

## Chapter IV Effectiveness of Organizational Ombudsmen

### Effectiveness and Cost-effectiveness

Effectiveness of organizational ombudsman programs is of interest to ombuds practitioners, CEO's, public policy makers, employees, managers and many others. This chapter is meant for all such readers.

In thinking about the most significant contributions of an ombuds office, many think first about *cost control*. Malpractice suits in health care, EEO complaints, whistle blowing and damage to corporate image, the loss of highly skilled employees, expensive healthcare benefits, unsafe working conditions, waste, fraud, abuse and petty sabotage—these are just a few of the costs that various employers would like to control—and mitigate. Some managers first think of *managerial control*, making sure that serious concerns do not unnecessarily escape organizational boundaries, and that conflict can be settled in-house. Still others think first about *innovation and productivity*. Where dissent and conflict are managed well, people can raise good ideas, “intrapreneurship” may thrive, and managers and employees may contribute more. And, finally, a great many observers think first and last of *fairness, equity, safety, welfare and justice*—how people are treated in the organization.

Many CEOs and nearly all organizational ombudsmen believe that an ombuds program should not be seen as a “bottom line” proposition. The authors agree that the reason for having such a program is not about making a profit. Although we offer some traditional cost-effectiveness analysis at the end of this article, we believe that the value of a program cannot actually be measured in an accurate fashion using traditional cost-effectiveness metrics. Ombuds programs exist to further principles of fairness and equity, legal and honorable organizational practices, humane and just administration, caring and productive teamwork. They do this as *independent, neutral, confidential and informal practitioners*, by offering options for dealing with concerns, fostering appropriate, efficient redress of concerns and grievances, and working for appropriate systems change.

Even if we were to assess all costs and conclude that quantifiable benefits of an ombuds program did not exceed quantifiable costs, this by itself would not mean that an ombuds program would lack sustainable value or be wasteful. Such an analysis would simply mean that the actual cost would be known—and could be compared with qualitative goals and achievements such as fairness, and provide a forum to hear to the concerns of human beings in the enterprise.

However, in addition to this philosophical approach to the value of human resources, which we strongly believe in, this chapter will suggest that *quantifying apparent costs and benefits of organizational ombuds programs will indicate that such programs are generally cost-effective from an employer's point of view*. We first discuss issues of effectiveness and then return to the subject of cost-effectiveness. We begin by discussing some of the difficulties in assessing effectiveness. We then turn to those whose interests may be served by an ombuds office—we refer to those who care about effectiveness as stakeholders.

## **Methodological Difficulties in Assessing Effectiveness**

We note that service to stakeholders is, for several reasons, hard to assess. This is because the ombudsman is part of a *system*, which may as a whole be responsible for anything that goes well, it works *informally*, so the value-added may be hard to capture, and the value added is sometimes understood only in *subjective terms*. As examples, part of the value added by an ombud comes from helping people to deal on their own with their problems, within the system. This is especially common with manager-fellow manager, and worker-coworker conflicts which do not surface to supervisors.

In addition the ombuds does not make decisions as a manager would—much of the work is to help *other parts* of the system work well in serving stakeholders. This is especially important with respect to core values of issues of fairness, safety, equity, justice and welfare, where formal elements of the system are responsible for protecting employees and managers.

Finally, although the word “satisfaction” is often used in evaluations, the idea of “satisfaction” is not necessarily useful in assessing an ombuds office. This is true for several different reasons. First, an ombudsman is designated as a neutral who mainly seeks to foster a fair *process*, rather than delivering a specific *outcome*. An ombudsman may sometimes work as competently and honorably as is possible, without all stakeholders in a given complaint being “satisfied” by the outcome. In addition, it sometimes is not possible to satisfy all stakeholders even with respect to the process, especially since one role of an ombudsperson is to ask tough questions. One theoretical definition of effective conflict management, which attempts to deal with disputants have very different interests, is that “everyone attached to the case comes to think that “the process and the settlement were *the best possible under the circumstances*.” This is a definition that may be useful in assessing ombudspeople, however, some stakeholders may not be “satisfied” even if they thought that the process was “the best possible under the circumstances.”

## **Who are the Stakeholders for an Organizational Ombudsman Program?**

Who cares about an ombuds program and its effectiveness? Stakeholders differ of course depending on the type of organization served by the ombudsman. For a government agency or public university, society at large is perhaps the most important—albeit largely invisible—stakeholder. For a private corporation, we might first think of shareholders. For all kinds of organizations, we think especially of the employees and managers who work there, and those directly served by the entity. In assessing the effectiveness of an ombuds office, we would think, as appropriate, about the value offered to all relevant stakeholders. Examples might include:

- Alumnae
- Compliance officers (see list below)
- Contractors
- Customers
- Directors of the entity
- Donors and funding agencies
- Employee applicants
- Employees of every kind
- Families of those in the organization
- Former employees

Important entities within the organization, such as unions and student groups  
Line managers  
Neighbors of the organization  
Partners of the organization  
Post-docs  
Retirees  
Senior managers  
Shareholders  
Society at large  
Staff managers  
Students  
The organizational ombudsperson himself or herself  
Trainees  
Vendors  
Visitors to the organization  
Whistleblowers

Ideally perhaps some objective outside entity may assess what each group thinks of their organizational ombudsman. In real life it would be difficult to contact all those directly and indirectly affected by the office. And, as noted, there are difficult methodological problems in knowing what to ask each group. Yet another question would be whether any group is more important than another; how would one weigh the value of the assessments from each group?

