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“WHAT IS SOCIAL IMPACT MANAGEMENT?”

Social Impact Management is the terminology we have chosen to name and help delineate the research and curricular domain that exists at the intersection of business needs and wider societal concerns and that reflects their complex interdependency.

Social impact management is less a collection of topics, than it is a way of thinking about many traditional business activities that assumes and examines this mutual interdependency between business and society. And it is a critical part of any contemporary business curricular and research agenda because increasingly, without a sophisticated understanding of this interdependency, neither business nor the society in which it operates can thrive.

Research and teaching about social impact management consider a variety of traditional business topics and functions and inquire: **“How does our understanding change and our business acumen increase when we consider the social context within which the business operates?”** Implicit in this question, of course, is the idea that the intersection between these traditional business concerns and the social context has important consequences for both the present and future viability of a business’s activity, and also for the society within which that business has, by necessity, to operate. Moreover, the question assumes *that both of these types of consequences matter to business*. In other words, social impacts are reciprocal: that is, there are social impacts *of* a business, as well as *on* a business. Thus, implicit in an understanding of social impact management is a more systemic theory of the firm, and by definition, social impact management is cross-functional.

But Let’s Get a Little More Specific...

Attempts to define what should be included within “social impact management” are often 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, the definitions are so narrow as to appear relevant to public policy, social studies, or even philosophy and morality, but certainly not to business schools.

Part of the problem of definition 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 (for example, human rights, equal opportunity, labor standards, etc.) 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.

However, 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. Although in an ever-changing world it is not possible to generate a definitive list of such topics, at the end of this essay we have included an illustration of some of the kinds of issues that surface when we apply the lens of social impact management to topics considered in traditional business functions. (See Appendix 1)

So what is the approach, the set of questions that research and teaching on social impact management will raise? Fundamentally, they are questions of purpose and context and measurement, 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., its objective may be to occupy a "first mover" position within the market). What is less common (although not unheard of) is for that discussion of purpose to consider in a deep way the firm's intentions and the implications for consumers, for employees and for the industry's direction, given different possible firm choices around growth objectives and product development. Once we ask those broader questions, we must take into consideration both a short and long term timeline, a wider set of actors and stakeholders, and a more complex set of success measures.

What are the defining characteristics of the way of thinking, or the critical lens, that social impact management brings to traditional business questions?

Three defining characteristics of social impacts management, as way of thinking about business activities, are that it includes:

- 1. An explicit and critical examination of purpose, defined in both societal and business terms.**
See the example of a software firm's strategic choices regarding positioning, discussed above.
- 2. An explicit definition of the social context of the business activity and its impacts on multiple stakeholders, both inside and outside the firm.**
For example, are the legitimate rights and responsibilities of all stakeholders considered? Are implications of a business strategy evaluated in terms of their impacts upon quality of life, the wider economy of a region, security and safety, etc.?
- 3. An explicit and critical examination of what is being counted and what is not being counted, in the performance/profitability metrics applied to the business activity.**

For example, are measurements of so-called “externalities” considered? Are impacts and results measured across different time frames (long and short term)?

By considering these questions of broad purpose, of social context, and of measurement, a professor, a researcher, or a manager adopts an approach that, among other things, :

- examines “full costs”(understanding the implications of so-called externalities);
- explores the role of “social custom” (as stressed by Milton Friedman);
- considers not only the production of capital and its return, but also the development of individuals’ economic capacity through asset ownership;
- raises questions of timing when assessing the market’s functioning (for example, whether the market’s “invisible hand” works fast enough to resolve “commons” problems).

Why focus on Social Impact Management?

Perhaps most importantly, the 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?”

The answer lies in the fact that these questions acknowledge a fundamental reality: that 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.

And by **naming the field** of inquiry that considers the interdependency between business and society, by **opening a dialogue** about the issues that should be investigated in that field, and by **encouraging teaching and research** on these issues, we are encouraging business education to develop managers who are better prepared to take on this choice.

Ultimately, by putting the spotlight on social impact management not only in the business school experience but in the business world itself, we can begin to come to a greater understanding of the skills and perspectives that are required by business practitioners to manage social impacts with greater likelihood of a successful outcome for all stakeholders – shareholders, customers, community members and employees among them.

Examples of Social Impacts Management Topics by Business Discipline

(This list is intended to be suggestive, not exhaustive.)

DISCIPLINE/FUNCTION	EXAMPLES
Accounting	<ul style="list-style-type: none"> ▪ Full cost accounting ▪ Differential impacts of accounting standards(e.g., changes in reporting post-retirement benefit liabilities & impacts on policies) ▪ Integrity and accountability in reporting systems ▪ Potential conflicts of reporting standards in global businesses
Business/Government Relations in International Economy	<ul style="list-style-type: none"> ▪ Distribution of wealth and opportunity within a country & between countries; its impacts on business activity; business impacts on this distribution ▪ Jurisprudence (which country's laws apply?) ▪ Social impacts of regulation, de-regulation and privatization ▪ Technology transfer; impacts on economic/labor opportunities ▪ Negotiating responsibility for "externalities" with host country
Economics	<ul style="list-style-type: none"> ▪ Distribution of wealth and opportunity within a particular country; its impacts on business activity; business impacts on this distribution ▪ Economics of time use(hours, flex); impacts on family/community ▪ Fiscal incentives/disincentives(e.g., tax policy) for socially beneficial behaviors ▪ Causes and impacts of wage and income gap ▪ Critical consideration of key economic concepts in terms of full social impacts (market power; consumer power; externalities; property rights; etc.)
Finance	<ul style="list-style-type: none"> ▪ Impacts of individual and institutional investor incentives ▪ Impacts of regulated and unregulated capital flows across international borders ▪ Patterns in access to capital: causes, rationale and impacts ▪ Examination of the changing nature and role of shareholders ▪ Discussion of social venture capital sources and policies
Information Technology	<ul style="list-style-type: none"> ▪ Distribution of access to technology and the internet ▪ Social impacts of technology transfer ▪ Issues of confidentiality and information ownership ▪ Social impacts of IT enhancements (e.g., upgrading technology vs. de-skilling workers)
Marketing	<ul style="list-style-type: none"> ▪ Impacts of product development/design/pricing decisions on business sustainability AND on targeted consumers ▪ Niche marketing impacts on business strategy & on target markets ▪ Impacts of advertising messages on society, esp. internationally ▪ Social and cause-related marketing
Operations Management	<ul style="list-style-type: none"> ▪ Impacts of labor standards (risk and safety, child labor, hours, etc.) ▪ Accountability and risk management in supplier relationships ▪ Impacts of plant investment choices on multiple stakeholders ▪ Consideration of responses to differing safety and labor standards in developed/developing economies
Organizational Behavior/ Human Resources Management	<ul style="list-style-type: none"> ▪ Employee rights and participation ▪ Work/life balance issues ▪ Workplace equity and diversity issues ▪ Labor relations and union strategies
Strategy	<ul style="list-style-type: none"> ▪ Corporate reputation/image ▪ Executive compensation strategies ▪ Competitive analysis of employee ownership models ▪ Operating in economically disadvantaged areas and developing countries ▪ Defining standards of "fair" competition in a global context ▪ Downsizing, plant closings and re-engineering strategies ▪ Trends and critiques of corporate governance