WHAT DO WE TEACH WHEN WE TEACH SOCIAL IMPACT MANAGEMENT?

Mary C. Gentile, Ph.D.

Fall 2002
**Our Mission**

To increase the supply of business leaders who understand—and seek to balance—the complex relationship between business success and social and environmental progress.

**Our Vision**

Businesses committed to addressing complex global problems—led by executives who possess the skills, values and long-term view required to consider the social impact of business decisions and who employ social innovation as a key element of business strategy.
**Author**

Mary C. Gentile is an independent consultant in Arlington, MA. Previously Gentile was faculty member, researcher, and administrator at the Harvard Business School and Senior Manager in Responsible Business Practices at Arthur Andersen LLP.


**Acknowledgements**

Aspen BSP and Mary Gentile would like to thank Maureen Scully of the Simmons Graduate School of Management for her helpful input to this paper.
What Do We Teach When We Teach Social Impact Management?
By: Mary C. Gentile, Ph.D.
Fall 2002

**TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>DEFINING SOCIAL IMPACT MANAGEMENT</td>
<td>4</td>
</tr>
<tr>
<td>How Do We Know It When We See It</td>
<td>4</td>
</tr>
<tr>
<td>PRACTICAL OBSERVATION ABOUT THE TEACHING OF SOCIAL IMPACT MANAGEMENT</td>
<td>7</td>
</tr>
<tr>
<td>SOCIAL IMPACT MANAGEMENT ACROSS DISCIPLINE</td>
<td>10</td>
</tr>
<tr>
<td>Voices From The Disciplines</td>
<td>10</td>
</tr>
<tr>
<td>Accounting</td>
<td>10</td>
</tr>
<tr>
<td>Marketing</td>
<td>11</td>
</tr>
<tr>
<td>Finance</td>
<td>12</td>
</tr>
<tr>
<td>Human Resource Management and Organizational Behavior</td>
<td>13</td>
</tr>
<tr>
<td>International Political Economy</td>
<td>13</td>
</tr>
<tr>
<td>SOCIAL IMPACT MANAGEMENT AND THE ENRON/ARTHUR ANDERSEN STORY</td>
<td>15</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>18</td>
</tr>
<tr>
<td>APPENDIX 1</td>
<td>19</td>
</tr>
<tr>
<td>APPENDIX 2 (Electronic Attachment)</td>
<td>19</td>
</tr>
<tr>
<td>ENDNOTES</td>
<td>22</td>
</tr>
</tbody>
</table>
Introduction

The Aspen Institute’s Business and Society Program (Aspen BSP)* recently completed a longitudinal study of MBA students at 13 business schools. We wanted to understand the effects of an MBA education on student attitudes toward the role and responsibilities of business and individual business leaders. We surveyed students as they entered the MBA program; at the end of their first year; and again as they graduated, and the findings are suggestive.

First of all, we learned that MBA programs do, in fact, affect student attitudes about the role and responsibilities of business, not always in the ways we might hope. For example, “There is a shift in priorities during the two years of business school from customer needs and product quality to the importance of shareholder value.” In other words, a leader’s definition of responsibility is not, after all, set at his or her parents’ knees. – a notion which has always seemed, to this author, a tall order for parents.

One of the most compelling findings, however, was that when asked if they believed they would be faced with decisions in their business careers which would conflict with their own values, students strongly agreed that they would. And when that happens, they agreed that they would experience the conflict as stressful. And when that happens, the most strongly supported action option was to leave the company – not voice their objections, or try to find allies, or try to make changes in the firm’s practice. They would look for another job.

This is an interesting finding for many reasons, not the least of which is the fact that MBAs, who are supposedly being trained for future leadership positions, apparently do not feel empowered or equipped to try to change practices in their own firm. This is an interesting observation given the recent string of horror stories coming out of Enron, Arthur Andersen, WorldCom, Tyco, and so many others, where apparently a number of employees knew about or had reason to suspect questionable practices, and yet very few spoke up.

In fact, a debate of sorts has been floating around in the press and over business educators’ e-mail concerning just whether – and to what degree – business education might be held responsible for the apparent lapses in judgment and morals evidenced by so many previously revered corporate leaders of late. Most often, this debate refers to the “missing piece” in business education as “ethics.” At the same time, MBA students report that they “are unsure as to whether and how social responsibility contributes to business success. However, they would like to learn more about it – and want business schools to provide concrete examples and integrate it into the core curriculum.”

Other sources identify the “missing piece” as something broader than Business Ethics. In the AACSB International April 2002 report on “Management Education at Risk,” their Management Education Task Force identified the need for greater “Curricular Relevance” as one of the most critical priorities for management education’s continued viability, defining relevance as a greater attention to contemporary business challenges, particularly global issues; an emphasis upon cross-disciplinary approaches; and an emphasis upon interpersonal and leadership issues, among others.

