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**SOCIAL IMPACT MANAGEMENT:
A DEFINITION**

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Introduction

The Aspen Institute’s Business and Society Program (Aspen BSP)¹, as part of its *Beyond Grey Pinstripes* partnership with the World Resources Institute, prepared this discussion paper on social impact management. *Beyond Grey Pinstripes* is a biennial survey of business schools around the world that collects information about what MBA programs are doing to prepare their graduates for social and environmental stewardship.² This paper grew out of the thorny methodological challenge faced by the reviewers of *Beyond Grey Pinstripes*, as they determined how to value and weigh the reported activities of different schools. The paper begins to define the research and curricular domain that exists at the intersection of business practice and wider societal concerns. Our goal is to articulate a language and framework that will aid in the identification of topics within this domain and that will facilitate their integration into broader business curriculum. This in turn will allow better assessment of current attention to these topics—by the *Beyond Grey Pinstripes* survey and others—and encourage future relevant research and teaching.

Supply and Demand

Reporting on the findings of the 1999 *Beyond Grey Pinstripes* report, Roger Cowe remarks on the “scant” attention paid by leading U.S. business schools to issues of social and environmental stewardship.³ He explains that, as a recent group of international business educators gathered in the Windsor Castle precincts concluded: “The trouble is...there is a good old-fashioned economic problem at the root of the limited supply...There is still virtually no demand for such courses from companies or business students.”

So the question arises: if informed and skillful management of social and environmental questions is as critical to the sustainability of businesses, communities, societies and the planet as many researchers, political figures, and even business leaders claim, why is this material not becoming “demand-driven” in business schools? And we would reply that it is because of the way these issues have been framed. To become motivated to solve a particular problem, individuals must not only believe there is a problem, but they must also experience it as *their* problem, and believe that they have the *means* and *opportunity* to solve it—which leads us directly to the manner in which these issues have been approached in the past.

Past and Present Attempts to Frame the Field

There is a long history of attention to the intersecting roles and impacts of business and of the wider society of which business is a part. This history exists both in the literature of business academics, as well as in the literature and practice of businesses and NGOs. The terminology used to describe this area of exploration includes among others: business ethics, corporate social responsibility, corporate social performance, business and society, business in society, corporate sustainability, and increasingly in some non-academic quarters, the triple bottom line. In fact, there are extensive literature reviews and

¹ Formerly The Aspen Institute’s Initiative for Social Innovation through Business (Aspen ISIB)

² For more information about *Beyond Grey Pinstripes*, please visit www.beyondgreypinstripes.org, or contact Aspen BSP

³ Cowe, Roger. “Black Hole in MBA Curriculum.” *The Guardian* 19 February 2000: 34+

commentary, devoted specifically to naming and framing this field of research and discourse.⁴

This paper is distinguished from previous attempts to name and frame the field because it is written from an *external*, *pragmatic* and *integrative* perspective. Our perspective is *external* because we are not writing as faculty and researchers within a particular academic specialty who are communicating with each other and working to legitimize their work as a distinct discipline. Rather we are writing as an outside audience, hoping to identify and learn from the understanding that exists, wherever it exists, and to encourage further knowledge generation to fill gaps and expand understanding—without an investment in a particular discipline. Understand that we do see the value and critical importance of the work being done by faculty within the fields of business ethics, corporate social performance, or business in society. We are simply engaged in a different enterprise that draws upon and benefits greatly from their efforts.

Our perspective is *pragmatic* because we are trying to find a language that can communicate to MBA students and business practitioners, as well as faculty, and to develop a working definition that will facilitate our efforts to talk about and assess the current state of research, curriculum development and teaching in this area.

Our perspective is *integrative* because rather than exploring and encouraging, primarily or exclusively, a distinct and separate field of research—for example, corporate social performance or business ethics, as critical as these endeavors are—we hope to explore and encourage research and teaching about the management of social impacts *throughout* the traditional business disciplines.

We believe that an external, pragmatic and integrative approach allows us to frame the field from the perspectives of current and future business practitioners and even skeptics, as opposed to the perspective of academics or advocates exclusively. The topics then become *their* topics, framed as “felt needs” and addressed using the tools of management with which they feel some familiarity and facility. And rather than a normative approach to the research and teaching (or a stance of “advocacy,” as articulated by James Walsh and Joshua Margolis⁵), the stance is one of open and critical inquiry into assumptions, methods, and outcomes.