At the very least, each practitioner should be able to list all the stakeholder groups relevant to his or her practice, the most obvious interests of each group, and some indicators of how those interests are served. In addition, each practitioner should understand the demography of the organization, and the extent to which sub-groups are served by the office—in particular, by gender, race and ethnicity.

We believe an ombud should keep some statistics about the extent of service to each relevant set of individuals. The ombuds office may for example keep information—about demographics of those served and the demographics of those seen to be responsible for concerns discussed. In addition the practitioner should understand his or her role, and the value offered to the overall conflict management system in terms of cost control, managerial control, support to productivity and the core values.

### **Assessing the Organizational Ombudsman as Part of a System**

The practitioner should understand and perform all the customary functions of an organizational ombudsman. An effective ombuds program typically would offer all *informal, interest-based, dispute resolution options*: listening, coaching, informal intervention, “looking into a matter” informally, classic mediation, facilitating generic approaches to a problem, support to systems change, training through-out the organization to prevent needless disputes, safe access for people with serious concerns, and confidential transmittal of information for those who need to “blow the whistle.” These options are of course offered, at least to some extent, by others in the system as well as by the ombudsman. However there is a significant “hidden market” of complainants who will only utilize an office seen as independent, neutral and near-absolutely confidential, so it is important to assess whether a specific ombudsperson offers all these options.

Research suggests that in a third or more of all cases the ombudsman is effective by simply helping a visitor to help himself or herself to deal with a concern directly. In assessing the value added by an ombudsman, one must estimate how well the practitioner has served the interests of those who are coached to help themselves. Each ombudsman may note specific interests named by each visitor and then analyze how effective the ombuds office is in dealing with these concerns. One would think about how well the ombuds office takes into consideration the interests of all parties to a case. One may ask if the ombuds office appropriately resolves problems, refers and appropriately accepts referral, and supports others on the list in doing their work well.

*Rights-based conflict management options* should be performed by others in the organization: formal investigation for disciplinary purposes, adjudication of formal grievances, appeals, providing security. Health care services and protection of safety will be offered by others. One can assess if the ombudsman is appropriately offering referrals to other, and working together with other parts of the organization. The underlying purpose of an ombudsman is not to take the place of other parts of the system—but to help individuals to help themselves, and to help other offices improve in doing what they are intended to do, and to help an individual get in touch with other parts of the system, or get information to them, if the individual so chooses. This is especially true with respect to those who have formal responsibility for the welfare of the various stakeholders.

### **Managers, Union Officials, Compliance Officers**

“Fairness, equity, safety, justice and welfare” are values shared by virtually all stakeholders. These are formal responsibilities of compliance officers, line managers and union officials. Therefore, in assessing the effectiveness of an ombuds office, one may pay particular attention to relationships with line and staff managers, and with union officials, compliance officers and formal channels concerned with fairness, safety and welfare relevant to the organization. Examples might include:

- Affirmative Action
- Animal Care
- Audit
- Counsel
- Disabilities
- Employee Assistance
- Environmental Hazards/Waste Hazards
- Equal Opportunity (Human Rights, Discrimination, Harassment)
- Ethics
- Fitness for Duty
- Human Resources
- Human Subjects
- Inspection/Inspectors General
- Intellectual Property/Patents/Copyrights
- Medical Departments/Nursing Stations
- Mortality/Morbidity
- Patient Welfare

Quality Assurance  
Risk Management  
Safety

Security/Campus Police

Unions and union officials

(Please see Appendix C for a comparison of ombuds practitioners with several others on this list.)

### **Indicators of Effectiveness**

We have listed those whose interests are at stake, interests shared by all stakeholders, and the need to understand specific service to individuals and to managers and officials. Ombudsmen have employed many different methods of gathering information about their service to the stakeholders listed above. *These efforts should capture both value added and cost control and typically include:*

- Statistical information (kept in a way that cannot identify particular visitors to the office) to report numbers of cases, trends, issues, and areas of improvement or difficulty within the organization and response time of the ombuds office and of other parts of the complaint system—to enable timely systems change;
- More general analyses about morale, conditions within an area of the organization, responses to mergers and reorganization, layoffs and growth; identity-free analysis from pooled exit interviews, and assistance with 360 degree performance evaluations; responsiveness to diversity efforts, safety training and the like;
- Identification and “naming” of problems new to the organization, which because of changes in customs, law or culture, etc., pose difficulties for which the organization is not yet prepared. (Examples detected early by ombuds offices include: sexual harassment (1973), diversity (1973), waste and fraud (1975), fear of the disease which was later discovered to be AIDS (1981), stalking (1982), issues around increasing attrition, mergers and acquisitions, and the changing workforce (late 1980’s), fear of violence (late 1980’s), complex intellectual property problems (1991), religious harassment (1992), and the extraordinary disruptions and loss of skilled professionals caused by mergers, acquisitions and start-ups of the 1990’s). Ombudsmen of course have not “discovered” these problems, and indeed the list is sobering because none of the problems has disappeared. But an ombuds office nevertheless may give early warning of difficulties that will be faced by an organization. For a more complete list, see Appendix B.)
- Specific notes about changes in policies, procedures and structures in response to concerns that have come to the ombudsman office;

