

V

**Achieving
Responsible
Business Conduct**

Program Evaluation and Organizational Learning

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*T*his manual concludes by discussing the basic concepts and practices of evaluating a business ethics program as an integral part of organizational learning. The purpose of this chapter is to demonstrate the power of program evaluation and to re-emphasize the role of the individual enterprise as part of the solution to the challenges facing business in all markets, especially emerging market economies.

Ensuring Organizational Learning

Organizational learning is an integral part of how a responsible business enterprise (RBE) improves its business performance, makes profits, and increases the prosperity of its community through its decisions and activities. For an RBE, organizational learning is a way of life that enables it to adapt to the conditions facing it and learn how to “continuously expand its capacity to create the future it truly desires to live.”¹ Organizational learning is essentially a characteristic of an RBE’s organizational culture, as described in Chapter 4. Organizations share this information consciously on one level, record it in documents on another, but ultimately store it in their cultures.² If the drive to learn has not developed in the organizational culture, then management admonitions to generate, share, or access knowledge will be for naught.

This chapter addresses the last of the eight fundamental questions owners and managers must ask

- **Ensuring Organizational Learning**
- **Importance of Program Evaluation**
- **Developing a Data Collection Plan**
- **Reporting Program Performance**
- **Conclusion— and New Beginning**

themselves: “How should we monitor, track, and report our performance as an enterprise and continuously learn from it?”³

A business ethics program is an integral part of how an enterprise learns as an organization. It is a form of action learning—a process and culture of learning by doing.⁴ By evaluating program performance, an enterprise determines:

- How it learns what it needs to know (relevant context and internal scanning),⁵
- How it gathers, stores, and shares information and knowledge (standards and procedures, infrastructure, communications, program evaluation, and organizational learning),⁶
- How it uses information and applies that knowledge to pursue the enterprise purpose and meet reasonable stakeholder expectations (enterprise alignment practices).⁷

The goal of a business ethics program is to help owners, managers, employees, and agents work together to pursue the purpose of the enterprise and to achieve its goals and objectives. As the author cited in Box 10.1 argues, this is an essential management process.⁸ To benefit from a business ethics program, then, an RBE needs to have a firm understanding of how its decisions and activities affect its stakeholders.

Specific expected program outcomes were developed in Chapter 4 and are discussed later in this chapter. Once a business ethics program is in place for some period of time, owners and managers need to ask themselves how the enterprise performed. This manual recommends that owners and managers ask a number of questions, including the following:

- How well did we face the pressures of our relevant context, and what pressures will we face in the years ahead?
- How well did our organizational culture perform, and how has it changed over the relevant period?
- Did we set and adequately communicate appropriate standards and procedures for our employees and agents, and are they following them?
- Have we fostered reasonable expectations among our stakeholders, and have we satisfied them?
- Is our business ethics infrastructure supporting our strengths and compensating for our weaknesses?
- Are our management practices aligned with our core beliefs and consistent with our standards, procedures, and expectations?
- Have our expected program outcomes been realized?

PERFORMANCE MEASUREMENT

A central conundrum of performance measurement is that the most readily calculated and by far the most visible of all performance measures are those related to *historical* shareholder value creation; yet the most important measures relate to the future—those that define the firm's competitive position and ability to create long-term value—and are difficult to gauge

and dependent on the future actions of employees, customers, and competitors. Corporate leaders have a responsibility to ensure that the management processes achieve a balance among the goals that reflects the priorities embodied in the corporate purpose and counteracts the tendency of short-term financial goals to dominate longer-term strategic ones.

Richard R. Ellsworth
Leading with Purpose

- What have we learned through the business ethics program over the relevant period?
- Where do we go from here?

