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The possibilities and limitations regarding the use of impact evaluation in corporate social responsibility programs in Latin America

Yanina Kowszyk and Frank Vanclay

Abstract

Purpose – Improvement in the evaluation methodologies used in the public policy and development fields has increased the amount of evidence-based information available to decision makers. This helps firms evaluate the impacts of their social investments. However, it is not clear whether the business sector is interested in using these methods. This paper aims to describe the level of interest in, knowledge of and preferences relating to the impact evaluation of corporate social responsibility (CSR) programs by managers in Latin American companies and foundations.

Design/methodology/approach – A survey of 115 companies and foundations in 15 countries in Latin America was conducted in 2019.

Findings – The results indicated that most respondents believed that quantitative impact evaluation could address concerns about CSR program outcomes. However, monitoring and evaluation were primarily seen to be for tracking program objectives rather than for making strategic decisions about innovations to enhance the achievement of outcomes. Decision-making tended to respond to community demands. The main challenges to increasing the use of impact evaluation were the lack of skills and knowledge of management staff and the methodological complexity of evaluation designs. We conclude that there needs to be increased awareness about: the appropriate understanding of social outcomes; the benefits of evaluation; when impact evaluation is useful; how to prepare an evaluation budget; and the effective use of rigorous evidence to inform program design.

Originality/value – Acceptance by the business sector of quantitative measurement of the social impact of CSR programs will lead to improved outcomes from social investment programs.

Keywords Monitoring and evaluation, Program evaluation, Corporate social performance, Social license to operate, Corporate social investment, Impact measurement

Paper type Research paper

Introduction

Corporate social responsibility (CSR) is now firmly rooted in the global business agenda as an umbrella term for a variety of activities ranging from donations at the discretion of the management without any expectation of return, to complex business and community partnerships that are integrated into business strategy (Matten and Moon, 2008; Lin-Hi and Müller, 2013). Even after Agenda 2030 and the Addis Ababa Agenda, which partly address the role of the private sector in achieving the Sustainable Development Goals (Scheyvens, 2016), CSR activities are still largely considered to be discretionary, as they are not mandated by law but are part of the voluntary commitments of companies (Laszlo and Cescau, 2017). A key challenge for CSR practitioners, therefore, is to be able to...
demonstrate whether CSR has an impact on community well-being and/or firm performance (Salem et al., 2012; Crane et al., 2017).

Advocates of CSR argue that expenditure on environmentally and socially responsible behavior will benefit the company over time (Porter and Kramer, 2006). However, some other commentators are skeptical (Weiser and Zadek, 2000). For instance, Stříteská and Kubiznňaková (2010) found that there is no consensus on whether CSR affects business competitiveness. How CSR influences corporate performance is not clear, primarily because CSR outcomes are hard to quantify and difficult to include in the financial return sheet (Stříteská and Kubiznňaková, 2010; Salem et al., 2012). This lack of agreement, together with the heterogeneous nature of CSR (Gond and Crane, 2010; Galant and Cadez, 2017), impairs the identification of the costs and benefits of CSR (Stříteská and Kubiznňaková, 2010). Being able to measure the costs and benefits of CSR programs could be a key element in resolving a disagreement between the skeptics and supporters of CSR.

Among researchers, there is growing interest in using quantitative methods to improve the measurement of the performance of CSR programs (Crane et al., 2017). The goal of quantitative impact evaluation is to identify causal chains between project, program, plan or policy and the outcomes of interest (Otto and Ziegler, 2008; Vanclay, 2015; Gertler et al., 2016). In this paper, we consider impact evaluation to be the process of assessing the outcomes (e.g. the well-being of individuals and communities) that can be attributed to a particular intervention (project, program, plan or policy) (Vanclay, 2015; Gertler et al., 2016). Impact evaluation can produce rigorous evidence about what works and what does not work (Duflo and Banerjee, 2011; Graafland and Smid, 2019) and it supports evidence-based decision-making (Duflo et al., 2007; Brook and Akin, 2019).

A key reason for companies to undertake effective impact evaluation is to use the results to obtain and maintain a social license to operate and grow (Vanclay and Hanna, 2019). The social license refers to the acceptance of a project by local stakeholders (Dare et al., 2014; Jijelava and Vanclay, 2017, 2018). Companies tend to have specific territorial interests in that they generally want to provide benefits to their local or host communities (Pasaribu et al., 2020). Therefore, evaluating these programs to ensure they are effective in meeting the needs of local communities is important (Esteves and Vanclay, 2009).

