome they want to achieve and the means by which they are trying to achieve it.
- **Address information needs** by identifying the strengths and weaknesses of the information they already have access to, and any gaps in that information they may need to fill.
- **Improve decision-making and action** by organizing and learning from information when they have collected it so as to:
 - Allocate resources more effectively;
 - Improve interventions; and
 - Achieve better outcomes for people.

The steps in this method can be applied to any and all efforts to prevent, mitigate and remediate human rights impacts, regardless of industry, operating context, or human rights issue. It can be used:

- when designing and launching new interventions or evaluating existing efforts.
- to evaluate an individual intervention or a number of interventions targeted at the same outcome.
- to evaluate action taken by companies individually, with industry peers or via multi-stakeholder initiatives.

This approach assumes that a company has already identified human rights risks, prioritized which to put greatest resources into tackling first, based on their severity, and is now looking at the interventions to tackle one or more of those priorities. For more information about this aspect of human rights due diligence, see:

<https://www.ungpreporting.org/resources/salient-human-rights-issues/>

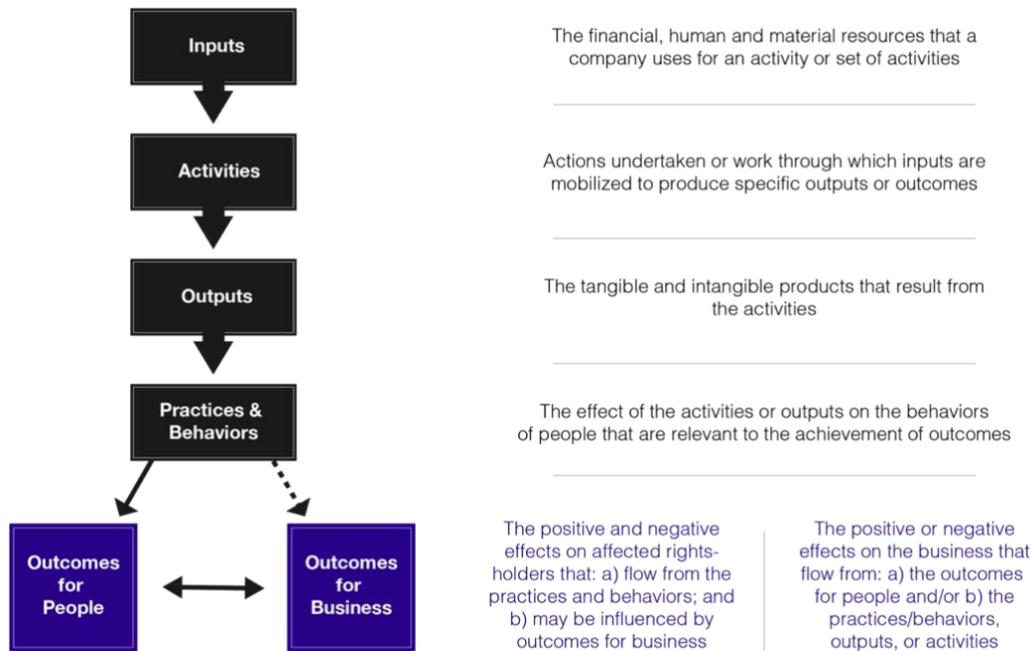
What does this introduction cover?

- I. A Theory of Change Framework adapted to the context of business respect for human rights
- II. Three headlines about theory of change thinking
- III. A step-by-step guide for using the framework in your own work
- IV. Working with assumptions
- V. Tips about indicators

The final product will be in the form of tool for practitioners, accompanied by examples of the tool's application.

I. A Theory of Change Framework for evaluating business respect for human rights

A Theory of change focuses on the process through which outcomes are produced. Models developed in the fields of international development and public policy tend to include the same core elements of inputs, activities, outputs, outcomes and impacts, based on a cause and effect sequence. The method outlined here adapts the model, as illustrated below, to fit the particularities of evaluating business respect for human rights.