- Assessment of the extent to which the ombuds office appropriately helps the organization in meeting the requirements of the Federal Sentencing Guidelines (if applicable) and other state, Federal and local regulations, in providing a safe and accessible place to take concerns about unacceptable and unlawful behavior;
- Estimates about employee and managerial time saved, by the ombuds office, in addressing concerns and complaints; evidence of service to managers both with their own problems and in coaching managers in their role as supervisors;
- Estimates about being able to settle problems, especially serious ones, that would otherwise have required formal (internal or external) dispute resolution—or which might otherwise have led to serious disruption, loss of a valued employee, vendor, customer or donor, damage to the image of the organization, or other significant costs;
- Statistics about appropriate service to different demographic groups with the organization; evidence of wide coverage of different kinds of problems characteristic of the organization;
- Information gathered by complainant and respondent satisfaction evaluations, committee review, unsolicited feedback and/or general attitude surveys which indicate how people feel about using the ombuds office, feedback on whether they used another company resource prior to going to the ombuds office and the level of satisfaction/dissatisfaction with each office used. Information of this type is essential in understanding whether the office is seen as independent, neutral and confidential;
- Information about gifts, grants, new recruits to the organization or new customers or donors attracted by work of the ombuds office, or excellent suggestions surfaced by the office;
- Other forms of public recognition (awards, news articles etc.) of service by the ombuds office; professional recognition by other ombudspeople and those in related professions;
- Information about teaching and training by the ombuds within the organization, including “just in time” coaching; training of other ombudspeople; articles and other professional materials generated for teaching and training; appropriate consulting and public service outside the organization;
- Self scrutiny and self-evaluation by the ombudsman; appropriate (identity free) discussion with other ombudspeople about how one will handle or has handled a concern or complaint.

### **Assessing How and Why the Ombuds Office may be Effective**

In examining evidence for effectiveness or lack thereof, anyone evaluating the office should keep in mind the functions and goals of the office and hypothesize as to why an office would be effective or ineffective in these areas:

*The office is seen as safe, accessible and credible*—each person in the organization can use the OO office without fear of loss of confidentiality; importance is given to listening and to “giving people a confidential hearing;” access to the office is as close as possible to “zero barrier” availability, so even if the office is not used by a given person, that person feels that it “exists in time of need”. Existence of the ombuds office should legitimize the idea that it is acceptable to ask questions—even small questions. (We know that most ombuds offices are used widely and deeply within their organizations). This service is essential for company image and for the requirements of laws like the Federal Sentencing Guidelines and EO regulations.

*A primary function of the office is to help people help themselves if they wish to do so.* This option helps people in many cases to feel that, if they wish, they can maintain control over their concerns. Direct action may help where there is very little evidence of an alleged problem. Direct action may be the most effective option in terms of timing and knowledge of the context; it may be most fair and be perceived as most fair, since the other person knows exactly what is said; it may be less likely to provoke reprisal; it may save time and money and pain for all concerned including the organization; it leaves open a wide variety of next steps; it helps to teach and affirm the skills of conflict resolution; it may help to preserve privacy, relationships and to save face.

*A vital function of the office is that of feedback to management*—in various ways consonant with confidentiality of the office. An ombudsperson can focus on small work groups but also have a central overview of the whole organization. An ombudsperson can provide continuous informal feedback (from cases where permission has been given to do so) and therefore serves a low-cost data collection mechanism. The ombudsperson is often available on a flexible and instant basis to hear management concerns. The office should be alert for and help to surface issues new to the organization, and emergent trends—an “early response” trigger.

*An important function of the office is to recognize new opportunities and creativity in management practice and to help surface good ideas, spread innovations, and inform others about best practices emerging in the organization.* The ombudsperson can help especially effective management techniques get recognition, supplement mentoring programs, coach and teach negotiation and conflict management skills one-on-one, bring together managers and staff in a “systems approach” to conflict management.

*An ombuds office can reduce the costs of “rights and power” based approaches to conflict.* Formal grievances may become unnecessary when one can, in appropriate cases, help complainants choose effective informal options. One should be able to save time for employees and managers and in-house counsel. External legal interactions and agency complaints may be sharply reduced; costs associated with whistle-blowing, and settlement and insurance costs may drop.

*An ombuds office can reduce costs of illegal and criminal behavior, by listening attentively—and triaging—with those who perceive harassment and discrimination, probability of violence to self or others, unsafe working conditions, theft of property and ideas, sabotage, malicious rumors, waste and fraud, and other whistle-blowing problems—and by finding an acceptable way to surface relevant information to relevant compliance offices, when necessary.*

*An ombuds office may reduce the costs of fear, rage, exasperation and humiliation, and loss of valued people, by providing respect to all who come, by listening very early in a dispute to those with concerns, by giving a hearing and (with permission) providing information to management about things going wrong, and by occasionally following up after problems are apparently “settled.”*

*An ombuds office can deal with unusual problems: including delicate or “taboo” or brand-new problems; problems from or about very difficult people; especially complex and convoluted problems that cross many organizational boundaries and institutional time limits; emergency problems; problems where parts of the organization are not functioning well; filling in where no system exists, as with worker to worker problems within a union, peer problems among managers, fights within teams.*

### **What do We Know about how Ombuds Offices Are Being Assessed?**

In a 1996 study we asked 136 organizational ombuds practitioners how if at all they are assessed by others. 35% used some form of questionnaire. 14% reported an “annual performance review.” 13% said their offices were included in employee attitude surveys. 10% reported no official evaluation. 8% “solicited feedback” by various means. 6% reported periodic review by a committee, and 4% said there was a review of their annual report. 1% reported external review, and 9% reported “other” methods. Many ombuds offices present annual or other reports to their organizations, or sub-groups within their organizations, and are thus open to informal review.

We know of no systematic review of an ombuds office along the wide-ranging lines we present here, however, we know that many practitioners systematically do painstaking self-assessments. We strongly encourage this practice, especially with respect to neutrality, independence and confidentiality.