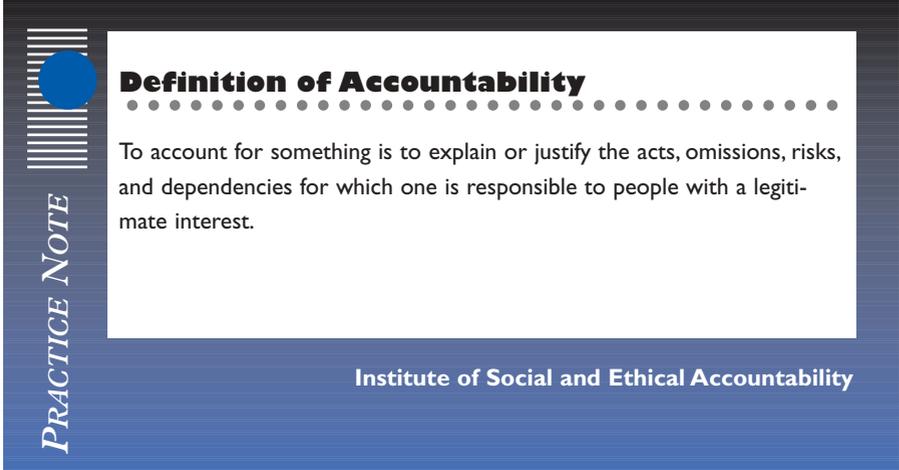
An effective business ethics program will have the necessary feedback mechanisms built into the program through its evaluation processes. These mechanisms enable an RBE to collect new information; integrate that information with existing skills, knowledge, understanding, and attitudes; and put what has been learned into practice. The measure of success for a business ethics program is an organizational culture fully committed to enterprise core beliefs, standards, procedures, and expectations, as they develop over time.⁹

Importance of Program Evaluation

An RBE undertakes the design and implementation of a business ethics program in order to perform certain processes and achieve certain outcomes. Responsible owners and managers evaluate and learn from these processes and outcomes. They track how well the processes work, how many of the expected program outcomes are achieved, and what the enterprise learns along the way to justify the time, effort, and resources the enterprise puts into the program. They are also concerned with the quality of the enterprise's stakeholder engagement.¹⁰

ENTERPRISES SHOULD EVALUATE THEIR PROGRAMS

As a matter of good management, owners and managers should regularly evaluate any strategy, program, or plan of action they undertake. It is



Definition of Accountability

To account for something is to explain or justify the acts, omissions, risks, and dependencies for which one is responsible to people with a legitimate interest.

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irresponsible to dedicate significant management attention and resources to a program without evaluating its performance to determine whether it is a worthwhile endeavor.

Owners and managers can use an outcomes-based evaluation of a business ethics program in at least four ways: to provide accountability to stakeholders, to monitor and track changes in the organizational culture, to improve program quality, and to reallocate resources toward more or less intensive programs.

PROGRAM EVALUATION AND THE SMALL TO MEDIUM-SIZED ENTERPRISE

Because of resource limitations, most program evaluations in a small to medium-sized enterprise (SME) will be informal. Owners and managers will be less apt to use formal teams and processes to set objectives and evaluate performance. They will adapt the processes that follow to meet their circumstances. For example, often they will have spoken to people they trusted to establish objectives instead of convening a team. They will work with small groups or individuals to evaluate performance.

The test of an effective evaluation is not whether any specific process is followed, but whether adequate information and essential knowledge is gained. Provided that owners and managers ask the questions this manual recommends and engage their stakeholders as effectively as possible, they can be sure that they can work within their resources and with their staff to have as effective, efficient, and responsible an enterprise as possible.

MEASURING PROGRAM PERFORMANCE

To sustain the confidence of stakeholders in any business ethics program, an enterprise should evaluate the process and outcomes on a routine basis. Evaluating program processes answers the question, “Did we do what we said we would do?” Evaluating program outcomes adds the question, “Did the changes we expected occur?”¹¹

Evaluation processes reflect the same dynamics addressed in designing and implementing the business ethics program. They depend on the relevant context and organizational culture of the enterprise and the reasonable expectations of its stakeholders. They can be of varying intensity. They can be more or less informal.

DEFINING THE PURPOSE OF PROGRAM EVALUATION

The first step for owners and managers to take in evaluating a business ethics program is to agree on the questions they want answered. In the early years of the business ethics program, owners and managers may be primarily concerned about process: “Is the enterprise establishing standards, procedures, and expectations?” “Is the training being accomplished effectively?” “Are reports to stakeholders being well received?”

Management’s ultimate purpose in having a business ethics program, however, is not simply to have a code of conduct or to conduct ethics, compliance, and responsibility training. Owners and managers will eventually want to know the answers to outcome questions:¹²

- Is there less misconduct?
- Are employees and agents able to recognize responsible business conduct issues?
- How often do employees and agents speak in terms of standards, procedures, and expectations?
- How often are decisions made with reference to standards, procedures, and expectations?
- How willing are employees and agents to seek advice?
- How willing are employees and agents to report concerns?
- How satisfied are those who report their concerns with management’s response?
- How committed are employees to the enterprise?
- How satisfied are stakeholders with the enterprise?