Towards a Definition of Social Impact Management

Aspen BSP’s naming and defining of “social impact management” emerged in 1999 during that year’s *Beyond Grey Pinstripes* project, as reviewers judged if a course syllabus, research article, or degree program curriculum addressed social impact management.

⁴ For example, see “Social Issues in Management: Theory and Research in Corporate Social Performance” (Donna Wood. *Journal of Management* 17 (1991): 338-406) and “Corporate Social Performance Revisited (Donna Wood. *Academy of Management Review* 16 (1991): 691-718), as well as the numerous articles Wood cites in these review essays.

⁵ Margolis, Joshua, and James Walsh. *People and Profits? The Search for a Link Between a Company’s Social and Financial Performance*. Mahwah, NJ and London: Lawrence Erlbaum Associates, 2001. Also Margolis and Walsh. “Misery Loves Companies: Whither Social Initiatives by Business?” *Harvard Business School Working Paper*. Social Enterprise Series, No. 19. Both projects were completed with the support of Aspen BSP.

When we ask whether a course or a research article considers or addresses environmental management, we are beginning to think we know what is meant. And certainly when we ask whether a course or a research article addresses the management of investment strategy, competitive strategy or risk management we think we know what we mean.

In reality, of course, each of these more familiar concepts relates to many different business issues and processes and then considers them in terms of a particular function or objective. In the case of investment strategy, we consider possible operating time frames, cash flow needs and goals, risk scenarios, and revenue projections, all in terms of a firm's financing choices. In the case of competitive strategy, we consider product focus choices, market targets, and growth objectives, all in terms of a coherent strategy for positioning the firm favorably among its current and emerging competitors. In the case of risk management, we consider multiple business contingencies such as plant safety, political instability in operating environments, volatility and shifting availability of raw materials, and currency fluctuations, all in terms of assessing and preparing contingency plans for best, medium and worst case scenarios.

Finally, in the case of environmental management, we consider a variety of traditional business topics and functions—product design, cost accounting, auditing, regulatory compliance, information systems, investor relations, change management, etc.—and inquire of them: “how does this work when we think about the environment?” Implicit in this question, of course, is the idea that the intersection between traditional business issues and the environment has important consequences for both the present and future viability of a firm's activity and for the environment within which the firm by necessity operates.

So too with social impact management, we consider a variety of traditional business topics and functions and inquire: “how does this work when we think about the social context within which business operates?” Again, implicit in this question is the idea that the intersection between these traditional business issues and the social context has important consequences for both the present and future viability of a firm's activity and for the society within which the firm by necessity operates.

What's in a Name?

Aspen BSP chose the phrase “social impact management” to name the issues and type of analysis we are exploring. This phrase enables us to communicate with each other about the field we are exploring and meets a number of criteria we had identified:

1. The phrase is short and easy to use; it is not as cumbersome as phrases like “issues at the intersection of business needs and wider societal concerns.”
2. It is familiar and comfortable to those who are fluent in the language of business. Social impact management parallels other commonly used phrases such as “risk management,” “investment strategy management,” “international management,” “environmental management,” and “diversity management.”
3. It is descriptive—but non-normative. Phrases such as “corporate social responsibility” and “corporate social performance” have a normative or moralistic flavor to them, which suggests that they are more about advocacy than about analysis and critical thinking.
4. It avoids “trendy” language that, although relevant in substance, may carry some ideological baggage.
5. It is inclusive, suggesting a wide scope. “Social enterprise,” “social investing,” and “social ventures” are more circumscribed in scope. “Corporate social performance” suggests that social performance is separate and distinct from the wider functioning of the business.

Social impact management feels more objective and descriptive than normative and suggests a relevance and centrality to the functioning of business as well as to the wider society of which business is a part. When business managers discuss risk management, they do not necessarily assume that the risks are separate and distinct from the business, but rather a part of the business operations. Increasingly, when business managers evaluate environmental management, they see the endeavor as a necessary and integral part of the ongoing viability of the firm. Similarly “social impacts” are an unavoidable part of any organizational functioning, by the mere fact that businesses exist within and as part of a wider society’s functioning. And social impacts are reciprocal: that is, there are social impacts of a business, as well as on a business. Both sets of impacts must be understood and assessed. In other words, “social impacts” really suggests context. Implicit in an understanding of social impact management is a more systemic theory of the firm. However, “context management” or “systems management” feels more abstract and less easily recognizable and readily meaningful and suggestive for a wide audience.