In the field of public policy and development, greater use of experimental and quasi-experimental methods in evaluation research has increased the amount of evidence-based information available to decision-makers (Crane et al., 2018). Experimental methods could be used by businesses to evaluate the outcomes of their social investments (Crane et al., 2018). However, whether these methods would be acceptable to the business sector is unclear. There is little empirical evidence about whether companies are aware of the benefits of quantitative methods if they are using them or the main challenges to their implementation. Furthermore, there is little information to clarify whether existing evidence of program effectiveness influences the decision-making of managers in charge of CSR programs. Much confusion remains about how decisions are taken, how measurements are implemented and how CSR programs impact on company profits and/or the local community’s quality of life (Quiroz-Onate and Aitken, 2007). This confusion makes it difficult for firms to conduct effective CSR and leads to misinformation about the results of their CSR activities (Epstein et al., 2015), which potentially constrains budget allocations for CSR and results in a harmful gap between policy intentions and actual outcomes of CSR activities (Graafland and Smid, 2019).

Our research in Latin America sought to clarify the level of current interest in, knowledge about and preferences in relation to the methods used in impact evaluation of CSR programs. Our paper contributes to the field of business and society by clarifying how improved measurement could inform decision-making, and how this would be relevant to issues like a social license to operate. The main contribution of our paper is empirical
evidence about the acceptance of the business sector to measure the social outcomes of CSR programs using quantitative methods. Our results establish that there is much possibility for research in the business and society arena to use the quantitative evaluation methods commonly used in the fields of public policy and economics. If this would be done, it could lead to new theoretical developments arising from empirical research (Gond and Crane, 2010). An evaluation would have significant value in providing empirical evidence of the favorable impact of CSR programs on society – information that would be very useful, not only to businesses but also to governments, funding bodies, universities and the public in general.

Evaluating corporate social responsibility programs

In the literature on quantitative CSR program evaluation, two main topics tend to be discussed:

1. the extent to which business executives are interested in quantitative impact evaluation; and
2. how CSR programs are evaluated.

Interest in and knowledge about effective impact evaluation of corporate social responsibility programs

Undertaking evaluation to assess the effectiveness of CSR activities has the potential to identify the full range of program outcomes, many of which might not be otherwise obvious (Vanclay, 2015; Graafland and Smid, 2019). Evidence of positive outcomes will provide strong messages to company board members about the value of CSR, and will likely increase their interest in it (Walker et al., 2013). Empirical studies have confirmed that adequate policies are essential for the effective implementation of CSR programs, and having effective CSR programs is important for the achievement of intended social outcomes (Graafland and Smid, 2019). Therefore, including impact measurement into CSR policies and programs will have a positive effect on the impact of the company’s CSR activities.

Although locating responsibility for CSR at the board level has proven to strengthen the quality of CSR programs (Graafland and Smid, 2019), the literature generally finds that there is a lack of interest by senior-level managers in measuring CSR outcomes (Arli and Cadeaux, 2014). The main reasons for this include doubt about who will read the evaluation reports and the low level of interest of most stakeholders in such information. A lack of knowledge about evaluation contributes to resistance from senior management, which also influences the rest of the management team.

Company managers may not perceive that they benefit from the evaluation (especially from elaborate forms of measurement), and typically they are only interested in their flagship programs, often on which they spend most of their social investment budget (Arli and Cadeaux, 2014). The absence of interest from high-level management leads to assigning little time and resources to measurement activities. They may also consider that learning how to produce evaluations is a distraction from the normal daily activities of company staff (De Grosbois, 2016).

Research suggests that the main drivers for a firm to launch a CSR program are internal, not external (Arli and Cadeaux, 2014; c.f. Hanna et al., 2016; Vanclay and Hanna, 2019). In general, firms are focused on employees, especially about the company aiming to attract and retain the best staff (Arli and Cadeaux, 2014). Companies are more likely to emphasize the dollars spent or time dedicated by staff volunteering on projects, rather than discuss the outcomes of their social initiatives for a particular local community (Arli and Cadeaux, 2014). Research has also shown that, within companies, there is strong concern about the return to
the business from company CSR expenditure, rather than about the social outcomes or benefits to program recipients (Crane et al., 2017; Esteves et al., 2017).