SCANNING THE RELEVANT CONTEXT

Before proceeding to determining which aspects of process and program outcomes to evaluate, owners and managers need to conduct a scan of the enterprise's relevant context. A significant part of the scanning process is engaging stakeholders and determining their reasonable demands for information. Only by being alert to the demands of stakeholders can the enterprise determine which outcomes should be evaluated, which indicators will be most effective (and credible), and how and to whom to report its findings. The AA1000S framework, discussed in more detail at the end of this chapter, provides a standard for quality in engaging stakeholders.

TRACKING ORGANIZATIONAL CULTURE

Although changing organizational culture need not be a reason for having a business ethics program, by its very nature such a program will make subtle changes to the organizational culture. Moreover, certain cultural aspects will influence the process and its prospects for success. For example, there is a close relationship between program success and perceptions that owners and managers care as much about ethics and values as the economic bottom line.¹³

For these reasons, it is critical that the enterprise track a number of key aspects of organizational culture. In Box 10.2 are eight factors that can be tracked routinely. Factors such as these can be tracked using the organizational worksheet provided at the end of this chapter (RBE Worksheet 14).

EVALUATING THE PROCESS

Process evaluation looks at how the program works: whether resources are being used well, whether assigned activities are being performed, and whether specific outputs are produced.

Many general management evaluation models, especially in the arena of continuous quality improvement, are process models, including the International Organization for Standardization (ISO) management systems models. The ISO 9000 series for quality certification does not define quality; instead, it examines whether the processes that have been shown to lead to quality goods and services have been followed. The same is true for the ISO 14000 series for environmental management. It does not define what protecting the environment is; instead, it determines whether management systems are in place to protect the environment.

In the arena of social reporting, the Global Reporting Initiative also does not set standards, but it does provide a comprehensive, even exhaustive, framework for what should be reported.¹⁴ AccountAbility, formally known as

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MEASURABLE FACTORS OF ORGANIZATIONAL CULTURE

These eight factors can be tracked routinely:

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Perceiving that leadership cares about ethics and values as much as the bottom line 2. Feeling safe to deliver bad news 3. Feeling treated fairly 4. Feeling valued as an employee | <ol style="list-style-type: none"> 5. Not feeling pressure to compromise values 6. Believing that ethical behavior is rewarded 7. Believing that unethical behavior is punished 8. Recognizing whether the enterprise has an employee, community, or self-interest focus |
|--|--|

the Institute of Social and Ethical Accountability, sets no specific standards for a responsible business enterprise either, but it does provide a framework for planning and reporting in a manner designed to give external stakeholders confidence in the report (AA1000S).¹⁵

The process evaluation worksheet (RBE Worksheet 15) at the end of this chapter can be used by evaluators to develop a plan to collect and analyze information. For example, when communicating standards and procedures is the process the enterprise is evaluating, RBE Worksheet 15 helps examine a number of specific questions: who was involved and affected, when, and where. It can be used to look at training expenses, the number of employees trained per year, participant satisfaction with the training, and performance on action plans following training. Process evaluation also leads to consideration of more subjective indicators, such as activity successes, challenges, unexpected developments, and insights.

DEFINING EXPECTED PROGRAM OUTCOMES

Owners and managers need to define outcomes they can measure. As discussed in Chapter 4, there are at least nine commonly expected outcomes for the time and effort that managers put into a business ethics program (see Box 10.3). At the end of this chapter is an outcomes evaluation worksheet (RBE Worksheet 16) to assist owners and managers in developing an outcomes evaluation plan.

A number of emerging global standards discussed in Chapter 2 set specific standards for enterprises to meet. Among them are the Caux Round Table *Principles for Business*, U.N. Global Compact, Organization for Economic Cooperation and Development (OECD) *Guidelines for Multinational Enterprises*, U.S. Department of Commerce *Basic Guidelines for Codes of Business Conduct*, and

MEASURABLE PROGRAM OUTCOMES

1. Violating enterprise standards
2. Being aware of ethics, compliance, and responsibility issues
3. Speaking in terms of core beliefs and standards
4. Making decisions in terms of core beliefs and standards
5. Being willing to seek advice on standards
6. Being willing to report observed or suspected violations
7. Being satisfied with management's response
8. Increasing employee commitment to enterprise
9. Increasing stakeholder satisfaction with the enterprise (including a proxy for the environment)

Interfaith Declaration *Principles for Global Corporate Responsibility*. From these standards, the responsible business can derive outcomes for its business ethics program.