Defining Social Impact Management

But how can we clearly, succinctly and powerfully define what we mean by “social impact management?” Attempts to do so can be so broad as to feel as if we are talking about everything. Any topic can be relevant because just about everything is part of the societal context of business. Or on the other hand, definitions can be so narrowly defined as to appear relevant to the study of public policy, social studies or even philosophy and morality, but certainly not to business.

Part of the problem lies in the fact that we tend to focus first and often exclusively on defining the terrain rather than the approach. Social impact management is more about asking a new and broader set of questions with regard to the traditional terrain of business research and teaching than it is about naming a discrete set of topics—e.g., human rights, equal opportunity, labor standards—to add to that terrain.

The *terrain* is—or should be—the same terrain that any business field addresses. To define it otherwise is to reinforce a false dichotomy that premises business as somehow apart from society/community; workers and consumers as distinct from citizens; industrial resources as distinct from the environment; shareholders as distinct from stakeholders; industrialized countries as independent of developing countries; and individual countries as independent of the wider world.

But once we begin to ask the questions at the heart of social impact management, we find that the terrain *does* begin to shift subtly and new topics begin to emerge naturally as relevant to the management endeavor. Thus we are not required to generate a definitive list of topics, a task that is by definition impossible in an ever-changing world. (For examples of social impact management topics, see Appendix). And we do not find ourselves identifying topics that managers do not see as relevant to their tasks. Rather topics emerge as relevant once managers begin to ask new and more demanding questions about those very tasks.

So what is the approach, the set of questions that research and teaching on social impact management will raise? These topics are fundamentally questions of purpose and context, but asked more broadly than is commonly done in business research, education and even practice. For example, it is not uncommon for a business strategy discussion to explore a software firm’s purpose in terms of its vision for competitive positioning—e.g. “first mover.” It is less common—although not unheard of—for that

discussion to consider in a deep way the implications for consumers and the industry, down the line, given different possible firm choices around growth objectives and product development. Once we start asking those broader questions, we are by necessity taking into consideration both a short and long term time line, a wider set of actors and stakeholders, and a more complex set of factors to measure and evaluate.

Given then that social impact management considers a variety of business topics and asks new questions about them, we propose the following definition: **Social impact management is the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between these two realities.**

Test Questions

To determine if a course or stream of research addresses social impact management, we would ask:

1. **Does this course/research explicitly name and critically examine the *purpose* of the business activity under consideration?** Questions that get at this concept might include: What is our immediate objective? Our longer-term objective? Why have we set this priority? What are alternative approaches? A good indicator of attention to purpose can be whether or not the business activity under consideration is placed in a *historical* context.

2a. **Does this course/research define the *social context* of the business activity under consideration?** Broadly speaking, the social context includes the community, nation and region wherein the business activity has impacts—in terms of economy, security, quality of life, etc. (Though the social context also includes the health of the environment, we are currently separating out that topic from the domain of social impact management.)

Another way to address social context is by means of the familiar concept of stakeholders, as outlined in 2b.

2b. **Does the course/research consider the impacts on, and the rights and responsibilities of, *multiple stakeholders*?** Are we considering all those affected by the proposed business activity—including and especially those who are outside the organization or who may have less apparent power and/or voice?

3. **Does this course/research explicitly name and critically examine what is being counted and what is not being counted in the *performance metrics* applied to the business activity under consideration?** For example, does it examine measurement of what are often termed “externalities”? Does it examine measurement across different time frames—long term as well as short term? And so on. Or put another way: does this course/research define capital multiply: human, intellectual, social, natural, economic?

By asking the above questions, a course or stream of research adopts an approach that examines “full costs”(understanding the implications of so-called externalities); that explores the role of “social custom” (as stressed by Milton Friedman); that considers the development of the individual capitalist as well as the capital s/he owns (as urged by Jeff Gates); that raises questions of timing when assessing the market’s functioning (e.g., does the market’s “invisible hand” work fast enough to resolve “commons” problems);

that considers “ways of thinking” about decision-making that avoid the logical and practical pitfalls of working under conditions of asymmetrical and incomplete and rapidly changing information.

Applications

To further illustrate the definition of social impact management, we now look at particular course and/or research areas and ask whether we would consider them examples of social impact management.