* Formerly The Aspen Institute’s Initiative for Social Innovation through Business (Aspen ISIB)
In his recent article on the new agenda for CEOs in a post-9/11 world, Jeffrey Garten argues that management education needs to focus on “producing broad-gauged leaders who can run companies that are profitable and progressive agents of change”[emphasis added] and that “…schools must train business leaders who can understand geopolitics as well as finance and marketing.”

Aspen BSP’s Student Attitude Survey suggests that, at a minimum, business education has failed to empower its students to feel called and equipped to act on their values. Beyond that, the survey suggests that business education has emphasized a definition of purpose, and a set of values that go with it, that is more narrowly defined than the one student’s came in with –to the detriment of non-equity-holding stakeholders and even to shareholders in the long term.

Given these findings, along with the current crisis of credibility and integrity facing business leaders and the organizations they manage, it seemed useful to try to help business educators to more clearly define just what it is they might be teaching (and where it would fit in the curriculum) if they wanted to address this perceived challenge – that is, equipping students to critically examine and act upon a sense of purpose and values in their business careers.

In an earlier essay, Aspen BSP coined the phrase “social impact management” to refer to the issues that exist at the intersection of business practice and wider societal concerns. Certainly, questions of social responsibility and ethics fall within this rubric. Therefore, this essay will attempt:

- To sharpen the definition of social impact management already set out:  
  Page 4–Defining Social Impact Management

- To illuminate a set of test questions that can be used to identify relevant topics individual disciplines:  
  Page 4–How Do We Know It When We See It?  
  Page 7–Practical Observations about the Teaching of Social Impact Management

- To provide some examples of what social impact management issues one might actually teach in specific disciplines, such as Accounting, or Marketing, for instance:  
  Page 10–Social Impact Management Across Discipline  
  Page 10–Voices from the Disciplines  
  Page 15–Social Impact Management and the Enron/Arthur Andersen Story
Defining Social Impact Management

We think it is critically important to consider how we name and frame our curricular and research agenda. 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. The terminology used to describe this area of exploration includes among others: business ethics, corporate social responsibility, corporate social performance, business and society, corporate sustainability, and increasingly in some non-academic quarters particularly in Europe, the triple bottom line.

At Aspen BSP, we have chosen to name this terrain “Social Impact Management,” and we have described it as the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between the two. In other words, Social Impact Management is not about managing one of these realms at the expense of the other, but rather it is about managing the interdependency to mutual benefit. It is about recognizing that in an increasingly global economy where business and environmental and political actions have faster and faster repercussions for other parts of the world, “business and society” is a false dichotomy.

So Social Impact Management is not about “business as the bad guy,” but rather about businesses (or the business practitioners) as those who need to look where they’re going and examine what they’re doing, both in order to ensure their own long term viability and that of the wider society within which they operate. Business is an exceedingly powerful player in an increasingly interdependent world, and it leaves very large footsteps in its wake. It needs to watch where it steps.

Although the issues addressed in traditional Business Ethics courses, in most cases, would fall under our rubric of Social Impact Management, our emphasis tends to marry ethical analysis with business analysis. The questions are as often about how to engage in a particular business activity as about whether to do so. Many of today’s most vexing managerial questions present themselves to us not as choices between right and wrong, but between two “rights” or two “wrongs.” The answers are not clear and even those students with strong moral compasses but who lack foresight, creative problem-solving ability, a respect for non-traditional sources of information for decision-making, and leadership and negotiation skills, are not equipped to navigate these waters.

By teaching these skills and this knowledge, management education can – seemingly paradoxically – make the strongest contribution to their students’ moral compass, because they teach them that acting on their values is possible. And that is the response business education can make to the troubling inability or unwillingness to act on their values in any way other than leaving their employer, reported by MBA students in the Aspen BSP survey.

How Do We Know It When We See It?

So if Social Impact Management can be defined as the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between the two, and it focuses on how to manage this complex interdependency to mutual benefit of both realms, then how do we know it when we see it?

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 (although these topics are indeed relevant to both Social Impact Management and other business disciplines). The terrain is – or should be – the same terrain that any business field addresses. To define it otherwise is to reinforce that aforementioned 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.

So what are these broader set of “test questions” that determine if a course or research stream addresses Social Impact Management issues?

1. **Purpose:** Does this course/research explicitly name and critically examine the purpose – in both societal and business terms – of the business activity under consideration? When the purpose of an activity is defined capacious enough, students are able to do all the financial calculations without being ruled exclusively by them. They understand that a project must be financially viable, but that this is only one hurdle as opposed to the entire decision-making course. In the case of public auditing firms, for example, the purpose of their auditing function appears to have become blurred and it seems that in some situations, neither the financial aims of the audited firm, of the accounting firm, nor of the investing public have been adequately served.

