



Social Impact Management: A Definition

Social Impact Management is the field of inquiry at the intersection of business needs and wider societal concerns that reflects and respects the complex interdependency between the two; it focuses on how to manage this interdependency to mutual benefit of both. It is a critical part of contemporary business because without an understanding of this interdependency, neither business nor the society in which it operates can thrive. In fact, this understanding is becoming increasingly more essential as private corporations grow in size and influence, and public pressure intensifies for corporations to address pressing social and environmental concerns.

Research, teaching and practice of social impact management consider the social context within which a business operates. The intersection between 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. *And both sets of consequences matter to business.* In other words, there are social impacts *of* a business, as well as *on* a business.

Social impact management is about asking a new and broader set of questions regarding the traditional terrain of business. For example, it is common for a business strategy discussion to explore a firm's purpose in terms of its objectives for competitive positioning. What is less common is for that discussion to consider the firm's intentions and their implications for consumers, employees, and community members, given the different choices around growth objectives and product development. These broader questions consider both short and long term views, a wider set of actors and stakeholders, and a more complex set of metrics.

Indeed, social impact management, as way of thinking about business activities, explicitly considers and evaluates three aspects of a business:

- **Purpose:** What is the purpose – in both societal and business terms – of a business or business activity?
- **Social Context:** Are the legitimate rights and responsibilities of multiple stakeholders considered? Is a proposed strategy evaluated not only in terms of predicted business outcomes, but also in terms of its broader impacts – for example, on quality of life, the wider economy of a region, and security and safety?
- **Metrics:** How is performance and profitability measured? What is being counted and what is not being counted? Are impacts and results measured across both short and long term time frames?

On the reverse, we list examples of social impact management topics by discipline. This list, while not exhaustive, illustrates the kinds of issues that surface when we apply the lens of social impact management to traditional business topics. While many of the questions raised are difficult to answer, they are not significantly different by nature from the 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.

The reality is that wider society has impacts on business functioning and business has impacts on society – whether or not those impacts are identified, quantified and incorporated into an organization's

decision-making processes. We are simply encouraging conscious choice. We believe business and society are both better for asking these questions in business research, business education, and ultimately, business practice.

Examples of Social Impact Management Topics by Discipline

- Accounting**
 - Full cost accounting
 - Differential accounting standards
 - Integrity and accountability in reporting systems
 - Potential conflicts of reporting standards in global businesses
 - Social auditing

- Business/
Government
Relations**
 - Social impacts of regulation, de-regulation and privatization
 - Technology transfer and its impact on economic opportunities
 - Jurisdictional disputes
 - Negotiating responsibility for “externalities” with host country
 - Public/private partnerships

- Economics**
 - Distribution of wealth within and between countries: business influence/impacts
 - Family/community impacts of employee time use
 - Fiscal incentives or disincentives - e.g., tax policy
 - Causes and impacts of wage and income gap
 - Social impacts of key economic concepts – e.g. market power, consumer power, market externalities, property rights, etc.

- Finance**
 - Impacts of individual and institutional investor incentives
 - Impacts of capital flows across international borders
 - Differential access to capital
 - Examination of the changing nature and role of shareholders
 - Discussion of social venture capital and social investing

- Information
Technology**
 - Digital divide
 - Social impacts of technology transfer
 - Confidentiality and information ownership
 - Workforce impact of IT enhancements

- Marketing**
 - Impacts of product development, design, and pricing on consumers
 - Niche marketing impact on business strategy and target markets
 - Cultural impacts of advertising messages
 - Social and cause-related marketing

- Operations
Management**
 - Impacts of labor standards – risk and safety, child labor, hours, etc.
 - Accountability and risk management in supplier relationships
 - Plant siting decisions and stakeholders
 - Differential safety and labor standards

- Organizational
Behavior/ HR**
 - Employee rights and participation
 - Work/life balance issues
 - Workplace equity and diversity issues
 - Labor relations and union strategies

- Strategy**
 - Corporate reputation/image
 - Executive compensation strategies
 - Competitive analysis of employee ownership models
 - Operating in economically disadvantaged areas and emerging markets
 - Standards for “fair” competition in a global context
 - Downsizing, plant closings and re-engineering strategies
 - Trends and critiques of corporate governance