A major challenge to advancing evaluation practice is the extent of senior management support (Arli and Cadeaux, 2014). Organizations need to be committed to environmental management and good governance to achieve positive company performance (Escrig-Olmedo et al., 2017). Knowing the drivers of social investment and who is involved in decision-making within a company will assist company staff to understand what is needed to get the company to start measuring the outcomes of their CSR programs (Arli and Cadeaux, 2014).

From our review of the literature on interest in and knowledge about effective evaluation, we found that there is a lack of research about the connection between CSR program evaluation and company social license to operate. Given that evaluations are partly intended to increase stakeholder confidence in the legitimacy of corporate programs (Escrig-Olmedo et al., 2017), they also have the potential to enhance the company’s social license to operate.

**How corporate social responsibility programs are evaluated**

Over the past few decades, the measurement of CSR performance has developed considerably, resulting in a wide variety of approaches, tools, guidelines and indicators (Epstein, 2003; Petcharit and Mula, 2012; Epstein and Yuthas, 2014; Pryshlakivsky and Searcy, 2017; Hervieux and Voltan, 2019). These focus on company reputation, financial performance, impact and other issues (Table 1). Various organizational management systems (such as ISO 9001, 14001, 26000) and international standards promoted by international organizations such as the United Nations and the World Bank (Vanclay and Hanna, 2019), also exist providing guidance to organizations about a wide range of issues, including the need for CSR and the measurement of CSR and related indicators.

This paper argues that the increased use of effective measurement approaches would provide evidence of the long-term positive impact of CSR strategies (Maas and Liket, 2011a; Maas and Liket, 2011b; Maas and Liket, 2011c).

<table>
<thead>
<tr>
<th>Focus</th>
<th>Name of approach and key references</th>
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<tbody>
<tr>
<td>Reputation</td>
<td>Reputational index by rating agencies (Arli and Cadeaux, 2014; Quiroz-Onate and Aitken, 2007; Bissacco and Maccarrone, 2006).</td>
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<td>Reputation performance (Khojastehpour and Johns, 2014; Knox and Maklan, 2004; Aravossis et al., 2008)</td>
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<td>Financial performance</td>
<td>Financial performance (Margolis and Walsh, 2003; Galant and Cadez, 2017; Orlitzky et al., 2003; Wang et al., 2016; Shahzad and Sharfman, 2017)</td>
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<td>Non-financial risk management (Wong, 2014)</td>
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<td>Impact</td>
<td>Social and environmental effects of an infrastructure project in the landscape (Joyce et al., 2018; Jijelava and Vanclay, 2018; Vanclay et al., 2015; Walter et al., 2016; Smyth and Vanclay, 2017; Hansen et al., 2016; Agrawal et al., 2018; Bebbington et al., 2018; Ivanova et al., 2007; Petcharit and Mula, 2012; Barrow, 2002; Maas and Liket, 2011a)</td>
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<td></td>
<td>Effect of CSR and philanthropic projects (Arli and Cadeaux, 2014; Brice and Wegner, 1989; Burke and Logsdon, 1996; Maas and Liket, 2011b, 2011a; Rampersad, 2015; Brook and Akin, 2019) like the social return of investment (Solórzano-Garcia et al., 2019; Sáenz, 2018; Yates and Marra, 2017; Arvidson and Lyon, 2014; Krlev et al., 2013) and others</td>
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<tr>
<td>Multi-focal</td>
<td>Multi-focal performance measurement frameworks like the balanced scorecard (Crowther and Aras, 2008; Maas and Liket, 2011a; De Oliveira and Giroletti, 2016)</td>
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<td>Set of selected variables/indicators (Carroll and Brown, 2018; Nobrega and Candido, 2015) some of them building an index (Tarquino et al., 2018; Zhou et al., 2013; Venturelli et al., 2017; Singh et al., 2009; Alamer et al., 2015) such as Dow Jones sustainability index, Robeco SAM, life cycle indexes, material flow analysis (Windolph, 2011)</td>
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<td>International standards</td>
<td>ISO 14001, ISO 26000, UN Global Compact, Global Reporting Initiative (GRI) (Quiroz-Onate and Aitken, 2007; Giannarakis et al., 2011; Vanclay and Hanna, 2019)</td>
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This would assist in improving community well-being and the company's ability to obtain and maintain a social license to operate. However, most CSR measurement tools and approaches tend to have fundamental design flaws, including relating to the identification and measurement of appropriate variables, issues of reliability and validity, potential confounding, the presence of unobserved (and sometimes unobservable) factors, co-linearity, small sample sizes, low response rates, selection bias, response bias, social-desirability and other survey biases (Crane et al., 2017). Furthermore, CSR measurement tools and approaches often do not consider all the important issues pertaining to the local context (Hervieux and Voltan, 2019) and/or potentially contain assumptions that could cast doubt about the results.