Developing a Data Collection Plan

There are a number of classic data collection methods for evaluators to consider in collecting data for the relevant context scan, organizational culture tracking, and process and outcome valuation. As indicated in Table 10.1, these methods include interviews (including focus groups), surveys, document review, and direct observation. Each has its strengths, weaknesses, and resource demands.¹⁶

MODEL SURVEY QUESTIONS

- How often did you refer to this company's code of responsible business conduct in the past year?
- If you attended responsible business conduct training in the past year, how useful did you find it?
- How often would you say this company—as a whole—lives up to its own values? [List values]
- How committed to living the values of this company would you say senior management is?
- If you had questions about whether a choice or action meets this company's standards, procedures, or expectations of responsible business conduct, where would you go for advice? [List available sources]
- If you observed employee or agent conduct that violated the law or this company's code of responsible business conduct, what was it? [List major types of misconduct]
- If you did report your concerns about misconduct, how satisfied were you with management's response?

TABLE 10.1 Commonly Used Data Collection Methods

Interviews (including focus groups)	Interviews are a series of questions—typically semistructured or unstructured—conducted in person or over the telephone. Focus group interviews are an approach that takes advantage of small-group dynamics to conduct interviews with a small group of people (usually eight to 12 individuals). Interviews are useful for in-depth information and are particularly appropriate for investigating sensitive topics.
Surveys	Surveys are standardized written instruments that contain several questions about the issues to be evaluated. These questions can include a combination of types of questions—for example, single, direct questions; a series of questions about the same topic; and unstructured open-ended questions. Surveys can be conducted by mail, in person, over the telephone, through the Internet, or in a centralized activity as part of an event. Surveys are usually considered an efficient data collection strategy.
Document review	Document review is a review of enterprise records that provide both descriptive and evaluative information of the program process and its outcomes. These reviews can focus on the frequency with which specific behaviors occur.
Direct observation	Direct observation is firsthand observation of interactions and events that provide descriptive or evaluative information. Observations are usually guided by predetermined protocols or observation guides to focus the information gathered. Observations will be valuable in situations in which self-reports or existing data may not be accurate or in which professional judgment is helpful.

Source: Adapted from Reisman and Mockler, A Field Guide to Outcome—Based Program Evaluation

The primary concern is to develop a cost-effective collection plan that encourages employees and agents to be forthcoming and give evaluators, owners and managers, and stakeholders a clear picture of what is going on in the enterprise. Surveys and document review are valuable for collecting standardized data very cost-effectively (Box 10.4 lists some model survey questions).¹⁷ However, they offer no opportunity to follow through on the information gathered. Where the evaluators need the opportunity to follow leads gained from initial impressions or responses, interviews, focus groups, and direct observation are better methods, though generally more expensive. Unless people outside the enterprise are involved in collecting the data, it is difficult to ensure the anonymity or confidentiality often required to secure candid responses.

It is beyond the scope of this manual to discuss issues of validity, reliability, and cultural sensitivity or how to construct questions for surveys and interviews, but excellent discussions are available, including the work that this subsection is based on.¹⁸

Reporting Program Performance

As they develop a plan to evaluate business ethics program performance, owners and managers need to determine whether the evaluation is intended only for internal consumption or for wider distribution. Since the enterprise

PRACTICE NOTE

AA1000S Definition of Inclusivity

Inclusivity concerns the reflection at all stages of the process of the aspirations and needs of all stakeholder groups.

Stakeholder views are obtained through an engagement process that allows them to be accurately and fully expressed without fear or restriction.

Inclusivity requires the consideration of “voiceless” stakeholders, including future generations and the environment.

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cannot report on performance that it has not evaluated, owners and managers must determine the outcomes of legitimate interest to stakeholders and the methods of evaluation and reporting that stakeholders will trust.