In addition, where ombuds offices must periodically respond to concerns about cost-effectiveness, *we encourage practitioners to track their “most serious” cases—ones where they may have interrupted or prevented unacceptable behavior, and where they believe they have saved the most money, time, expertise, “image” and pain in their organizations.* In several surveys over the 1990’s individual ombuds reported saving their organizations from hundreds of thousands into the millions of dollars, mediating what would otherwise have been individual or class action suits. In the 1996 survey, 166 ombuds reported on 258 “highest potential cost cases”: 40% dealt with harassment or discrimination, 20% dealt with other illegal or criminal behavior, and the last 40% dealt with problems not obviously illegal but which might have cost the organization very dearly in terms of loss of image, or loss of very valuable people or partnerships. The list of specifics included sexual harassment and discrimination, race, cultural, disability and other discrimination, gross misconduct, fraud, abuse and other crimes, managerial abuse and mistreatment, violence against self or others.



## **How do Ombuds Spend Their Time?**

Another way to examine the functioning Ombuds office is to examine how a particular ombuds spends his or her time and how that compares to reports. In various surveys we have asked organizational ombuds how they spend their time. In the 1996 survey half the ombuds reported the following: 60% of their time was spent in individual case handling, 20% in working with management (giving feedback to management and working for systems change); 10% in education and training—in effect preventive work and more systems change—and 10% in administrative duties of all kinds including committee work. A little time was spent in other functions including professional development. (Continuous professional development is an activity specifically required in the TOA Standards of Practice.)

In a different analysis of the 1996 data, in which we asked ombuds how they dealt with individual cases, they responded that 44% of the time they were essentially helping visitors learn how to help themselves directly to deal with a problem, 27% of the cases required an attempt at systems change, ombuds “otherwise intervened” 22% of the time (for example in mediation and shuttle diplomacy) and that 7% of the time they made a referral, instead of dealing with the case, or in addition to dealing with the case and relevant systems change suggestions. These results were similar to those found in earlier surveys.

## **How Many Cases do Organizational Ombuds Handle?**

In a spring 1999 survey, we tallied annual caseload data for all OO's who responded, including assistant and associate ombudspeople. "Total" case loads including cases which took more than an hour and those that took less. We know that case loads are reckoned quite variously, organizations vary enormously, and a single case of an OO may vary from a ten minute "assist," to many weeks of tenacious work with dozens or even hundreds of contacts. (Parenthetically the 1996 survey assessed the range and ratio of contacts per case. In that survey mode, median and average ratios of contacts to cases, were, respectively, 2.0, 1.5, and 1.9 contacts per case, so we know a great many cases can be handled very swiftly, even though a few take a great deal of time.) We know that some reports to us are actually estimates. We also know that the amount of time spent per case is no indication of the seriousness of the case—nor is it any indication of how well a case has been handled. We know that some OO's appear to work mainly on long and difficult cases and others have a significant proportion of quick referrals and concerns that can be settled relatively quickly.

We also hear, however, of a number of organizational ombudspeople who are averaging 60 to 80 or even more hours a week. We hope such colleagues may see—through comparison with other caseload numbers—that they are handling unusually high caseloads and that they might think about seeking additional help. We report these numbers, hoping that they may be of use to practitioners and their employers. The data may also be useful to some readers in understanding trends. Average number of cases reported in our 1989 survey was about 310 cases per organizational ombudsman in the US. This number and 1999 averages reported below may be compared to caseloads of individual OO's.

We note explicitly if outliers—outliers are data points that lie far outside the rest of the data—have made a major difference to the analysis or have been removed from the data. We report

both averages and medians (median is the number where half the data lie below and half above), in order to illuminate the variation introduced by extreme numbers and/or few data points in the study. Where there are fewer than a dozen respondents, data have been pooled and reported in a single sentence.

**Canadian Case Loads:**

Academic caseloads: Range 75 to 700 cases; average 410, median 371.

Corporate caseloads: Range 140-1600, average for all cases, 570, median 420; average without outliers: 422, median 350.

Government caseloads: Range 30-1700, average 420, median 140.

"Other" institutions case loads: Range 900-1200, average and median 1040.

**US Case loads** (very small outliers removed):

**Academic Case Loads**—overall average 355, median 300:

Fewer than 100 cases, average 61 cases	8%
100's, average 126	21%
200's, average 238	16%
300's, average 333	18%
400's, average 421	15%
500's, average 566	7%
600's, average 640	3%
700's, average 743	5%
800's-1200, average 1025	7%

**Corporate Case Loads**—overall average 362, median 295:

Fewer than 100 cases, average 52	16%
100's, average 160	22%
200's, average 245	12%
300's, average 317	12%
400's, average 428	16%
500's, average 583	4%
600's, average 617	6%
900's, average 920	2%
1000's-1500, average 1217	0%

**Government case loads**, range 20-2100, average 648, median 380; average without outliers: 512, median 140.

**"Other" institution case loads**, range 80-1100, average 393, median 340.

## **Case Loads as a Percent of the Population Served**

We looked at the percent of constituents served by Organizational Ombuds (OO's) in the US. Taking all US OO's together, about 55% serve 1-5% of their whole population, with the remainder split about half above and half below. This means that the modal—or most common—situation is for an OO to see one to five out of every 100 of the population served. Corporate ombuds were more likely to see a slightly higher percentage of their populations. Academic ombuds were more likely to see a slightly lower percentage of their population.

There was, as above in other analyses, great variation among OO's. The range across all OO's—even after a few extreme outliers were removed from the analysis—was to serve between 1-200 per thousand of the population, or from a tenth of one percent to 20% of the total population.