Experimental designs are now widely used in the social sciences generally (Bédécarrats et al., 2019; Jamison, 2019) as they have the ability to address selection bias (Baird et al., 2020). Therefore, in our research, among other issues, we analyzed how companies intended to use experimental or quasi-experimental designs to measure the social outcomes of their CSR programs.

Methodology

The “Evaluar para Innovar” (Evaluate then Innovate) project was launched in 2018 by the social consulting firm, InnovacionAL, together with the Emerging Market Sustainability Dialogues, which is a project of the German Agency for International Cooperation (GIZ) and CEMEX (a global building materials company). The aim of Evaluar para Innovar was to build the capacity of CSR managers in Latin America, especially in terms of their ability to understand program outputs, outcomes and impacts and their awareness that effective quantitative impact evaluation has the potential to improve the community well-being outcomes arising from their company’s social investments. After eight months of implementing its activities, Evaluar para Innovar had reached over 200 companies and 14 business associations across 22 Latin American countries. The components of the project were an initial survey, a workshop in Salvador de Bahia (Brazil), a 10-module online training course and a four-day, in-person training program. Given that this paper seeks to understand the level of interest, knowledge and implementation of impact evaluation, we report the results of a survey of firms and foundations, which was undertaken by the lead author between December 2018 and February 2019.

The survey questions were developed from a desktop review of the literature on evaluation, the international standards and guidelines for evaluation, and other CSR measurement tools and approaches. The main topics addressed in the questionnaire were: thematic areas of investment; decision-making processes (on issues such as programs design, adjustment and innovation); monitoring and evaluation practices (types of evaluations implemented, methods and tools); the uses of evaluation results; challenges; potential drivers (for example, social license to operate); and the factors that would contribute to advancing evaluation practice.

The target group for the study comprised the companies and foundations connected with RedEAmérica and Forum Empresa, both of which are business networks in Latin America that are dedicated to advancing CSR and sustainable development. The firms and foundations that are members of these networks were already investing in community-based projects and CSR initiatives. This should be born in mind when interpreting the results of this research. Prior to this project starting, a database was developed of companies and foundations belonging to RedEAmérica and Forum Empresa. From 449 institutions in the database, 86 companies and 29 foundations from 15 countries participated in the survey.
Results

Reflecting on the literature and on our data, three core themes emerged: the extent of interest in and knowledge about impact evaluation; how the evaluation of CSR programs is developed and performed; and challenges faced in undertaking evaluation.

Core theme 1: interest and knowledge of corporate social responsibility managers about impact evaluation

Because the majority of social investment programs were designed and implemented by company staff (58%), their level of interest and knowledge about evaluation is important to the likelihood and effectiveness of evaluation of CSR programs. Respondents mentioned that, in establishing the aims of CSR programs, they were influenced by the Sustainable Development Goals, the results of context analysis and external consultants' opinions. Most respondents mentioned that they were aware of a lack of information by which to make decisions, and they showed interest in understanding what effective impact evaluation entails. Specifically, they had an interest in impact results and measurement of return on investment. Even though there was confusion between the concepts of process evaluation, results and impact evaluation, most respondents had some awareness of impact evaluation in general.

As discussed below, confusion was also evident in relation to respondents’ understanding of evaluation. Most respondents identified a few of the many potential uses of the results from impact evaluation, including adjusting the overall strategic planning of social investment; communicating the results to relevant stakeholders; adjusting the design and implementation of the program and defining which programs to implement (Figure 1). Overall, the respondents thought that evaluation assists in the internal and external demonstration of the value of their company’s social investment programs. Firms and foundations were interested in assessing whether their programs improved social well-being, and they believed that evaluation would allow checking whether their CSR programs actually achieved the expected outcomes. One interesting comment was made about the possibility of using evaluation to contribute to the transition toward a more strategic CSR.