This graphic was created by Shift Project, Ltd. All rights reserved © 2019

This version of the theory of change adapts the typical model in three ways:

1. The addition of “practices and behaviors” between “outputs” and “outcomes”. It can be relatively easy to measure the outputs of an activity such as knowledge gained by participants in a training event, or corrective actions identified through an audit process. Both activities may aim to improve the treatment of workers in factories, but will by no means necessarily achieve that outcome. Yet measuring the actual outcome for workers consistently over time can be difficult and resource intensive. The category of “practices and behaviors” provides a midpoint of evaluation that focuses

on the desired changes in human behavior. For instance, it shows whether knowledge acquired or a corrective action identified actually changes what gets done in the workplace and how. This is a much stronger indication of whether workers are likely to be treated better than we get from outputs alone. Practices and behaviors can often be more easily and consistently measured than can the ultimate outcomes themselves. Once a clear and replicable connection between practices/behaviors and outcomes is established, they can be valuable and scalable indicators of likely outcomes.

2. Focusing on tangible outcomes for people, not general impacts: This model omits the category of “impact” that is often placed after “outcomes”, and represents a higher-level societal benefit that is desired over a longer period of time, such as “increasing median wages by 20% in the next 15 years”. It can be helpful to have this kind of higher-level impact in mind when thinking about a theory of change. However, given the number of factors involved, it is particularly difficult to evaluate how one company, or even industry, has contributed to it. Therefore, it did not seem useful to include in this model.

3. The distinction between “outcomes for people” and “outcomes for business”. The aim of responsible business initiatives and practices is to improve outcomes for people (and/or planet). However, it can be helpful to show where these efforts also bring benefits to the business itself – for example in cost savings, reputational improvements, or new business opportunities. This builds the case for embedding these practices routinely into how business gets done. At the same time, positive outcomes for business are not necessarily positive outcomes for people. For example, a company may eradicate forced labor from its own supply chain, but the workers concerned may simply have been pushed into other jobs in which conditions of forced labor persist. This distinction therefore requires us to evaluate the two types of outcome separately.

The Outputs conundrum

It is important not to under-value outputs (the tangible and intangible products that result from activities). In the context of business respect for human rights they can include: new knowledge (in the form of findings from impact assessments, or non-compliant practices found through factory audits); updated business processes or standard operating procedures; increased awareness among employees about how to identify and address human rights risks; or new attitudes and mindsets towards vulnerable workers and communities.

Yet, it is equally important not to over-value outputs. The reality is that outputs are not the same as new practices or behaviors, but they can easily be mistaken as such. The generation of outputs can provide a false sense of security that we are making a difference— consider the proverbial reports collecting dust on a shelf! Outputs are tricky in this regard, not least because the ease with which they can be seen or counted makes them appealing as a form of “evidence”.

The trick is to walk a line that values, while not inflating, the importance of outputs. This is another benefit of the theory of change model: it recognizes outputs but forces the tough “so what?” question.

II. Three Headlines about Theory of Change thinking

A Theory of Change is a description of how and why change is expected to happen with reference to a desired outcome. In the context of business respect for human rights, the question is how and to what extent positive outcomes are achieved as a result of a company's prevention, mitigation and remediation initiatives. By way of introducing theory of change thinking, we offer three headlines.

Headline One: A theory of change model demands that we think systematically and robustly about the necessary requirements and conditions to achieve a desired outcome. It does this by forcing attention to two questions: What is required to move from an activity to the desired outcome? What are the assumptions about the context of our intervention, on which our theory of change relies?

- *What is required to move from an activity to the desired outcome?* Theory of change models follow an “if this, then this” logic along the sequence from inputs to activities, outputs, outcomes and impacts: if these inputs are in place, then we can do these activities; if we do these activities, we will deliver these outputs, and so on. This is a simple way of thinking that addresses the often unexamined space between what we do, and the ultimate goals we want to achieve. It forces clarity on what is required at each step to achieve results.
- *What are the assumptions about the context of our intervention, on which our theory of change relies?* It is not enough to think narrowly about the requirements we need to put in place to achieve outcomes. Change always happens in a context that can be highly influential in whether our interventions actually work. Therefore, we need to identify and articulate clearly what those assumptions are.