- **Business Ethics:** In general, business ethics cases and research tend to break down into questions at the individual level, the organizational level, and the national or even international level. The third and fourth of these, by definition, take into consideration a variety of stakeholders and address social context; they would therefore be considered examples of social impact management. However, given that the focus of such material at all four levels relates to values and “social custom,” cases and research at all four levels tend to be considered examples of social impact management.
- **Diversity:** In general, cases and research that address issues of diversity or inclusivity management would be considered relevant to social impact management. The focus of such cases and research, implicitly and often explicitly, raises questions of organizational purpose, as implemented through the distribution of resources—among employees, among potential suppliers, among potential customers, etc. Such cases and research frequently involve an analysis of social context and/or stakeholders, as illustrated by representation and interests of different identity groups. And finally, such cases and research sometimes involve an assessment of the benefits and costs, although often unmeasured in the past, that accrue to those who manage across differences more or less effectively.
- **Governance Issues:** Does a class discussion that explores the theory behind a focus on optimization of shareholder wealth as the key performance target qualify as an example of teaching social impact management? It certainly is a discussion of corporate purpose. The litmus test here should be whether the theory is taught from an advocacy stance, presented as the one and only true way to manage a publicly held corporation, or whether the material is presented in an open and critically questioning fashion, sharing history, alternative views, etc. In such an instance, the key is more “how” than “what.”
- **Non-profit Management:** Class discussions around non-profit management would be considered relevant to social impact management if the decisions illustrated by the case study satisfied the test questions above. In other words, the fact that a case is about a non-profit organization alone does not qualify it as a social impact management case. It might be, for example, a case that illustrated a particular organizational behavior issue, such as managing performance feedback, and had no other relevance to this area. On the other hand, a case on strategic management where students are required to engage in reflection on the social service provided by a particular non-profit organization, the reasons why those services are not provided by the public or private sectors, and the suitability of a non-profit organization to provide such service would indeed be considered a social impact management case. It would stimulate a critical discussion of organizational purpose and social context, which reflects back upon students’ view of the role of the private sector.
- **OB/HR:** This is a tricky area. Cases and research in these areas cover a vast terrain and to some degree one might argue that they are about stakeholders in the sense that they most often address some issue related to the experience and relationships of managers and employees. However,

frequently these materials focus more on skills and technique development than on a critical questioning of the purposes to which those skills and techniques may be put. Some examples of litmus tests as to whether this material would be considered an example of social impact management would include:

- Whether or not the analysis critically and openly examined the existing power relationships between internal stakeholders (for example, manager/employee relationships as impacted by ESOP programs);
 - Whether or not the analysis questioned the purpose of the organization, with regard to its impact on the community which supplied its workforce (for example, discussions of downsizing or merger impacts on a community);
 - Whether or not the analysis focused on measuring previously unmeasured stakeholder impacts, thereby expanding the list of “what counts” in the organization (for example, the effects of work/life programs on both business performance and quality of life of employees.)
- **Skills-based Classes:** In those classes where a particular skill is being taught (for example, negotiations, conflict resolution, etc.), social impact management may be introduced by ingenious selection of examples upon which to exercise those skills or techniques. However, simply because the skill in question may be useful to social impact management challenges does not characterize the class as relevant.
 - **Social Venture Capital and Social Entrepreneurship:** Given that the purpose of such investment and entrepreneurial ventures is explicitly to use business methods (of financing and/or business development) in the service of the wider social context, such cases and research would be considered examples of social impact management. The very fact of these endeavors is an implicit and usually explicit attempt to examine and reconsider the purpose of business activities, and their functioning requires the development of new and often more inclusive metrics for measuring performance.

Conclusion

With our new attempt to frame the field in place, a critical question remains: “how do we make the case that business and society are better for asking these questions in business research, business education, and ultimately business practice?” As we know, there are many disincentives and barriers to doing so:

- The questions are difficult. There is little incentive to ask a question that requires this kind of complex analysis, with no single solution optimization, and even less incentive to ask a question that we have no confidence we can answer at all.
- In a business environment with a bias toward, nay a necessity for, speed and action, these questions appear worse than irrelevant; they may appear counter-productive.
- Finally, when we begin to actually travel down the path of reasoning these questions suggest, we get glimpses of a world different from the one we are familiar with, one where the traditional distribution of resources and power—a distribution that has served many of us quite well—may likely be disturbed.