Figure 1

What are the factors that motivate your organization to implement evaluation?

(n = 71)

- To review the general definitions of the social investment: 84.50%
- To communicate the evaluated program results to the community and key stakeholders: 79%
- To review the evaluated program design and implementation: 71.50%
- To determine what programs to implement: 69.50%
- To be accountable to donors: 49%
- To assess the program staff performance: 39%
A relevant result regarding the use of evaluation is that 83% of the respondents considered that their social projects were highly regarded and that this was reflected in the company’s social license (Figure 2). In other words, having good relations with the community and the contributions of the company to local communities is a good basis for a company to expect to be able to operate their business without problems. Measuring the effectiveness of CSR programs would likely lead to better community interventions, which could contribute to the company improving its social license. Nevertheless, understanding the relationship between measurement and social license requires more research.

Core theme 2: how corporate social responsibility programs are evaluated

In our sample, the percentage of companies and foundations that considered evaluation results in their decisions regarding the continuity of or need for change in their programs was very low (6%). Decisions regarding continuity and/or adjustments to programs tended to be in response to the expressed demands from community stakeholders (65%). Decisions were also based on the knowledge and experience of the executive team (52%) (Figure 3). There was almost no mention of the use of data or evidence from evaluation results. Therefore, manager training is likely to be very important to improve the use of data and evaluation results, and thus to increase the positive outcomes from CSR programs.

Although only a low percentage of respondents mentioned that they adjusted programs on the basis of monitoring and evaluation results, when the survey asked which evaluation activities were done, 75% of respondents mentioned that they had implemented monitoring and evaluation activities. Moreover, 74% reported that there was a team in charge of monitoring and evaluation. It seems that monitoring and evaluation were connected with tracking program implementation, but was disconnected from decision-making about program changes or innovations that require the participation of senior management (Figure 3).

When we asked about implementing impact evaluation, 85% responded that they did not know about methodology at all and 58% of respondents did not know whether or not their institution was using an experimental design. When requested to nominate impact evaluation methods, respondents mentioned things such as the GRI, the Global Compact,
the Sustainable Development Goals, the Social Progress Index, B Assessment and the Women Empowerment Principles of the United Nations, none of which are about impact evaluation methods. Obviously, there is much misinformation and confusion.

**Core theme 3: challenges to the increasing use of evaluation**

The main challenge to the implementation of impact evaluation that was mentioned was methodological complexity. Proper use of experimental and quasi-experimental methods requires a certain level of understanding of statistical designs, thus specific skills are needed (Figure 4). Companies and foundations generally do not have the knowledge, skills or experience to undertake evaluation design and implementation. They perceive evaluation methodology as being complex. Another issue was the lack of budget for evaluation, which
was linked to the under-appreciation of the value and complexity of evaluation and to a lack of awareness of the cost of doing the evaluation.

The lack of clarity about the benefits of evaluation is also of concern. This could be related to the fact that respondents reported that programs were generally not linked to the core business of companies, and therefore change frequently. If programs are not connected to core business, it is likely that there will not be a strong impetus or culture to measure the benefits arising from the CSR activities undertaken.

Getting support from management to implement evaluation was not seen as a big challenge (only 11% thought it was). The evaluation will become increasingly relevant in the eyes of management and in the direction of organizations when a social investment becomes more directly linked to a company’s strategic objectives. Nonetheless, respondents mentioned that high-level management training about the value of impact measurement could lead to an increase in the allocation of resources and staff time for this purpose. CEO commitment to evaluation might lead to linking corporate investments to real improvement in community well-being, which would benefit the company’s social license.

There was an interest in learning about how reliable methodologies work, how to use evaluation results and how to design programs that are consistent with impact evaluation requirements. Many company executives mentioned that they expected to be able to align their program outcomes to the Sustainable Development Goals. This suggests that training should focus on the role of evaluation throughout the entire project cycle of social investment projects, especially to enable the linking of project goals to global endeavors and to facilitate the use of evaluation from project conception right through to post-completion.

