

# How Did We Do? Measuring Results of Corporate Governance Advisory Services Projects

*In Ukraine, 52 out of 70 surveyed client companies (74 percent) that upgraded their corporate governance practices as a result of IFC consultations reported improvements in production, sales, profits, and/or decision-making. It's a notable statistic, one that can be used to help us tell our story and make a stronger case for the value of corporate governance, as well as assist in attracting funding for new projects. Over the years, IFC's corporate governance project teams have developed an effective approach to gathering such information and measuring results.*

## BACKGROUND

In the early years of our corporate governance project experience, measuring results was a challenge—we needed to figure out how and where data should be collected, how to benchmark improvements, and how to understand the connections between corporate governance improvements and positive impacts such as lowered cost of capital.

In these early years, the connection between good governance and stronger businesses was not well-documented. In some cases, there were internal battles that needed to be fought so that client company management would see the importance of the work as a tool to help improve business profitability and the overall business environment.

Careful attention to monitoring, evaluation, and results measurement has helped increase awareness and deliver the message that good corporate governance practices strengthen companies, and can help mitigate portfolio investment risks through improved company performance.

And, as with any other project or investment, on-going monitoring and evaluation has become an important tool to see if the team is on track to meet goals, as well as to uncover any gaps or problem areas so they can be resolved.

Even though we recognized the value of project monitoring and evaluation, we faced a considerable challenge: coming up with an effective way to measure the results, progress, and impact of projects with multiple components and varied activities.

Over the years, we have developed a viable approach to measuring the results of all levels of corporate governance work with clients, ranging from companies and banks to education institutions, from media to legal work. This has netted a sound base of reliable data on the significant results yielded by our corporate governance projects that we can present to donors, IFC management, and—of critical importance—potential clients, to demonstrate the business case for making governance improvements.

Here are some key lessons we have learned along the way.

## LESSONS LEARNED

*1) Baseline surveys are important not only for assessing outcome and impacts—results can highlight deficiencies and enable better targeting of activities to address the deficiencies.*

Of course, we know that baseline surveys are important for providing information that we

can use on post-project assessments to determine outcome and impact. But we learned through hard experience—meaning that in some of our earlier projects in Russia and Ukraine we omitted this important step—that conducting an initial baseline survey helps the team understand the overall level of corporate governance practices in the given country, region, or sector. And even though the overall design of the project might not be materially changed, incorporating baseline survey results early on can help direct certain activities toward deficiencies uncovered.

It is also helpful to collect baseline information on the overall understanding of the benefits of corporate governance and the link to investment. For example, in Azerbaijan, we asked about respondents' awareness of and commitment to good corporate governance practices by asking what they knew about the Organisation for Economic Co-operation and Development Principles. This gave us a frame of reference on which to base our work so that we could address gaps, and a benchmark against which we can measure overall market awareness changes at project completion.

In our work, we collected data on the existence of specific internal documents before starting in-depth work with clients. Comparing this baseline information on specific companies with post-project outcome assessments on these same companies is a simple, accessible way to demonstrate the strong results achieved. It's a snippet of information that can be summed up in a sound byte, and it gives the team a hook to interest the media so that they will cover the story.

*2) In corporate governance projects there's no real way for us to compare apples to apples, but there's a way to get close!*

One issue we encounter when evaluating corporate governance projects is selection bias; the clients who choose to work with IFC are often more likely to undertake improvements in the absence of the

## ABOUT IFC'S CORPORATE GOVERNANCE PROJECT EVALUATION METHODOLOGY

Evaluations of corporate governance projects focus on answering three key questions:

- Did corporate governance improvements result in measurable impacts, such as improved access to finance, lower cost of capital, and/or improved reputation for project clients?
- Did the projects achieve a demonstration effect in the broader market?
- What is being done to ensure the sustainability of the project's work?

Among the tools developed to measure the results of corporate governance projects are:

- Standard indicators for internal tracking by the project team
- Survey questions and templates to assess outcomes and impacts
- Tips and questions for in-depth interviews
- A questionnaire for educational institutions

project. This limits our ability to attribute the clients' results to the work of the IFC project. If we could compare our clients to non-clients who were also really eager to improve corporate governance, and did it through some means other than the IFC project, we could get around this issue, but, unfortunately, it's nearly impossible to create a truly comparable control group for comparison.