This is an analysis that may be useful to ombuds and employers. We know from various small studies that new ombuds may sometimes see up to a quarter of the relevant population. This may also happen to an OO who serves a population in great turmoil. By the same token an OO may be a tiny adjunct in a complaint system and see few people. But we can guess from these data that an organizational ombudsman who lies far outside the modal range would want to understand the reasons why.

## **Cost Effectiveness Estimates**

In Appendix A, we have included a cost effectiveness equation which allows the practitioner to make some estimates about cost effectiveness. It is an estimation of the value that the ombudsman adds to his/her employer divided by the costs associated with the function. Estimating value added is elusive, at best, but in some cases, it is possible for the ombudsman to estimate conservatively what some cases might have cost the employer had the ombudsman office not been there to help—that is, if these cases had escalated and exploded. Some familiar examples are highly skilled professionals, about to quit, who, through the ombudsman's intervention, decide to stay; waste, fraud and abuse situations that are brought to the ombudsman's office because the office is seen as confidential but which would not have gone through other channels; potentially volatile discrimination and harassment situations resolved before becoming lawsuits or worse; and situations where managers have acted in ways which put themselves and their employers at risk. We encourage the use of this Appendix in thinking through cost-effectiveness questions.

In the 1990's numerous studies were done of the cost benefits of Employee Assistance Programs (EAP). A U.S. Department of Labor report stated that for every dollar invested in an EAP, savings of from \$5 to \$16 are achieved (*What Works: Workplaces Without Drugs*, 1990, p.17). McDonnell Douglas Corporation, Campbell Soup Company and other employers have measured the difference in medical claims costs and lost workdays costs of employees who had used the EAP services versus those who didn't. Results showed significant savings in costs for those who used EAP services. (See for example, *McDonnell Douglas Corporation's EAP Produces Hard Data*, The ALMACAN, August 1989 p. 18-26).

Since ombudsman offices do not keep records about employees who have used the office, they cannot make the same kinds of comparisons. However, ombudsman surveys sent to employees have sometimes asked their views about increases in productivity or reductions in costs as a result of using the ombudsman. Such surveys offer subjective data—as does also Appendix B—but data may nevertheless be useful to employers.

### **Summary**

Since the inception of our ombuds offices, the authors have queried other practitioners about effectiveness and cost effectiveness of ombuds offices. As we have collected data and interviewed other ombudspeople, our understanding of these questions has deepened. Based on our research, we suggest that an organization first look at questions of *effectiveness*—including who is served by the office and who are seen by visitors to be the cause of problems—and what information is available to assess the various aspects of effectiveness of the service. Another perspective might be gained by comparing the ombud’s office statistics with those reported by other ombuds in similar situations—as we do for example in the sections on caseload.

We encourage ombudspeople and employers to think broadly about the functions of the ombuds office within the complaint system. Employers should note the service provided to individuals—and, also, effects the ombuds are having on the system, via timely feedback to management. One would for example, note changes that management has made in policies, procedures and structures, attributable in whole or in part to the ombuds office. And one should assess the extent to which the office serves various demographic and structural groups that exist within the organization. Of most importance, is the ombudsman seen as *independent, impartial, neutral, and confidential*? Does the ombudsman contribute to fairness, equity, welfare, safety and justice?

This information will help in thinking about costs versus benefits of having an ombuds office. While we postulate that benefits outweigh costs, we encourage organizations to examine this question for themselves and to use Appendix A as an aid in this process. As we continue to study questions of effectiveness and cost effectiveness, we encourage others to do the same and to share their thoughts with us.

## Appendix A

### Corporate and University Cost-effectiveness Estimates Based on 1988 data

Corporate and university estimates were presented in 1989, by Tony Perneski and Mary Rowe, using 1988 data. It is methodologically difficult to assess the cost-effectiveness of an ombuds office by itself—since such offices are increasingly *part of a conflict management system*, and because there are many different stakeholders of whom the employer itself is only one. In addition, many of the benefits are only captured by subjective assessment. This discussion however sets forth one, skeletal method for assessment. Obviously any ombudsman can follow this rubric to construct a current-year analysis appropriate to his or her specific organization: government agency, foundation, school system, global corporation or whatever. It will be apparent now to 21<sup>st</sup> century readers, *that these estimates are very conservative because of increased regulation in the US.*

#### **The Basic Cost Effectiveness Equation is:**

Value Added + Cost Control – Ombudsman Mistakes

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Costs of the Ombudsman Function

#### **Applying the 1988 Conservative Method to a Corporation**

Costs of providing an ombudsman can include salary (loaded to include benefits), space and equipment (office space, computers, phones, etc.), support (secretarial, administrative, etc.). We include an estimate of the cost of time spent by other company personnel with the ombudsman, by estimating net savings in work time creditable to the intervention of an ombudsman.

How costs are allocated to the above items is determined by circumstances of a particular ombudsman. Total costs of the above items for an ombudsman at one area of AT&T-Bell Labs was approximately \$200,000 per year, in 1988. The specific examples of cost effectiveness for an engineering company that follow pertain to that area of AT&T-Bell Labs.

There are five benefits to the ombudsman function, which can be relatively easily translated into cost savings: productivity, management time, other personnel savings, legal staff salary savings and other agency and law-related savings, and miscellaneous savings. In addition, this corporate ombudsman spends about 25% of his time on company-wide future-oriented policies and planning.