Headline Two: A theory of change provides a backbone to identify what to measure, address information gaps, and analyze the results. Once the theory of change and its underlying assumptions are clearly set out, we can identify what to measure. But we can also identify the weaknesses or gaps in the information we already collect. Once we start measuring the right things and addressing information gaps, new insights become possible.

It is quite common to find that organizations are measuring inputs and activities, and also some outputs. However, there tends to be much less focus on the intended outcomes themselves. This reflects that it can be more difficult to evaluate those later steps in the pathway, which is something we are addressing in our wider research and future products within the Valuing Respect Project. A theory of change model stretches us to think about indicators and information needs at all stages in an intervention, and the relationship between them.

The resulting eco-system of indicators and real-world data then allows us to see the actual relationships of cause and effect across the theory of change. This provides an evidence base to identify how our activities relate to the change we are trying to deliver.

Headline Three: A theory of change model involves a level of simplification of highly complex realities, and offers a practical way to shed light on the links between activities and desired outcomes. Company efforts to address human rights risks take place in complex environments, often with many variables and actors ultimately influencing outcomes. Even within a company, the task of identifying the numerous variables that impact the behaviors and practices of colleagues can be daunting. This complexity begs the question of whether Theory of Change thinking is appropriate. Can it account for complexity and unpredictable changes in social and political contexts in which human rights are realized or undermined? Isn't this model too linear for the type of multi-layered systems change that many interventions are aiming for.?

Yes and no. No model will perfectly capture the richness of the real world. But good models create enough leeway for embracing complexity while not getting paralyzed by it. Theory of change thinking strikes this balance in a few ways:

- First, the discipline of identifying the underlying conditions on which any theory of change depends – which the model captures as “assumptions” at each step in the chain – should go some way to capturing the relevant contextual factors that can influence outcomes.
- Second, it may be that an overall “intervention” is made up of different activities taking place in parallel, all intended to contribute to the same outcomes. This is normal and accommodated in most theories of change.
- Third, if a certain set of circumstances is identified as highly influential - even determinant - of the outcomes being pursued, then it points to the need for a company to invest attention in addressing those circumstances as part of its efforts to achieve change. This additional, parallel effort can be designed and evaluated using the theory of change method.

In short, a theory of change approach allows for thinking systemically about change. It can help us make sense of complexity while still offering a simple way to evaluate the relationship between our efforts and desired outcomes. In the context of business respect for human rights, the relatively simple framework can move us beyond current disconnects between actions and outcomes.

III. Step-by-Step Guidance

Anyone can apply the Valuing Respect Theory of Change Framework to evaluate business respect for human rights. We have developed a beta XL tool to support this. But it can be done in a notebook, on a flipchart or whiteboard, or on a wall using post-its. You can use the approach sitting alone in an office, as part of a meeting with colleagues or even as part of your company’s engagement with stakeholders. Whatever the approach, we suggest using the steps outlined below as a guideline.