   Implicit in this “test question” is a reconsideration of the idea that there is a “single optimizing criterion” to guide business activity, namely shareholder wealth. By considering the question of purpose in both societal and business terms, Social Impact Management research and teaching leaves room to critically examine the assumption that the maximization of shareholder wealth necessarily works, via the market’s invisible hand, to maximize value for society at large over time. There are no easy conclusions to draw as we examine this assumption, but without an explicit juxtaposition of short term and narrow business impacts against long term and wider societal impacts, it becomes very easy to lose sight of the forest for the trees in managerial practice. Actions that are technically defensible from a narrowly constructed legal or regulatory standpoint go unquestioned, even when their eventual outcomes are contrary to both business and wider societal aims.

2. **Social Context:** Does this course/research consider the impacts on, and the rights and responsibilities of, multiple stakeholders? Often the true costs of a business strategy are dramatically affected by the impacts on stakeholders who have little apparent voice or power in the actual decision. Consider the costs to pensioned employees at Enron when the firm fell. Note that this question is testing not simply whether the impacts of a business decision on different stakeholders have been considered as indicators of the potential future financial costs to the firm, but also as a cost in and of themselves. That is, the fate of those pensioned employee’s matters, whether Enron survived or not. There is a social and human (as well as a business) cost associated with what happened to them.

3. **Metrics:** 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? And does it examine performance measurements across different time frames – long term as well as short term? For example, does it examine measurement of so-called “externalities”? If there is one thing that has become clear in an increasingly global and interconnected world, one man’s externality is another’s direct cost,
and just because firms are not legally required to report an item as a liability, does not mean that it will not come back to haunt them. Witness the current debate about the accounting for stock option compensation and the questions being raised among investors about them; or the costs of environmental clean-ups charged long after the activities that necessitated them were reflected on the balance sheet.

Defining “costs” in a broader fashion will mean that management courses will begin to ask and consider questions like “what does it cost to rebuild a factory...or a reputation?” and “what is the cost of corruption, near and short term?”

It is increasingly evident that the “test questions” for identifying Social Impact Management issues reflect a systems perspective on the functioning of a business within society. Social Impact Management views the two arenas – business and society – as intertwined, and the purpose, context and performance measures of the former are inextricably tied up with the impacts on the latter.

While the first question – Purpose – focuses on setting direction, the latter two questions – Social Context and Metrics – require a consideration of implementation issues: for example, how would the impacts on the local community (and not only the immediate bottom line) differ if the plant was sited in one area versus another, and how would that impact the business? It is important to note this emphasis on implementation because this is another way that Social Impact Management addresses the gap in student preparation to act on their values identified by the Aspen BSP Student Attitude survey. Many of the questions raised and addressed in discussions of the Social Impacts of Marketing or Accounting, for example, are more about how to achieve a mutually beneficial aim (to the firm and to the wider set of stakeholders) than they are about whether to engage in a particular business activity at all.
Practical Observation About the Teaching Of Social Impact Management

In an effort to make this discussion more concrete, let’s take a look at an example. Aspen BSP recently partnered with JP Morgan Chase to develop an MBA case competition in honor of Chase’s recently retired CEO, Walter Shipley. The purpose of the competition is to engage students at some of the schools where the bank recruits, in a discussion of ethics and leadership in business.

The case study used in the launch of this annual competition was “The Chad-Cameroon Petroleum Development and Pipeline Project,” written by Harvard Business School Finance Professor Benjamin Esty (HBS Case # 9-202-010). The case asks students to put themselves in the place of the board of the World Bank and to decide whether to loan funds to the governments of Chad and Cameroon, so that they may participate in a petroleum drilling and pipeline project with a consortium of oil companies. Students struggle with a variety of thorny problems: the likelihood of a satisfactory (or even extraordinary) return on investment, given the vagaries of oil exploration and prices; the environmental impacts of the pipeline and drilling project; the dislocation of indigenous peoples; the very real risk that the oppressive governments of these countries will use funds to fuel further armed conflict, rather than to ameliorate the extreme poverty and poor infrastructure suffered by their populations; and so on. On the other hand if they do not fund the project, not only will they lose the promise of significant investment return, a chance to make significant improvements in two very poor countries will also have been missed, and the government of Chad may choose to partner with Libya instead, risking more upheaval. This is a case where NOT doing the project appears to have as many risks as DOING it.

The case competition was a success by most measures. More students participated in this first run than we expected. Faculty reported that the case analysis triggered new conversations about the nature of leadership at their schools, where students began to examine wider stakeholder impacts alongside financial returns.

But what was perhaps most interesting for this discussion, was the fact that students were forced to apply both quantitative and qualitative analysis, critical thinking and judgment, and a cross-functional approach to what was clearly a Finance case study. In fact, when some of the students were told that the case was originally written for a second year elective Finance course as an occasion to consider the relative benefits of project-based financing versus central financing, they were shocked. They had approached it as a much broader leadership exercise. And their analysis of this Finance case was clearly an example of a Social Impact Management discussion.