Discussion and conclusion

The aim of our research was to establish the extent of current interest, knowledge and methods used in CSR program impact evaluation by Latin American companies and foundations. In brief, our results indicated that most respondents believed that quantitative impact evaluation could answer common concerns about the impact of CSR programs in local communities. However, monitoring and evaluation were primarily linked to monitoring program implementation rather than making changes to CSR programs. Decision-making about CSR programs tended to be based on response to community concerns and manager interests. The main challenge of increasing the use of impact evaluation was the lack of skills and knowledge of management.

Our findings support previous research that argued for the need for methods that truly measure impact, take an outcome orientation and concentrate on long-term effects (Maas and Liket, 2011a). Even though there is confusion about key concepts and methods, most respondents believed that quantitative impact evaluation would establish the extent to which CSR programs have positive effects in local communities. Therefore, increasing the use of evaluation and strengthening the culture of evaluation would lead to a greater contribution to society. However, to increase understanding of impact evaluation, it will also be necessary to clearly explain evaluation concepts, methodologies and the use of results.

The confusion relating to concepts and methods can be explained by the proliferation of CSR measurement tools and approaches (Epstein and Yuthas, 2014), which has occurred because of the desire for a quantitative way to express CSR benefits. Given this situation, it is especially important that companies understand the specific value-add of quantitative methods, especially those that provide the possibility of attributing impact on a company’s program or intervention.

Companies are aware of the need to have reliable and accurate information about the impacts of their programs to adjust social strategy; communicate the results to the
community and other relevant stakeholders and to improve the design of their programs. This reinforces the ultimate goal of the evaluation, which is to contribute to making a real positive impact on social well-being (Befani et al., 2014; Epstein and Yuthas, 2014).

We found that decisions about program continuity or modification were often based on community demands or management decisions, rather than on consideration of evidence about the impact of social interventions. This could be linked to the fact that monitoring and evaluation practices were not in widespread use among the firms in our sample.

In contrast to the low management interest in impact measurement that was found by some researchers (Arli and Cadeaux, 2014), we determined that this was not the main challenge for the organizations in our sample. There are many reasons that might account for this different finding, including the passage of time, the development and institutionalization of the evaluation field and the different context of the respective samples. Our results suggest that there is a possibility for government agencies and international organizations to promote impact measurement policies to advance evaluation practice.

Developing and implementing corporate policies is arguably an achievement in itself. It can be argued that project implementation without policy guidance is blind, but that policies without implementation are pointless (Graafland and Smid, 2019). Given that our research revealed that respondents considered quantitative evaluation methodologies to be complex, it seems improbable that any oversight by local communities would increase the legitimacy of evaluation. Therefore, it is important that there are well-designed policies to help in the implementation of effective evaluations.

In the process of developing a policy, companies subject themselves to internal and external scrutiny, which generally initiates a process of discussion in which narratives comprising statements of conviction and rationalities of action are created (Graafland and Smid, 2019). Implementing well-designed programs decreases the risks of visible and/or harmful gaps between a company’s policies and the impacts created by their programs and projects, in other words, between what companies say they do and what actually happens.

The interest of managers in evaluating the impact of their investments and the potential for guiding policies should be of interest to policymakers at the international and national levels. If the role of the private sector in achieving the Sustainable Development Goals and the Addis Ababa Agenda is to be considered, then promoting the measurement the impacts of corporate programs is essential.

The potential increase of evidence about the success of private-sector programs (Otto and Ziegler, 2008) could have implications for international development agencies. With the increase in the number of impact evaluations, the use of meta-analyzes and evidence maps will become possible (Teding van Berkhout and Malouff, 2016; O’Leary et al., 2017). Consequently, with the increased use of these tools, funding bodies will have more focused information to address the gaps in the development field.

We conclude that the main challenges to increasing the use of impact evaluation of social interventions are the lack of skills and knowledge of management team members and the complexity of quantitative methodologies. However, there is an interest in learning and participating in the training. Therefore, a practical implication of our results is that industrial organizations, business schools and network organizations should enhance capacity building about evaluation in general and especially about impact evaluation. Adaptation of training and capacity building initiatives to the realities of the private sector is essential. There needs to be increased awareness about: the appropriate understanding of social outcomes; the benefits of evaluation; when impact evaluation is useful; how to prepare an evaluation budget; and the effective use of rigorous evidence to inform program design.
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