<p>Step One Establish what you are trying to evaluate</p>	<p>Be clear about the specific intervention you are trying to evaluate. An “intervention” could be any effort to prevent, mitigate or remediate an adverse human rights impact. Also, be clear about the human rights outcomes that the intervention is seeking to achieve.</p>
<p>Step Two Articulate your Theory of Change</p>	<p>Develop your Theory of Change by populating each step along the pathway. Start wherever feels best; there is no need to work in a purely linear fashion. You should, however, be clear about each step and the logic linking it to what goes before and after.</p>
<p>Step Three Make all the assumptions explicit.</p>	<p>Be clear about the underlying conditions – or assumptions – on which your theory of change relies. Do this for every step along the pathway. Think about internal organizational realities, factors that might disincentivize the behaviors you are trying to embed, external conditions that can help or hinder you in your aims, and the influence of other actors on the outcomes you are trying to achieve.</p>
<p>Step Four Develop indicators</p>	<p>For each step along the theory of change, identify what qualitative and quantitative indicators will, if tracked, give you a good sense of the existence, scope, scale and nature of the input, activity, output, practice/behavior or outcome. Do the same for the assumptions, with particular attention to those that pose the greatest risks or vulnerability to the theory of change. See Section IV for initial tips about indicators.</p>
<p>Step Five Identify Information Needs</p>	<p>For each of the indicators, ascertain if you have access to the information needed to track that indicator. This will allow you to see gaps where information does not exist, as well as strengths. It’s also important to ask if the information and data you do have is appropriate and reliable for the indicator in question.</p>

Step Zero: Identifying and Prioritizing Human Rights Risks

This resource has been developed to help companies evaluate the effectiveness of efforts to prevent, mitigate and remediate adverse human rights impacts. It assumes that a company has identified human rights risks, prioritized which to put greatest resources into tackling first, based on their severity, and is now looking at the interventions to tackle one or more of those priorities. This is Step Zero. For more information about this aspect of human rights due diligence, see:

https://www.shiftproject.org/media/resources/docs/Shift_SERworkshop_identifyHRrisks_2014.pdf

IV. Working with Assumptions

1. Why assumptions? What are they?

Identifying assumptions is one of the most valuable aspects of theory of change thinking. Assumptions are the – often ignored - dynamics that can significantly enable or get in the way of progress between different steps in the theory of change pathway. Whatever their nature and detail, working pro-actively with assumptions:

- Makes risks or threats to the success of the intervention explicit so that those risks can be monitored and managed.
- Highlights the need for additional, complementary actions to address especially high risk assumptions.
- Suggest that, in fact, a different intervention based on new theory of change is required.

In the context of business respect for human rights, the types of assumptions that are important to make explicit and track as part of evaluation will vary. Some examples are assumptions about the *quality* of an activity (e.g. training, assessments, or engagement with stakeholders); assumptions about how organizational culture supports, or undermines, new attitudes and mindsets; assumptions about commercial or other pressures that undermine efforts to support a supplier adopt a new practice or behavior; and assumptions about how local socio-political realities interplay with desired human rights outcomes.

2. Engaging with tough questions

In order to surface assumptions, some helpful questions to ask will include¹:

¹ Questions informed by: http://www.theoryofchange.nl/sites/default/files/resource/toc_notes_3_working_with_assumptions_in_a_toc_process.pdf

- If this activity happens, will the desired knowledge and mindset changes really be the result?
- With regards to the practices/behaviors of colleagues, do people have the power to make the change we are assuming will happen: power to, within, over, with? What do we think motivates people to act, participate, change?
- If our theory of change depends on business partners investing time and money into addressing human rights risks, are we certain that they can afford to do this? Are there countervailing commercial pressures that disincentivize the actions or behaviors we are seeking to instill?
- When it comes to engagement with workers and communities, what are we taking for granted about their motivations and capacities?
- What political, economic or organizational dynamics are needed to achieve the desired outcomes we want, or might prevent those outcomes from being achieved?
- What other factors beyond outcome for people will improve or diminish outcomes for business (such as absenteeism, productivity, yield, or customer demand)?

Assumptions are often blind spots in our own thinking, so much so that we might not even ask the right questions to surface them. Further, it is not uncommon to be reluctant to seriously interrogate our own theory of change, or to simply lack insights about local contexts in which we are trying to achieve certain outcomes. A practical way to address this is to invite stakeholders to critique and add to your thinking. Stakeholders might come from within your organization or industry peers, or from expert organizations and affected stakeholder groups.

V. Tips about indicators

Here are some key considerations for designing indicators to evaluate the effectiveness of a program or intervention for responsible business conduct.