In Russia and Ukraine, we focused on an approach that would bring us close: comparing companies that worked with the project and similar companies that had no contact with the project. While this does not fully address the selection bias issue, it does give us meaningful data and serves as a good indicator of project results.

For purposes of deciding how to measure results, we categorized our corporate governance projects in Russia and Ukraine under two main umbrellas:

- Group A: projects with more than 25 active clients and/or a large population of prospective clients; projects with clients that have similar competitors
- Group B: projects with less than 25 active clients and/or a small population of prospective clients in the market; projects with exceptional clients—those with overwhelming market share or the largest size in the market

For projects that fall in the Group A category, conducting a survey that compares impact and outcomes between client companies and non-client companies can help us understand the effectiveness of the project. In Ukraine, this kind of survey revealed that 75 percent of companies that worked with IFC as pilot companies experienced improvements in production, sales, or profits as a result of improved corporate governance, compared to 34 percent of non-client companies that reported undertaking similar improvements to their corporate governance practices—it's a big difference, and a great statistic to help tell the story.

For projects that fall in the Group B category, statistically significant comparisons between clients and non-clients are not possible. For these projects we focused on collecting outcome and impact information from clients at the beginning, midpoint, and end of the project, and just telling a “before and after” story on the results.

### *3) Monitoring can be a tool to uncover issues during project duration.*

Even the best-planned projects can go awry. Careful monitoring of progress can ensure that things stay on track—and can help redirect projects if what was initially planned isn't working as well as it should. We found this to be very effective in Azerbaijan, where a review after the first year of our operations indicated that the number of consultations we conducted

was quite low, compared to the set targets in our monitoring and evaluation framework. When we investigated, it turned out that company executives had limited time to spend on such meetings.

To address the issue, we decided to set up a hotline, staffed 24 hours a day, seven days a week.

Some might ask: Was 24 hours a day, seven days a week coverage really necessary?

The answer: yes.

Many companies in Azerbaijan hold their Supervisory Board meetings in the evenings and on weekends, and it is during such meetings that questions are likely to arise.

Companies could call in with questions and get their questions answered right away, on demand. We rotated the job of staffing the hotline among consultants. It proved an effective tool to help companies and to introduce them to what we were offering. The more they understood about how we could help, the more willing they were to participate. While we did not formally measure the effectiveness of the hotline, we believe that it did lead to more consultations—and increased the likelihood that they would be willing to pay for services. The hotline also served as a great marketing tool in our start-up phase, because it helped raise awareness about the project.

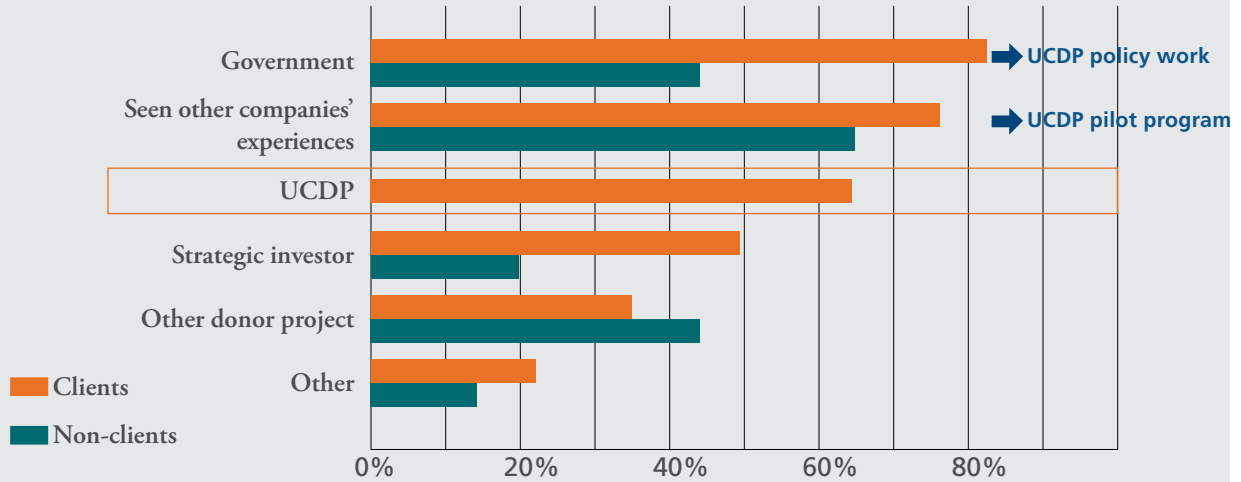
### *4) Don't underestimate the value of a good story: the combination of solid, quantitative data and anecdotal evidence can make the case.*