However, the reality is that the questions we are asking here are not that different from the kinds of judgments and choices business managers make all the time. Business practitioners are familiar, if not

comfortable, with decision-making under conditions of incomplete information, asymmetrical information, time pressures, multiple party negotiations, and so on. Furthermore, wider society has impacts on business functioning and business has impacts on wider society, whether or not those impacts are actually identified, quantified and incorporated into an organization's decision-making processes. We are simply raising the specter and the possibility of conscious choice.

Appendix

Selected Examples of Social Impact Management Topics

Examples of specific social impact management topics that may surface in functional areas include:

Accounting

- Full cost accounting
- Differential impacts of accounting standards on different stakeholders
- Behavioral impacts among employees of internal accounting and control systems
- Integrity and accountability in reporting systems: to whom (which stakeholders) is information communicated and why?
- Implications of global business and the potential clash of reporting standards

Business/Government Relations

- Distribution of wealth and opportunity within a particular country; the impacts of this distribution on existing and/or potential business activity; and the role of business activity in creating, contributing, and/or changing this distribution
- Mutual impacts of business activity and a particular country's norms and laws regarding ethical business conduct
- Mutual impacts of business activity and a particular country's levels of political repression or freedom
- Jurisprudence (i.e., when a foreign business operates in a host country, whose laws apply?)
- Social impacts of regulation, de-regulation and privatization
- Negotiating responsibility for externalities, social impacts of business activity not traditionally measured by internal firm cost/benefit analyses
- Technology transfer

Economics

- Distribution of wealth and opportunity within a particular country; the impacts of this distribution on existing and/or potential business activity; and the role of business activity in creating, contributing, and/or changing this distribution
- Consideration of key economic concepts—such as market power, consumer power, perfect competition, investment behavior, market failures and externalities, and property rights—in terms of their full social impacts (e.g., impacts on the viability of individual businesses, industries, individuals, communities, nation states, and regions.)
- Critical examination of the rationales and impacts of different economic models: free market economy, command economy, mixed economy
- Economics of time use and their impacts on business activity and sustainable families and communities
- Fiscal incentives and disincentives for socially beneficial behaviors
- Impacts of regulated and unregulated capital flows across international borders, on sustainable business activity and sustainable regional economies
- Impacts of business and government investment in human capital, on viable business operations and sustainable workforce

Finance

- Impacts of individual and institutional investor incentives and influence on business activity, and by extension, society (short term vs. long term horizons, communicating with investors, managerial levers of influence, etc.)
- Patterns in access to capital, their causes and rationale, and their impacts on distribution of wealth and opportunity
- Impacts of regulated and unregulated capital flows across international borders, on sustainable business activity and sustainable regional economies
- Placement of financial risk and transaction cost calculations within context of full risks and costs, not easily assigned a dollar value but nonetheless carrying critical implications for the success and sustainability of business transactions

Information Technology

- Technology, knowledge and internet access
- Technology transfer
- Issues of confidentiality and information ownership

Marketing

- Impacts of product development/design/pricing decisions on success and sustainability of business activity and on targeted consumers, short and long term
- Impacts of niche marketing on sustainable competitive strategy and on the targeted markets themselves
- Impacts of advertising messages in society
- Social marketing

Operations Management

- Impacts of labor standards (risk and safety, child labor, hours, etc.) on workforce sustainability
- Accountability and risk management in out-sourced manufacturing and in raw materials supplier relationships
- Impacts of plant investment choices on multiple stakeholders

Organizational Behavior/Human Resources Management

- Impacts of employee rights and participation on business operations and workforce sustainability
- Impacts of work/life balance issues on business operations and sustainable workforce
- Impacts of workplace equity and diversity issues on business operations and workforce sustainability
- Impacts of labor relations and union strategies on business operations and workforce sustainability
- Impacts of business activities on workforce readiness and sustainability

Strategy

- Impacts of corporate reputation/image on competitive business positioning, and how reputation is created and sustained
- Competitive analysis of strategic decisions with social implications for multiple stakeholders (how does one factor these impacts into analysis?)
- Competitive analysis of executive compensation strategies and their impacts on business operations and on social cohesion
- Competitive analysis of employee ownership models
- Impacts of domestic business operations in economically disadvantaged areas on sustainable competitive business positioning and on those areas

- Impacts of business operations in developing countries on sustainable competitive business positioning and on those countries
- Defining standards of “fair” competition in a global context
- Impacts of downsizing, plant closings and re-engineering strategies on sustainable competitive business positioning and on affected individuals and communities
- Trends and critiques in corporate governance (maximizing shareholder value, balancing stakeholder value, etc.)