In this instance, the students were able to do all the financial calculations without being ruled exclusively by them. They understood that the project had to be financially viable, but they put together diverse teams of students who brought different backgrounds and interests in the environment, in developing country politics, and in international multi-lateral institutions. They approached the decision as a question of ‘how to maximize the benefits to all affected stakeholders,’ rather than ‘whether or not I can do this deal.’ In other words, they were empowered to look beyond the usual constraints of business classroom decision-making.

So why was this possible? Possibly because the case competition was not located within a single discipline; possibly because the case actor, being the World Bank, freed their thinking from the constraints of narrowly defined profit-maximization in their analysis (although the deal had to meet
its financial criteria); possibly because this was deemed a “leadership” competition. Whatever the reasons, perhaps we can take some lessons from this experience in trying to identify the distinctive characteristics of social impact management issues.

1. Discussions of Social Impact Management issues often validate an examination of values by means of teaching content and skills. Many students do in fact want to behave in a way that maximizes benefits for all stakeholders; Aspen BSP’s Student Attitude Survey confirms this. Just as many business practitioners want to manage social impacts effectively; we hear expressions of this every year in our Business Leaders Dialogue. But to do so, they first need a sense of purpose capacious enough to include social and ethical stewardship, as well as maximizing share price.

And perhaps the best method we’ve seen for conveying this sense of purpose is by teaching the content and skills that make this kind of balanced leadership a genuine option. In other words, if you are confident that you can find truly creative solutions to what have heretofore appeared to be zero-sum choices, you are more likely to do so.

Witness, for example, the empowerment that those JP Morgan Chase Case Competition students felt when asked to solve a leadership problem that explicitly required social and environmental stewardship as well as financial responsibility. It’s interesting to consider if we have even been asking students to try to do this? Instead do we too often pose the decision question as a choice between maximizing share price or maximizing social good, rather than asking how do we optimize both? We are not suggesting that there are no zero sum choices, but rather that they are fewer than we may fear, especially when business and wider stakeholders have established a pattern of working together in trusting partnerships.

2. The skills necessary for Social Impact Management are often already being taught in the MBA curriculum, but they are not being explicitly applied to questions of social impact management. This is an important observation because it addresses the concern that management curricula are already tightly packed. So what are some of the skills we are talking about? We’re talking about negotiation skills; cross-cultural communication; teamwork; creative problem solving; and we’re applying those skills to complex, multi-layered problems that consider a broader definition of purpose and context than the exclusively financial.

3. Perhaps the main ability that must be taught if business schools are to integrate Social Impact Management into the curriculum is integrative or holistic thinking, as applied to running a business. Students need to learn to think broadly about a problem before they narrow their options. That’s why we often conclude that social impact management issues are most easily integrated into strategy and leadership courses. And indeed they do belong there, but this line of questioning and analysis also belongs in the balance of the core courses. One thing we know for sure; it’s nearly impossible to “layer” this kind of responsibility onto your thinking once you have learned a set of tools that ignores these considerations.

4. Discussions of Social Impact Management often require tapping non-traditional information sources. For example, when asked about how they would handle the potential dislocation of indigenous peoples in the Chad-Cameroon pipeline case, one of the student teams turned to an Indian member of their group who had witnessed the impacts of global business on villages in his native country and who had valuable lessons to share from that experience. These students knew
enough to tap this non-business source of knowledge in order to strengthen their case proposal, and to integrate this perspective into the business analysis.

5. But, following on item #4 above, teaching Social Impact Management does not mean that every MBA also has to be an expert in environmental sciences; anthropology; sociology; and so on. Rather it means that every MBA needs to understand what expertise these disciplines have to offer that is, in fact, relevant to business decision-making. The means to accomplishing this end is to provide case studies and projects and simulations that illustrate the relevance of these other sources of knowledge.

For example, one of the case teams in the case competition mentioned above, instead of spending some time considering the environmental and social questions of the case, strove to apply ONLY their managerial expertise to the problem. They looked for another entity to which they (the World Bank) might “outsource” responsibility for considering those other, “non-business” questions. And then they simply said, “Yes, we will fund this project as long as this designated entity monitors the environmental and social consequences.”

From one point of view, this may be a rather elegant and efficient solution to the problem at hand, but in fact, it was rather like Pontius Pilate washing his hands of the question. The fact is no entity can bear the “responsibility” for problems of this magnitude without the involvement of the financing organization. And no other entity would have the ability, much less the legitimacy, to intervene with the local governments and the corporate consortium. And there are certain risks that cannot be managed post-hoc; they have to be fully understood and responses have to be weighed and integrated into the initial agreement if there is to be any hope of mitigating the negative consequences. “Outsourcing” the responsibility missed the point, mainly because the students applied an overly narrow managerial lens to the problem and used only the tools that they had been given in their first year MBA curriculum. ‘If you only have a hammer, every problem looks like a nail....’
**Social Impact Management Across Discipline**

Social Impact Management, by definition, is a boundary-spanning field. That is, the topics it addresses and the questions it raises exist within the context of other business disciplines, as well as Social Impact Management. To illustrate, see Appendix 1, which includes a sample list of relevant topics, organized by discipline.