Productivity - Loss of productivity of employees, due to problems at work, can range from very little (a few percent) for small problems, to much more than 100% (e.g., when the productivity of others is impaired). However, arguments about productivity increases, or "return to full productivity because of solutions to work connected problems," are difficult to substantiate. Therefore, an ombudsman must make a conservative estimate about productivity increases. We believe an estimate of an average 2% increase in productivity, for all *resolved* cases, is an appropriately cautious estimate. This estimate is conservative enough to appear to take appropriate account of time lost by complainants and others in talking with the ombudsman. The formula for computing productivity gains is:

Number of successfully resolved cases per year, times average productivity gain (%), times average yearly loaded salary per year = productivity gain (\$).

In our 1988 example, a caseload of 200 people successfully served, per year, times two percent, equals an equivalent of increasing the work staff by 4 people. (This “successful caseload” is a subset of all the cases handled and is a subjective estimate by the ombudsman). At loaded salary cost, this would amount to a value of approximately \$600,000.

Management-Time—Extensive research indicates that most managers spend a substantial amount of time dealing with peers and subordinates who have problems. Even a conservative estimate would suggest that 1% of the managers' time, (1/2 hour per week per manager), which does not have to be spent on a peer or employee problem, would save a significant amount of corporate management time. The formula for calculating (net) management timesaving is:

Number of serious cases per year, times management-time per case (in years), times average yearly loaded salary (\$/year) = cost savings (\$).

In this organization, 50 of the 200 cases in 1988 were coded as "serious." In a conservative estimate their resolution saved the equivalent of 1/2 of one manager's time, or about \$75,000. We feel this conservative estimate appropriately takes account of (and is therefore net) of times spent by managerial personnel with the ombudsman.

Personnel Savings—People who contact the ombudsman sometimes are good employees who are at risk of leaving the corporation because of a work-connected problem. Solving the problem may induce the employee to stay, at considerable benefit to the corporation in terms of costs of recruiting and training a replacement employee. Personnel savings can be calculated by using the following:

Number of valued persons saved per year, times (recruiting costs (\$) = training time (years) per person, times yearly loaded salary (\$/year)) = Personnel Savings (\$)

In 1988 we estimate that two employees decided to stay in the corporation because of satisfactory solutions to their problems. Savings were calculated at approximately \$170,000.

One other contribution of an ombudsman is to help people who should not remain in the organization to leave gracefully *to* something rather than be ousted *from* the organization. We do not include a numerical savings here, but note that it can be an important contribution for all concerned.

Legal Savings --Employee problems not solved by either an ombudsman or corporation management may require attention by the corporate legal staff together with management. Legal staff and managers can contain the problem within the corporation at a reduced cost, or may have to face the problem outside the corporation (e.g., agency or sponsor appeal or a lawsuit or Federal investigation) at higher cost. The formula for calculating legal savings is:

Number of cases kept from becoming an external problem, times average corporate attorney time per case, (years) times yearly attorney loaded salary (\$/year) plus average manager time per case (years) times yearly manager loaded salary (\$/Year) = Legal Savings (\$). If agency complaints and complaints to sponsor lawsuits are avoided, cost estimates of the appeal and interrogatories or lawsuit, including possible settlement and/or payment of damages, should be added to legal savings.

In 1988 it was estimated that three cases were kept from becoming an outside problem for corporate attorneys, conservatively saving about 15% of an attorney's time or an equivalent of 30,000 plus at least an aggregate of 50% of a manager's time or \$75,000, a total of \$105,000.

Note that the costs of internal grievances dealt with within a formal process are also very significant. We do not include an estimate here, but each ombudsman may also estimate number of cases that did not go formal within the organization—and costs saved—as a result of ombudsman intervention.

Miscellaneous Savings—Depending on the type of the corporation served, and the skills and availability of the ombudsman, a number of miscellaneous savings may be generated. One typical saving is connected with data collection. Surveys are frequently conducted by ombudspople that would cost many thousands, if conducted by outside consultants or other inside departments. In 1988 this particular ombudsman was involved as initiator, planner, and coordinator of a \$1.2 million training program for management. Outside consultant costs averaged \$50,000 per consultant. The ombudsman saved the costs of a fifth consultant. Other savings that have been reported by ombudsmen are those which came from curtailing activities such as waste, fraud, theft, drug use, sabotage, vandalism, safety problems, intellectual property loss and potential bodily harm to managers and employees. Cost savings due to these circumstances can only be made with assurance, when specific incidents are considered. Several such occurrences came to the attention of this ombudsman in 1988. Serious problems of this type are currently estimated to come to an ombudsman's office *at least once a year* per 2,000 employees around the country; (this estimate comes from the 1989 Corporate Ombudsman survey and other data available to the authors).

We estimate total miscellaneous savings at an average of \$20,000 for a company of this size.

Increases in Costs - There is, of course, the possibility of negative impact of actions by ombudsmen. Since the average caseload includes hundreds of cases per year, there is a good possibility that mistakes could be made. Instead of cost savings or no effect, costs would increase. Any losses known to have occurred through actions of the ombudsman must be subtracted from the gain before calculating cost effectiveness. We, at this time know of no specific negative impact.

### **A Conservative Estimate of Cost-Effectiveness in a Corporation**

Cost effectiveness is the ratio of value added divided by costs or (productivity gains + management time savings + personnel savings + legal savings + miscellaneous savings - losses)/cost of the function. For this one lab in 1988, the calculation is:

$$\frac{600,000 + 75,000 + 170,000 + 105,000 + 20,000}{200,000} = \frac{970,000}{200,000} = 4.85 \text{ c/e ratio}$$

Another way to look at cost effectiveness is to calculate the estimated production of equivalent employees because of the actions of the ombudsman. This calculation is:

$$\frac{\text{total savings - costs}}{\text{Avg. loaded salary per employee}} \quad \text{or} \quad \frac{770,000}{150,000} = 5.13 \text{ FTE}$$

Estimated cost effectiveness of an ombudsman can be calculated using the approach presented above. The reader will note that many of the sources of value-added, which were discussed above, have been left out. Conservative estimates should be used to avoid the need to develop proofs which cost more to obtain than the savings themselves. Using conservative estimates as in the example described here, one can demonstrate that corporate ombudsmen may not only pay for themselves (which would be a cost effectiveness ratio of one) but should do much better.