REPORTING TO EXTERNAL STAKEHOLDERS

Coupled with the increased activism of civil society, there is an emerging trend among enterprises to report more about their impact on society to more people. One term for this is *triple bottom-line reporting*. Triple bottom-line reporting requires enterprises to evaluate their social and environmental performance to the same degree that they evaluate and report economic performance.¹⁹

Reporting on an enterprise’s performance and impact on society is becoming more common—and expected. Beyond publicizing the enterprise’s role in the economic, social, and environmental evolution of its community, expanded reporting requires the enterprise to integrate social and environmental considerations into its strategic and operational decision-making. Considering what outcomes to measure and report, what indicators to measure, how to analyze the data, and how to report data can produce synergies that can be quite energizing—in the long run—for the enterprise.

BUILDING REPORTING CREDIBILITY

There are no generally accepted standards for reporting on business ethics program performance, especially the topics of social and environmental performance. A number of international initiatives are under way

AA1000S PROCESS PRINCIPLES***Fundamental Principle***

Accountability

Operating Principle

Inclusivity

Scope and Nature of Process

Completeness

Materiality

Regularity and timeliness

Meaningfulness of Information

Quality assurance

Accessibility

Information quality

Management of Process on an Ongoing Basis

Embeddedness

Continuous improvement

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to develop such standards, but it will take years to develop a consensus, if one is even possible.

AccountAbility's AA1000S framework is intended to standardize evaluation reporting processes and assurance. It does not provide a prescriptive framework for the resolution of conflicts between an enterprise and its stakeholders (and conflicts between its stakeholders), but it does provide a process for enterprises to begin engaging their stakeholders in order to find common ground and build trust.

AA1000S is based on the fundamental principle of accountability to stakeholders. From that principle, a number of evaluation principles and processes flow. These principles are listed in Box 10.5. Although AA1000S does not have outcome standards per se, the stakeholder engagement process itself will affect an RBE and its community.

DETERMINING FORMAT

Program evaluation is of most value to an enterprise and its stakeholders when presented in a high-quality, useful format. In drafting the evaluation, it is important to remember that many people will see program evaluation as a threat, because it may reflect adversely on their performance. Evaluators should expect to meet such resistance unless the enterprise has developed an organizational culture of continuous learning and sharing of information.

There is no established format for the evaluation report. A typical format is shown in Box 10.6.²⁰

MODEL REPORT FORMAT

1. **Executive summary.** Give a one to four-page summary of the key points of the report. Since many people will read only the executive summary, it is important to include all of the important points. Include basic information on the purpose of the evaluation, key findings, any recommendations, and contact information. Refer to the body of the report for other information.
2. **Purpose.** Explain why the evaluation was conducted. What are the broad questions the evaluation is trying to answer? Who requested or initiated it?
3. **Background.** Provide readers with adequate background information about the program's structure, history, and goals and objectives. What do they need to know in order to understand the evaluation?
4. **Methodology.** Explain the evaluation design, including the data collection tools and sampling method (include data collection instruments as attachments).
5. **Summary of results.** Start with the bottom line: What are the summary conclusions? What are the answers to the key questions the evaluation set out to answer?
6. **Principal findings.** Provide more detail on the findings that support the summary conclusions. This section will probably include charts or tables illustrating the findings.
7. **Considerations or recommendations.** Draw from the findings their implications for the program, the enterprise, or its stakeholders.
8. **Attachments.** Include attachments as appropriate.

Jane Reisman and Richard Mockler

A Field Guide to Outcome-Based Program Evaluation

REPORTING CONTENT

The content of an evaluation report is driven by the purpose of the evaluation. The Global Reporting Initiative sets forth an exhaustive set of elements for enterprises to report on, as described in Box 10.7.²¹ Few organizations, even the largest multinationals, issue such an exhaustive report, but this framework is a useful checklist for planning purposes even for SMEs.

Conclusion—and New Beginning

The question, “How should we monitor, track, and report our performance as an enterprise and continuously learn from it?” tests the resolve of an RBE. Often owners, managers, and supervisors are not confident or courageous enough to want to know how they are really doing.

ORGANIZATIONAL LEARNING

An RBE measures its performance as an enterprise for at least four reasons: to provide accountability to stakeholders, to monitor and track changes in the organizational culture, to improve program quality, and to allocate resources toward more or less intensive programs.