However, the pressure in academia is to work in narrowly defined fields, partly to facilitate the design of rigorous research within controlled parameters such that faculty can more confidently claim the validity of their findings. Beyond the intellectual rationale for more defined disciplinary approach to problems, there are other pressures to specialize and focus such as the pressure to satisfy the publication requirements set for tenure, and to attract the maximum number of students to courses in one’s own area so as to claim the maximum share of a limited set of resources.

Now given these pressures, consider the following challenge: If we teach the required Finance course, we likely feel no need to integrate marketing issues into our syllabus. We assume that someone else is covering those topics in the required Marketing course. However, we do not teach Finance as if Marketing were not a legitimate and necessary part of the business operation. Then ask yourself: can you say the same for the kinds of questions that Social Impact Management raises? Are Finance and Marketing taught as if questions of business and purpose, social context and broader metrics are legitimate and necessary parts of business operation?

In our observation, the kindest answer would have to be “not often enough,” and so at this point, we thought it might be useful to take a look at a few current examples of how Social Impact Management might surface within different functional areas. These examples are drawn from discussion with faculty who teach in these disciplines.

**Voices From the Disciplines**

**Accounting**

When asked recently to comment on the Social Impact Management topics that seemed most relevant and current to the Accounting field, one tenured professor, Julie Hertenstein of Northeastern University Business School, responded that some of the most compelling research questions have to do with the audit function, particularly in the wake of current scandals. Researchers might look directly at the audit firm, examining questions of independence (e.g., is there evidence that doing both consulting and auditing for the same client makes the auditors less likely to express unfavorable opinions?) Or researchers might examine whether audits are being appropriately planned for high-risk clients. And researchers might look at boards of directors and try to determine how they can adequately support the independent audit function.

In his recent article in BIZ ED, “Accounting Education On the Edge,” W. Steve Albrecht argues that “Accounting education can prepare students to think critically, assess risk, interpret financial information, and plan for the future better than any other discipline can”, but to do so it must focus upon the high value-added areas of “converting...information into knowledge that is helpful to decision-makers” and “using that knowledge to make value-added decisions,” and less on “recording business events” and “summarizing data.” In other words, education must focus on the meaning making rather than the data collection aspects of the work (aspects that technology has
made much easier). He suggests that important areas for future classroom focus include: fraud examination, litigation support, dealing with business risk, corporate governance and due diligence, and the analysis of financial information in mergers and acquisitions. Interestingly, many of these issues are relevant to Social Impact Management, as they deal with an examination of purpose, social context and impact, and metrics.

An example of a faculty member who has applied the approach we are discussing in this essay to environmental issues in Accounting (and whose course addresses the goals Albrecht describes in his article) can be found in Appendix 2. University of Colorado at Boulder Professor Naomi S. Soderstrom has designed her course on “Current Issues in Professional Accounting” around environmental questions. Her Course Description states:

“The traditional approach to teaching accounting has been to provide students with a rule-oriented taxonomy where problems fit neatly into specific topical cells. This approach is inadequate for the increasingly complex accounting problems that individuals will have to address in their careers. In this class, I use the area of environmental accounting to challenge students to apply existing accounting systems to new settings and to critically analyze existing and proposed accounting systems. This type of analysis prepares the students not only to work with environmental accounting systems, but also to be critical of other accounting systems and ensure that systems produce relevant information.”

She then proceeds to introduce and examine not only the implications of environmental questions for traditional accounting systems, but also the ways that other business functions interact with accounting when it comes to the environment. Thus, she includes an overview of relevant laws and regulations; the economic analysis of environmental “externalities;” the emerging international standards around environmental performance; reporting rules for environmental liabilities; a discussion of areas where no accounting rules yet exist; different approaches to environmental measurements and cost accounting; environmental costs in investing; environmental audits; environmental tax law and whether it is achieving its goals; and even a discussion of the role of marketing, design and negotiations in environmental management that helps to remind students of the full business enterprise, such that accounting can be seen in terms of its wider purpose.

Reviewing her syllabus, it is clear that Soderstrom has applied the Social Impact Management questions of purpose (what are we trying to accomplish with environmental accounting?); of social context (who is affected and how by environmental reporting – investors, consumers, the wider community, etc.); and of metrics (just what do we/should we “count” and how?)

Marketing

Now let’s take a look at another business education discipline and ask “what are some examples of the researchable and teachable questions at the intersection of Social Impact Management and Marketing?”