### Systems Change

With respect to systems change and organizational development, one can add to the above estimate of cost effectiveness. For example, the knowledge of the organization and its problems gained by handling individual problems can be used to produce "generic" solutions with a much larger cost effectiveness. Ombudsmen typically spend a quarter of their time or more in working toward dispute prevention and better management processes, such as participative management. Ombudsmen help to improve policies and procedures, to support workplace diversity, help prevent harassment, etc. In such a process employees become involved in establishing a corporate team that avoids many individual problems.

### **Applying the 1988 Conservative Method to a University**

Economics of ombudsmanry in colleges and universities are particularly difficult to define. Costs may be reckoned in different ways, for example with respect to overhead, space and rent. Estimates are difficult to determine where students are the complainants, since lost productivity, absenteeism, turnover, acting out, and even litigiousness may take different forms among students than among employees. Number of students served per ombuds office, varies by a factor of at least ten among several hundred academic institutions in North America. Further variations occur because many college and university ombudsmen serve faculty and staff as well as students. Some ombudsmen are part-time; some are assisted by students; one or two offices are run *only* by students, which means they have very different (cash) costs. Some offices deal mainly with grades disputes, some with inter-faculty fights, some with serious problems of violence, mental illness, safety, theft, academic dishonesty, intellectual property and conflict of interest problems and discrimination.

Costs of academic ombuds offices vary widely, from about \$50,000 per year, ranging upward to \$100,000 per year. One or two offices serve only a few people a year but most report hundreds of calls and visitors. Average cost per contact, or per visitor, is difficult to measure, even in general terms, across offices. Following the rubric cited earlier, however, it is possible to



describe a composite of several university ombudsman offices, in a hypothetical community of approximately 20,000 faculty, administrative, research and support staff and students.

### Cost of the Function

Total cost of a full-time ombudsman office in a university, including one full-time, faculty level ombudsman, support services, and imputed cost for space and overhead, are between \$100-200,000 per year. This sum might support several student volunteers, and one support staff person.

### Estimated Gains of the Function.

Productivity gains. If the ombuds office saw several hundred students, and several hundred support, research and administrative staff, and faculty a year, (say 4% of the population), there would arguably be some improvement in productivity for perhaps 500 out of 800, since there is research that shows that 60-70% of those who use ombuds offices feel partly or fully satisfied. If there were a 2% "productivity" improvement for 250 students paying an average of \$10,000 a year, and a 2% improvement for 250 employees and faculty earning an average of \$30,000 a year, this would amount to \$50,000 plus \$150,000 = \$200,000 in productivity gains to the total community. In addition, an ombuds office will field hundreds of inquiries and short telephone calls per year, plausibly saving a good deal of wear and tear on feelings, while referring some very significant problems.

Savings in Management Time. It is difficult to know how many staff hours would otherwise have been spent on cases resolved by the ombudsman. Working with an ombudsman also costs management time, but a net savings for all other administrators of an average 5 hours per case, (a total of 4000 hours) seems reasonable. If the ombuds office thus saves the full time equivalent of two university administrators, in dealing with approximately 800 cases, these savings may total \$100,000. In a year with several serious cases this value may rise many times over, since one serious case may cost dozens or even hundreds of hours from several senior administrators.

Personnel Savings and Lowered Student Attrition. If the ombuds office kept two or three valuable professors, research and/or administrative staff and a dozen valued students and support staff from leaving in any given year, the production losses, recruiting costs, and training costs saved might approximate \$50,000 a year. In some instances these savings would be higher.

Savings in Legal Costs. If the ombuds office handles harassment complaints, safety problems, unjust discharge concerns and similar difficulties, typical savings might include the salary of at least one full time equivalent attorney not needed, and expenses of agency investigations, sponsor contacts, settlements, law suits and payment of damages forestalled. In a typical year this would mean average savings of \$100-200,000, at a conservative estimate, perhaps \$150,000. Really serious cases of course mean much higher savings.

Miscellaneous Savings. An ombudsman in an academic institution may deal with alcohol, drugs, arson, serious safety violations and hazards, mental illness, theft, vandalism, threats of bodily harm, etc. Estimates of savings here are difficult, but academic ombudsmen in 1988 helped recover thousands of dollars in stolen goods or cash, (by serving as a confidential conduit for restitution), were the recipients of valuable anonymous information on drug use, and helped

to "bring in" and handle cases in all the other difficult areas cited above. Average savings in these areas may sum to \$50,000-\$100,000 per year, on average about \$75,000.

In addition ombudsmen may help to bring in research funds, do institutional data collection and institutional research, draft policies, do one on one "management consulting," provide mentoring and career guidance, help with safety, drugs or alcohol awareness, help recruit students and staff, support equal opportunity efforts, ethics programs, mediation, dispute resolution, and other management training programs, do sexual harassment training, etc. Ombudsmen occasionally inspire parental and alumni gifts. The average annual value of such services is hard to estimate; one may estimate \$5,000-\$100,000 worth of such "in-house consultant" services, per year, averaging \$50,000.