GLOBAL REPORTING INITIATIVE REPORT CONTENT

1. **Vision and strategy.** Description of the reporting organization's strategy with regard to sustainability, including a statement from the chief executive officer.
2. **Profile.** Overview of the reporting organization's structure and operations and of the scope of the report (22 items).
3. **Governance structure and management systems.** Description of organizational structure, policies, and management systems, including stakeholder engagement efforts (20 items).
4. **Content index.** A table supplied by the reporting organization identifying where the information listed in the Sustainability Reporting Guidelines 2002 is located within the organization's report.
5. **Performance indicators.** Measures of the effect of the reporting organization divided into integrated, economic (10 core, 3 additional); environmental (16 core, 19 additional); and social performance indicators (24 core, 25 additional).

Global Reporting Initiative
Sustainability Reporting Guidelines 2002

An RBE can use the worksheets in this manual to develop a plan to monitor, track, and report on its performance as an enterprise. The plan should address the quality of the evaluation process itself as well: how well it was planned and executed, whether it secured the intended information, how well the information secured was used, and what the impact of the evaluation process was on all stakeholders.

In the final analysis, however, an RBE benefits from learning how to deal with the myriad changes confronting it. Through a business ethics program, an RBE becomes adept at organizational learning. It learns how to constructively influence its relevant context, develop its organizational culture, improve its business performance, contribute to the social capital of its community, and work with community leaders to encourage the development of a market-oriented legal framework and reliable judicial institutions.

NEW BEGINNING

An RBE uses its business ethics program to learn how to contribute to developing social capital in emerging market economies, rather than being a part of the problem. This may well be the most important value that any citizen can contribute to any community.

We hope this manual inspires owners and managers to see themselves as part of the solution to the problems in their economies. It provides them with a process and toolkit to develop a road map to guide their employees and agents and to meet the reasonable expectations of their stakeholders. Then, when they have decided what makes sense for their enterprises in

their communities, they may use the 16 RBE Worksheets and best practices to develop their core beliefs, standards and procedures, infrastructure, communications, and management practices. By putting a business ethics program in place, RBEs can improve business performance, make profits, and contribute to economic progress in their communities by meeting the reasonable expectations of their stakeholders.



RESPONSIBLE BUSINESS ENTERPRISE

Checklist

1. **What processes do we have in place to determine whether the programs we have designed and implemented are being accomplished?**
2. **What processes do we have in place to monitor and track our organizational culture?**
3. **What processes do we have in place to determine whether our business ethics program has achieved our expected program outcomes?**

14 **Organizational Culture Worksheet**

Evaluators can use RBE Worksheet 14, which may be photocopied for use within your organization, to develop a plan to monitor, track, and measure the organizational culture. Evaluators will work with enterprise stakeholders to determine which cultural factors might be measured and how they might be measured. For example, to measure whether “leadership is perceived to care about ethics and values as much as the bottom line,” evaluators may determine that three indicators apply:

1. Employee perceptions of leadership, determined through interviews, focus groups, and a survey
2. Statements made by leadership, determined through a review of leadership communications and interviews in its communications department
3. Intentions of leadership, determined through interviews with key personnel

	Interviews	Focus Groups	Surveys	Document Review	Direct Observation
Factor of organizational culture:					
Indicator 1:					
Indicator 2:					
Indicator 3:					

15 **Process Evaluation**

Evaluators can use RBE Worksheet 15, which may be photocopied for use within your organization, to develop a plan to collect and analyze information about a specific process, such as communicating standards and procedures or training. The worksheet asks a number of specific questions, such as who was involved or affected, what was achieved, when, and where. It also asks about successes, challenges, barriers, unexpected developments, and insights. By using the worksheet, evaluators can determine the best means of answering these questions.

	Interviews	Focus Groups	Surveys	Document Review	Direct Observation
Who: Stakeholders involved in activity Stakeholders affected by activity					
What: Activities Output produced					
When: Timeline Milestones					
Where: By location By division By region					
Developments Successes Challenges Barriers Unexpected developments Insights					

16 **Outcomes Evaluation**

Evaluators can use RBE Worksheet 16, which may be photocopied for use within your organization, to develop a plan to collect and analyze information about the expected program outcomes developed through the Program Logic Model (RBE Worksheet 1). For each expected program outcome, evaluators should work with the enterprise to determine which measurable factors indicate the extent to which an outcome has been realized. When indicators for each expected program outcome have been identified, evaluators can design a plan using the five methods of collecting data across the top of the worksheet: interviews, focus groups, surveys, document review, and direct observation.

	Interviews	Focus Groups	Surveys	Document Review	Direct Observation
Expected program outcome					
Indicator 1:					
Indicator 2:					
Indicator 3:					