In his paper, “What Research in Marketing Can Teach Managers About Improving Corporate Social Performance,” Professor of Marketing Paul N. Bloom of Kenan-Flagler Business School, University of North Carolina, identifies five questions that have generated streams of research relevant to the intersection of Social Impact Management and Marketing:
1. Which corporate marketing practices are likely to harm consumers and society?
2. Which corporate marketing practices are likely to get companies into legal difficulties?
3. What are the best public policy approaches for mitigating the harmful effects of certain corporate marketing practices?
4. Have corporate marketing practices contributed to a better quality of life in certain countries and economies?
5. How can corporate marketing programs be designed and implemented to persuade consumers to engage in behaviors that serve both society and corporate interests?

Bloom points out that researchers who have focused on the first four of these questions have adopted not a managerial perspective, but rather the “perspective of an independent observer or analyst of corporate marketing practices and consumer behaviors, seeking to describe and explain phenomena that involve marketing activities, much as an economist, psychologist, or political scientist might do.” Researchers have, however, approached question five from a more managerial perspective and this research is a more recent phenomenon. It also focuses on what managers can do, more than on what they can/should not do.

Bloom proceeds to identify many of the specific topics within each of these questions that have been researched and to cite some of the key authors. And although he focuses on research in his essay, the topics he identifies are a useful outline of possible teaching topics for a course that integrates Social Impact Management into Marketing. The key question is, of course, the one that Bloom identifies above. If we are teaching a group of current and future managers what they need to know about Marketing, isn’t a managerial perspective essential?

Perhaps the response here is “yes and no.” Yes, we want students to put themselves in the manager’s shoes when they think about how to approach these questions. But as we noted earlier in this essay, the dichotomy between business and the rest of experience is a false one, and the fundamental aim of Social Impact Management is to consider how to manage this complex interdependency (between business and society) to mutual benefit. Thus for example, placing oneself in the shoes of consumers who may be harmed – or helped – by certain marketing practices, is entirely appropriate and a useful exercise, both because such harm or benefit is likely to ultimately hurt or help the business’s financial performance, and also because the business’s purpose, from a Social Impact Management vantage, examines wider societal costs as well as immediate financial impact on the firm.

**Finance**

When asked to identify a few current and compelling Social Impact Management questions in Finance, Professor Benjamin Esty of Harvard Business School suggested the following:

1. The Role of Regulation: In the United States power industry we have seen the largest unregulated firm (Enron) go bankrupt and the largest regulated firm (Southern California Edison) go bankrupt. So what’s the role of regulation? How much? Why? How well do markets work by themselves?
2. Managerial Compensation: How much should CEO’s be paid? How should we pay them? Is pay-for-performance compensation good? Can it go too far? Do all people have a price? If you tempt CEOs with large upside payoffs, do they begin taking large risks or contemplating illegal acts?
3. Finance/Human Resource Management: What are the obligations to employees? There is a movement towards temporary workers, large-scale layoffs, company relocations, etc. To what extent does the firm have an obligation to employees? Is loyalty valuable? Is there a social contract with workers?

These responses are particularly interesting because they reflect a cross-disciplinary perspective (not only from Social Impact Management and Finance, but also Human Resource Management and Governance) and because they demonstrate an awareness of both business benefit (e.g., “is loyalty valuable?”) and social benefit (“What are the obligations to employees?”)

Human Resource Management and Organizational Behavior

Professor Sanford Jacoby of the Anderson Business School at UCLA offers the following Social Impact Management questions in Human Resource Management and Organizational Behavior:

1. What is the proper division of responsibility for employee security (health, old age, career development) between employer, employee and government?
2. Do unions have a role in the modern labor market and if so, how should employers respond to it?
3. Are employees corporate stakeholders and if so, what should be their role in corporate governance?

International Political Economy

Professor Jacoby adds the following questions as relevant to Social Impact Management and International Political Economy:

1. What are the benefits and limitations of free trade and open markets? What constitutes an enlightened business perspective on trade policy and the WTO?
2. Does business have a responsibility to share scarce resources (capital, technology, food, etc.) with poor countries, or is that strictly a government function?
3. What constitutes an appropriate set of labor, environmental, and democratic standards for companies to follow when doing business abroad?

Professor Timothy Fort of the University of Michigan Business School adds another question which relates to the fields of Social Impact Management and International Political Economy, as well as Business Law, Organizational Behavior, Human Resource Management, Finance and Environmental Management: Is there a connection between business practices and sustainable peace? This question is the foundation for a series of research conferences Professor Fort and his colleague, Professor Cynthia Schipani, are hosting at the University of Michigan.

These are just a sample of some of the current teachable and researchable questions at the intersection of Social Impact Management and the other business disciplines. (See the Appendix for more examples.) In some areas, Social Impact Management questions are more a function of approach than mere inclusion. For example, by definition, teaching and research in Organizational Behavior and Human Resource Management or even Labor Relations are often about Social Context in that they focus on stakeholder issues: that is, the employee experience. However, frequently these issues are approached from a narrowly defined productivity perspective as opposed to a perspective that critically examines just what the firm’s performance metrics were counting and
not counting, for example; or what the legitimate rights and responsibilities of the firm and of the employees are with regard to working conditions and expectations.