The value added by this ombuds office may thus approximate \$600,000 per year or roughly 3 to 6 times the cost of the office, if there are no "damages" attributable to the office. The savings in cash costs at least cover—and may more than double—the cost of an office, especially if heavy legal costs are prevented. It is apparent that these figures will range very widely, year by year and office by office. Nevertheless the order of magnitude may be reasonably correct, and conservatively speaking one would expect that a university ombuds office will at least pay for itself, let alone improve morale and credibility.

Over the years, a number of organizational ombudsmen have done private estimates using their own company information, (working primarily with legal counsel records). Five have shared their data with the authors over the years. The estimates of cost-effectiveness ranged from solidly covering the costs of the office to saving more than eight times the costs of the office.

**Appendix B**  
**Some Topics as Informally Recalled by Organizational Ombudsmen**  
**(“When do you remember hearing about this one in your office?”)**

1973 Sexual and Racial Harassment, Anti-Semitism  
1973 Pornography/Offensive Ethnic Images  
1973 Racial Assault/Sexual Assault  
1973 Homophobic Discrimination  
1973 Subtle and Covert Discrimination  
1973 Serious Affirmative Action and Posting Systems in Organizations  
1973 Equal Pay for Equal Work  
1973 Support Staff Issues (Status, Respect, Privacy, Compensation, Promotion)  
1973 Need for Mentoring Systems  
1973 Need for Networks of Minorities, and Women  
1973 Cafeteria Benefits, Flexible Work-hours, Shared Jobs, Leave w/o Pay  
1973 Beginning to Train "Targets" of Discrimination  
1973 Dependent Care/Day Care/Elder Care Issues  
1973 Illegal Drugs/Designer Drugs  
1973 Concern about Low-income Students and Employees  
1973 The Beginning of Non-union Dispute Resolution "Systems"  
1973 Allowing "Accompaniment" of Disputants  
1974 Graduate Student and Post-doc Mistreatment Issues  
1974 Trans-gender Questions  
1975 Waste and Fraud  
1975 Smokers v Non-Smokers  
1976 Academic/Scientific Misconduct  
1976 Whistle-blowing  
1976 Interference with/Theft of ... the Work of Others  
1977 Conflict of Interest (Financial and Sexual)  
1977 Hazing Concerns  
1977 Anorexia  
1977 Workplace (air/water/computer) Pollution  
1978 Workplace Mistreatment ("General" Harassment and Supervisory Abuse)  
1979 Non-union Formal Grievance Channels  
1980 Computer-related Theft and Mischief  
1980 Beginning to Train the Workforce not to Harass  
1981 Beginning to Train Supervisors (on Harassment)  
1981 Tensions with Government Agencies about DR Options  
1982 Fear of GRID (and then Fear of AIDS)  
1982 Repetitive Strain Injury and Other Physical Disabilities  
1982 Requirement for Higher Productivity with Fewer Emotional and Financial Resources  
1982 Stalking/Obsessed Following Behavior  
1982 Decline in "Loyalty" in the Workplace  
1982 More Focus on Building Internal "Systems" With Mediation  
1983 Backlash against Women  
1983 Downsizing Problems/Layoffs  
1983 Quality Assurance Discussions, Precursor to TQM

1983 More Concern about Whistle-blowing  
1984 Religious Harassment (Alleged by “Fundamentalists” of Many Religions)  
1984 Satanic Cults  
1984 Fear of Violence  
1984 Genetic Testing and Drug Testing  
1985 Cross-culture on the Team  
1985 Free Speech Concerns  
1986 Domestic Violence  
1986 Concern about Abuse of Foreign Nationals as Students and Employees  
1986 Tensions Among and From Asian-American Professionals  
1987 Challenges to Confidentiality of Neutrals  
1989 Identity Theft  
1990 Political Correctness  
1990 Religious Harassment (especially of Muslims)  
1990 Beginning to Train Bystanders (on Harassment)  
1991 Intra-team Conflict  
1991 Intellectual Property Problems  
1992 Outsourcing Problems  
1992 Pornography on Computers  
1992 Learning and Mental Disabilities  
1992 "Bullying" in the Workplace  
1993 "Re-engineering" Problems  
1993 "This Function Does Not Work Well" — Poor Service within the Organization  
1994 More "Changing Workforce" (Part timers)  
1994 Unionizing Graduate Students  
1994 More Backlash Against Affirmative Action  
1994 Anonymous Vicious Attacks (on Posters, Graffiti, etc.)  
1994 Racism From and Among International Students  
1994 Mergers and Acquisitions Problems  
1994 Integration of Internal Conflict Management Systems  
1994 Distance-Learning Related Disputes  
1994 Increased Stress From High Turnover/Travel  
1994 Binge Drinking Discussions  
1995 Email and Voicemail Privacy Issues  
1995 Poor Service/Poorly Functioning Individuals/People “Breaking Down”  
1996 Intra-organizational Computer Privacy Issues  
1996 Overwork and Overload  
1996 Poor Function in Whole Units (Manufacturing and Services)  
1996 Conflict of Commitment Tensions  
1997 Stress, Depression and Exhaustion  
1997 Scarce Experts Problems  
1998 Very Complex Intellectual Property Problems  
1998 Conflict of Interest Problems in Start-ups  
1998 Complex Computer Systems Problems  
1998 Resurgence of Concern about Every Kind of Harassment and Abuse  
1999 Gross, Insubordinate, Uncouth Behavior Toward Supervisors/Faculty

2000-2001 have brought more Difficult Intellectual Property Problems, Layoffs, Concern about Non-exempt Staff, Overwork, Concern about Cynicism Increasing in the Workplace, Fear of Violence, Free Speech Issues, more Religious and Ethnic Tension, Grief and Exhaustion—and of course the whole list above.