1. Quantitative and qualitative indicators

Quantitative indicators are measures expressed directly as numbers, such as the number of staff on contract or the percentage of women in the workforce. Qualitative indicators are based on judgments, perceptions and other subjective information. They may be translated into a numeric form, such as a percentage increase in perception of safety in the workplace, or staff satisfaction with canteen food on a scale of 1 to 5.

Quantitative indicators often feel intuitively more precise and therefore “true”. Yet they can be misleading – or at least misinterpreted – if they are not supported by qualitative indicators or otherwise placed in context. For example, an increase in the number of grievances received may suggest an increase in problems. Or it may be the result of improving a grievance mechanism so that people now trust in using it to raise concerns, enabling them to be addressed earlier. A

qualitative indicator of trust in the mechanism would help ensure a correct interpretation of the quantitative indicator. It is often a combination of the two types of indicator that provides the more robust evaluation.

2. Leading and lagging indicators

Lagging indicators look for evidence that something has happened, such as the number of injuries/fatalities or the number of allegations of sexual harassment. In the context of the steps in a Theory of Change Framework, outcomes for people or for business are lagging indicators. Leading indicators look for evidence of the likelihood that something will occur in the future. For example, an increase or reduction in the rate at which workers use protective equipment is an indicator of behavior/practice that acts as a leading indicator of injuries or fatalities. An increase in the frequency of informal engagement by company staff with local communities (a behavior/practice) may be a leading indicator of improved outcomes for communities and related positive outcomes for the business. However, that assumes that those engagements with communities meet certain expectations, and that they influence business decision-making. That assumption therefore also needs to be evaluated through appropriate indicators.

Good leading indicators help a company effectively and consistently prevent or mitigate negative impacts, as against just reacting to the lagging indicator data. But companies need both together to build a full picture. Research shows that while good lagging indicators are often the same across companies and even industries, leading indicators typically need to be more specific to the individual company and the maturity of its own systems².

3. Simple, complex and composite indicators

Simple indicators use just one type of data, such as the number of audits completed or the number of people using a grievance mechanism. Complex indicators use different data to measure one phenomenon in a way that tells a fuller story. For example, a complex indicator might be the number of smelters that achieve and retain a certification level over a three-year period, or the number of workers reporting a high level of satisfaction at work by the end of the year. A composite indicator combines different data types that relate to distinct phenomena but are seen as useful when grouped together. Examples might include an overall social audit score, a balanced scorecard or the ESG ranking of a company.

Simple indicators often give very limited insight as they lack context that complex indicators may do a better job of delivering. Composite indicators may be particularly attractive when trying to convey progress at a high level. However, they can easily conceal real problems. For example, an ESG ranking may show strong performance overall due to high achievement on environmental and governance issues, but mask a poor performance on one or more social issues that

² <https://www.icmm.com/website/publications/pdfs/health-and-safety/4800.pdf>

pose a major risk to people and to the business itself. It is important to ensure that these scores can readily be disaggregated and checked to avoid missing this kind of issue and providing false comfort.

4. Indicators that distort what they aim to measure

It has been extensively documented that some indicators have the unfortunate effect of distorting the very thing they wish to measure³. This can happen, for example, when an indicator is used as a target to be met or as a metric for judging a person's or organization's performance. Going back to the example of grievance mechanisms, while it is valuable for management purposes to know whether and why numbers of grievances are increasing or decreasing, if a reduction in grievances becomes a target for a factory or mine site, people typically start to perform to the target rather than focusing on the original purpose of the grievance mechanism. So, some grievances may be reclassified as something different – general questions or issues raised, for example; or a culture may develop of discouraging people from raising grievances in order to meet the target. This undermines the purpose of the mechanism, which is to enable issues to be raised and addressed early on. When designing indicators for interventions that should advance responsible business conduct, it is important to look carefully at how those indicators will be applied, what consequences will attach to them, and whether that affects their likely value as indicators.

³ See, for example, Muller, J. *The Tyranny of Metrics*, Princeton University Press, Oxford, 2018.