Similarly, in a Business Law course, the test for a Social Impact Management might be not simply whether the laws reviewed relate to wider societal impacts (as they most often would) but whether the course is taught from a perspective that considers a wider sense of purpose (that is, a purpose that included mutual benefit to the firm and to its wider societal context) than simply how to manage to the legal minimum. Certainly, recent events have demonstrated that managing to this “minimum” can be extremely harmful, both to the firm’s survival as well as to its various stakeholders.
Thus far, we have attempted to offer suggestive examples of Social Impact Management questions organized around faculty reports of compelling research questions in the traditional business disciplines. However, another way to tease out the most compelling, current Social Impact Management is to look at the challenges that we read about in the business press and which our business leaders are facing on a daily basis, and to ask ourselves “what are the Social Impact Management questions present in this story and where might they fit within the MBA curriculum?” As an illustration, we have begun to answer that question as it relates to the Enron/Arthur Andersen story.

Since the fall of 2001, one of the biggest and most persistent business stories has been about the fall and bankruptcy of the Houston-based energy trading firm, Enron, and all the related fall-out around the public accounting industry; pension regulation and practice; business/government relations; and so on.

For faculty members who wish to develop relevant and academically rigorous ways to address some of the many social impact management questions raised by this story in their classrooms, it is useful first to consider the purposes for raising these questions and then the appropriate approach. For example, some purposes for raising this story might include:

- **To encourage students to ask new questions about old subjects,** triggered by this controversy: for example, corporate governance; managing conflicts of interest; financial transparency; the optimal limits of risk-taking; how corporate culture encourages or discourages different behaviors (secrecy; rule breaking; constructive whistle blowing; etc.); etc.
- **To encourage students to read business news stories with a critical eye,** and to think for themselves.
- **To encourage students to reflect upon and establish personal lessons from public controversies,** in order that they may not be doomed to suffer similar consequences later on.

Each of these purposes is well suited to a real-time situation with rapidly changing information. Each of them are all about asking questions and entertaining perspectives that one might not have considered previously. Therefore, faculty and students alike will be sharing opinions with the explicit understanding that they are based upon the facts as we know them now and that they will require revisiting as new data emerges. After all, it is important to provide students with opportunities to make decisions under conditions of incomplete information and uncertainty. However, it is just as important to train them to seek out the best information that does currently exist, and then to continue to monitor critical informational indicators to assess whether previous decisions need to be revised. When attempting to integrate “breaking news” stories into the curriculum, it is useful to be explicit about these goals.

What follows are a few ideas for different ways to use the Enron/Arthur Andersen story as the basis for Social Impact Management discussion within specific functional courses:
• In an Organizational Behavior or Human Resource Management course, it may be appropriate to discuss executive compensation and related questions of attraction, retention, motivation, incentive and fairness.

• In a Business/Government relations course, or an Accounting course, or a Business Ethics class on conflicts of interest, an interesting discussion could be developed around the whole question of the best way to structure public auditing firms.

• In a Finance course, it might be interesting to devote a class to the topic of investor trust (clarifying that the definition of investor includes employees whose 401k plans are heavily invested in equity), and to raise a variety of questions triggered by the Enron problems, such as:

  - Why did the majority of Wall Street market analysts continue to recommend Enron stock as late as November 2001? Are there conflicts of interest built into the way the investment banks (who employ many of these analysts) are structured and into the compensation structure of these firms?
  - Is the Enron/Arthur Andersen story having an adverse impact on the trust necessary for investors to participate in the market? Does it threaten the faith investors have in public auditor’s reports and financial statements, especially in light of the spate of financial restatements?
  - Is the Enron experience an illustration of the U.S. market system working or failing? Some have argued that the Enron story is an example of the U.S. market system failing (a failure of many checks and balances, including public auditors, credit rating agencies, market analysts, Government offices (SEC), Enron’s board of directors and board audit committee, Enron’s own internal management systems, including codes of conducts and even a whistleblower). Others have argued that the system worked, because the problems at Enron and Arthur Andersen have, indeed, surfaced and are being publicly considered. Certainly investors have suffered, but risk is part of the shareholding process. Relevant questions to consider in this debate might include:

    1) Is the Enron debacle just the “tip of the iceberg” with regard to unreliable and conflicted relationships between public corporations and their monitors (auditors, analysts, the SEC, etc.) and a variety of mechanisms that apparently were used to disguise earnings and losses?
    2) Or is this an isolated case of individual misbehavior, over-reaching and bad timing?
    3) If you believe that this is an isolated case and that the market ultimately “worked” to expose the problems, we can ask “at what cost?” and “to whom?” Can investors and employees and communities survive this kind of “success”?
    4) What should be the response to this experience? More legislation and regulation? Greater investor caution (or mistrust)? Criminal investigations of the firms and managers involved? And so on.