In-depth interviews with pilot clients can enrich peoples' understanding, and also get at some of the softer, harder-to-quantify yet equally powerful results. These interviews can serve as the basis of success stories or profiles that can tell the story to donors and other external audiences.

Also of note: such profiles can make a strong case to other companies that may be considering undertaking corporate governance improvements. This demonstration effect—companies learning from the reported experiences of others and following suit—

## MOTIVATING FACTORS BEHIND IMPROVEMENTS TO INTERNAL DOCUMENTS AND CORPORATE GOVERNANCE PRACTICES

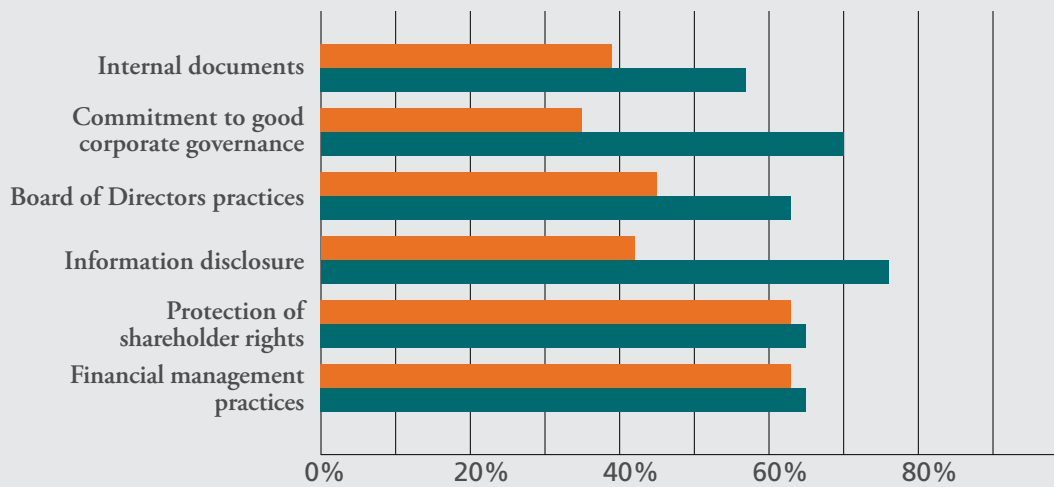
Percentage of companies that cited each of the following as a motivating factor for introducing or modifying practices or documents at least once



(89% OF CLIENTS AND 54% OF NON-CLIENTS RESPONDING)

## MOTIVATING ROLE OF OTHER COMPANIES' EXPERIENCES

Percentage of companies citing "seen other companies' experiences" as a motivating factor for introducing or modifying practices or documents at least once



(30% OF CLIENTS AND 53% OF NON-CLIENTS RESPONDING)

(Source: Ukraine Corporate Development Project: Outcomes and Impact of Assistance to Companies, 2006)

## RUSSIAN UNIVERSITIES USING IFC MATERIALS IN COURSE DEVELOPMENT

Educational Institution	Course Name
Tolyatti State University	Organization of Enterprise
Samara Academy for the Humanities	Corporate Governance
Samara State Technical University	Corporate Governance
Samara State University of Economics	Strategic Management, Strategic Management II, Crisis Management
Samara International Market Institute	Theory of Organization, Human Resources Management
Moscow Higher School of Economics	Program of the Corporate Director, Corporate Governance, Corporate Policy, Introduction to Corporate Governance for Corporate Secretaries, Strategic Management of Finances
St. Petersburg State University—Law Faculty	Corporate Governance in Power Energy Company, Problems of Corporate Governance
St. Petersburg State University—Management	Corporate Governance
St. Petersburg State University of Economics and Finance	Investments, Corporate Governance
Northern Caucasus Academy of State Service (Rostov)	Corporate Governance, Management of International Business
Ural State Economic University (Yekaterinburg)	Corporate Finance, Corporate Finance II
Ural State University (Yekaterinburg)	Course of programs in second year of magister study, Corporate Social Responsibility
Ural State Law Academy (Yekaterinburg)	Corporate Law
Ural-Siberian Institute of Business (Yekaterinburg)	Strategic Management
Ural State Technical University (Yekaterinburg)	Strategic Management (President Program)