In the story, “Enron’s Grist for Business School Courses” (Wednesday, February 6 2002, C8), The New York Times writer Sana Siwolop writes: “A useful point in the Enron case, business professors say, is the light it sheds on the evolution of the American corporation into unexpected forms. For example, Anne Carter, an economics professor at Brandeis, says it helps illuminate the nature of the modern corporation, which often bears little
resemblance to the ‘mythical’ manufacturing and farming companies that appear in many textbooks. For one thing, she said, Enron is a good way to show students just how much of an imbalance there is in the information investors typically receive, and how a company can exploit that imbalance....’I really think that Enron shows students that the market now is very different from the market that was shaped by Adam Smith’s invisible hand,’ she said.”

• In a Human Resource Management course, an interesting discussion could be developed around the design, regulation and implementation of pension plans as an employee benefit.

• In a class on Corporate Governance, any number of issues could be raised, asking why the Enron Board of directors and its Audit Committee did not prevent the firm’s actions that led to its collapse.

• In an Organizational Behavior course, a valuable discussion could be structured around many issues. For example, students could explore how a corporate culture can encourage/discourage certain behaviors, such as secrecy/transparency, risk-taking, rule breaking, etc. The Enron code of conduct and the board’s decision to over-rule its conflict of interest rules could be case examples for discussion. And certainly, the Sherron Watkins example could be an interesting case illustration for a discussion of whistle blowing, internal versus external, and how to respond constructively.

• A course in Business/Government relations or in public policy might consider the questions being raised around potential conflicts of interest, or suspected undue corporate influence. As a result of the Enron story, campaign finance reform discussions have been re-energized, and students might consider the question of whether corporate influence is a necessary part of, or a distortion of the efficient functioning of markets?

The above are intended as only a few suggestions about how to incorporate the Social Impact Management lessons of the Enron experience into the business curriculum. Hopefully they serve as an illustration of the many ways in which Social Impact Management questions are relevant to the different functional disciplines.
Conclusion

Social Impact Management is clearly an aspect of all business functioning, and as such, it is part of each of the management disciplines. If we hope MBA students will ultimately be equipped and empowered to think about their business decisions in a broad and deep manner, wherein they consider their role as citizens as well as managers, they will need to be equipped with the systemic approach to management that a Social Impact Management perspective brings to each discipline.

A careful reading of the Aspen BSP’s Student Attitude Survey provides not only an indication of how business education affects future business leaders’ attitudes toward the role and responsibility of business, it is also a map of the gaps in business education today. Students acknowledge that they do not know how social responsibility contributes to business success, but they would like to. They say they don’t consider how business reputation affects the cost of capital in corporate global operations, but this is most likely because it has not been discussed. They do not prioritize the protection of the environment, but again, they have spent little time talking about how this could even be approached.

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. Wider society has impacts on business functioning and business has impacts on wider society, whether or not those impacts are actually named, quantified and incorporated into an organization’s decision-making processes. What Social Impact Management does, as we have said before, is to raise the specter and the possibility of conscious choice.
Appendix 1

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.)
Endnotes

1 Participating schools included: Columbia Business School; Darden Graduate School of Business Administration, University of Virginia; Graduate School of Industrial Administration, Carnegie Mellon; Haas School of Business, University of California (Berkeley); IMC Graduate School of Business (Budapest); Kellogg School of Management, Northwestern University; London Business School; Mendoza College of Business, University of Notre Dame; Richard Ivey School of Business, University of Western Ontario; Schulich School of Business, York University (Toronto); University of Michigan Business School; The Wharton School, University of Pennsylvania; Yale School of Management. If you are interested in learning more about the findings of this study, the report is titled “Where Will They Lead? MBA Student Attitudes about Business & Society” and it is available from Aspen BSP (www.aspenbsp.org).


3 Where Can Execs Learn Ethics? Not necessarily in Business School, where too many focus too little on doing the right thing...despite the rash of corporate scandals,” by Brian Hindo, BusinessWeek Online, 06/13/2002.


8 See the essay cited in footnote 5 above for a full discussion on “naming” this field.


13 Same as above, page 1.

14 See the Vanderbilt Journal of Transnational Law, volume 35, Number 2, March 2002, for the proceedings of the first meeting of “Corporate Governance, Stakeholder Accountability, and Sustain Peace,” a symposium sponsored by The William Davidson Institute at the University of Michigan Business School and Aspen BSP.

15 See “Just-In-Time’ Delivery of Current News for the Business Classroom: An Interactive Forum on www.CasePlace.org” by Mary C. Gentile for classroom reading suggestions to accompany these topics.