Source: Joint IFC-SECO Evaluation of CG Projects, Russia, February 2010

can be extremely powerful. Our analysis of corporate governance projects in Ukraine bears this out: for both clients and non-clients, the two most significant motivating factors for undertaking improvements were legislative requirements and seeing other companies' experiences.

Success stories can help in media outreach and public relations efforts, and for the educational and policy work components as well. In fact, a direct quote from an investor, professor, or government official about the effectiveness of the work can go a long way toward driving home the message about the value of corporate governance improvements.

*5) Maintaining good records of legislative recommendations, draft laws, and amendments to existing legislation will help track changes.*

Projects can achieve country-wide impact and sustained results through passage of new legislation related to corporate governance practices. To track results here, be sure to keep track of what's been proposed. Following the passage of laws, IFC's legal specialists or legal consultants can determine if the recommendations from the project were included in the legislation, provided that the project has tracked the details of the proposed revisions and the key contact people in the government agencies to whom the recommendations were presented. Surveys to track changes in country-wide corporate governance levels at the end of a project can also include questions on compliance with these new laws to show how the changed legislation influences company behavior.

Tracking behavioral changes based on new legislation also gives governments an important tool to use as they promote a corporate governance agenda. For example, in Georgia, we helped the government introduce a new, streamlined company reporting format to replace a rather complex and confusing process. Within one year after the introduction of this new format, compliance with reporting requirements

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surged 70 percent. Monitoring and documenting this outcome gave the Georgian regulators more evidence to help drive new public policy and to explain the rationale behind additional legislative changes.

*6) Measuring the results of media outreach and public awareness activities is complicated, but do-able.*

Media publicity is a key tool to demonstrate the value of IFC's corporate governance efforts to the broader marketplace. It is next to impossible to show a direct causal link between publicizing the work we do with clients, the effect on the wider group of potential clients, and the country's level of corporate governance practices. Still, there are ways to present a convincing case on this issue.

In Russia, for instance, we found that engaging the services of a media monitoring firm to track mentions of corporate governance was a cost-effective way to get the information we were looking for. The firm conducted rapid searches and analyses on a list of corporate governance-related terms in 72 federal-level Russian publications. Their findings showed a

nearly 300-percent spike in the number of corporate governance mentions—from 604 mentions in 2001 to 1,755 mentions in 2008.

Another dramatic spike in the number of media mentions came around the time of our Initial Public Offering conference launch in Ukraine. Such monitoring helped provide further evidence of the project's demonstration effect in the market.

In our experience, a high percentage of clients and non-clients typically report that hearing about the positive experiences of other companies is a prime motivator of their desire to change (see lesson 4). This shows not only the important role played by the media in reporting these experiences, but also the way in which the projects can use this to influence the behavior of non-clients as well.

### *7) Educational components of corporate governance projects can have the most durable impact, but results are hard to quantify.*

If cost were not an issue, tracking the career paths of graduates who have taken corporate governance course work as part of a business or law school curriculum would be a great way to measure long-term impact: to look at where they are working and how their corporate governance knowledge helped them in their managerial roles. But this would require extensive—and expensive—longitudinal studies, tracking career progress for 10-20 years post-graduation. Still, just because such studies are not feasible does not mean that this important component should be overlooked.

We determined that one way to measure the results of corporate governance projects that work with academia is to focus on how universities and individual professors are using the materials we provide. To find this out, we developed a survey that questions universities and professors on their use of teaching modules and educational products that were created as part of the project. We also included questions to gather information on the number of students reached with these materials, as well as qualitative feedback on the usefulness of the materials provided.

## CONCLUSION

As attention to corporate governance issues becomes mainstreamed into IFC's business, measurement will become even more complex—and ever more critical. The measurement tools and templates being developed will require fine-tuning to reflect this new reality.

### ABOUT THE AUTHORS

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