

Corporate Political Responsibility Taskforce

Expert Dialogue with Ballou-Aares & Caplan

Ballou-Aares & Caplan - Module #1

Elizabeth Doty: [00:00:00] Welcome, my name's Elizabeth Doty and I'm the director of the Corporate Political Responsibility Task Force at the Erb Institute at the University of Michigan, and I am so delighted to be able to moderate today's conversation with Daniella Ballou Aares and Lauren Kaplan of the Leadership Now Project.

The Corporate Political Responsibility Task Force, or CPRT, is an initiative of the Erb Institute. A 25 year long partnership between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan. Led by Managing Director Terry Nelodov and Faculty Director Tom Lyon, the Erb Institute is known for its leadership in three areas.

Teaching and Learning. Business engagement with groups like the CPRT and scholarly and applied research. The CPRT's mission is to help [00:01:00] companies better align their approach to political influence with their commitments to purpose and values, sustainability, and stakeholders. As we're seeing, corporate political responsibility is an increasingly pivotal element in managing stakeholder trust, addressing systemic issues, and rebuilding public trust in institutions.

Daniela is the founder and CEO of the leadership now project, which you may actually have heard of, or we have members on the call here. It's a really incredible organization now, 400 members who began in 2017 to say, basically as business people, we are also citizens with a lot of influence and have a responsibility to the health of our democratic institutions in this country.

And people have done remarkable things as part of it, including part of the business response to the 2020 election. And many more and a very research based so we'll see, we'll hear some of that today. Daniella began [00:02:00] her career at Bain Company. I came from a consulting background as well I think most of you know the respect that Bain garners, and then was a founding partner at Dahlberg.

Which became the largest social impact strategy firm. She spent five years in the Obama administration advising secretaries of state Clinton and Kerry. She's been featured in Harvard Business Review, Politico, the New York Times, Fast Company, and at the World Economic Forum, and as a member of the Council on Foreign Relations.

So I think we'll have some good discussion about today's topic and democracy flashpoints and businesses response. So Daniela, thank you for making time. I'm so glad to be in conversation with you once again. Great to be here. Thanks so much, Elizabeth. Terrific. And then Lauren Kaplan is a Managing Director and Director of the Democracy Aligned Investing Initiative at the Leadership Now Project, and she was at our launch in, in March of the ERB Principles and we've had a wonderful time collaborating about [00:03:00] what is an investor perspective?

On political responsibility and managing the risks associated with instability and distrust. She has been working on cross sector solutions to pressing challenges really big picture

thinking applied to specifically to investment decisions in many cases, as well as how to manage endowments foundations nonprofits.

Most recently, she was the Associate General Counsel for the Yale Investments Office, helping advise them on private equity, natural resources, and real estate investments, as well as ethical investing and DEI efforts. She writes and speaks about responsible investing and the intersection of corporate social responsibility.

And capital markets. She's a lecturer in management at the Yale School of Management and has a JD from Georgetown University Law Center. We're so happy to have you with us, especially given that you bring all that big picture thinking to some very practical, real tools for managers and investors and boards.

Lauren Caplan: Thanks so much for having us, [00:04:00] Elizabeth, and it was really exciting to be at the launch of The Principles, so excited to be here as well.

Elizabeth Doty: Terrific.

This idea that you've been tracking pivotal issues at the federal and state level around U. S. elections and the functioning of civic institutions in all the different levels that that involves and 2020, we're seeing lots and lots of things in the headlines every single day. I can't even Keep track of the fact I read the newsletter to know which ones I should be tracking at the state level.

But new indictments for former President Donald Trump, congressional hearings on the weaponization of government, impeachment hearings in the investigations to into company actions on climate or diversity. It seems flashpoints, if you will. Critical decision points where business leaders and boards.

We'll have to know where they stand and make [00:05:00] decisions, but it's kind of hard to visualize what those might be. So I'd like to invite you with your you've immersed yourself in this for so long. What might be some headlines or flashpoints or decision points that leaders might need to think about?

What would that look like? What would, what could we see in the next six to nine months, let's say?

Daniella Ballou-Aares: Before I go into the a couple of flashpoints we could see in the U. S., I think we also should remember that 2024 is a big election year across the world. We have elections in India as well, and I think in the European Union and elsewhere.

And we have that these elections in the context of both AI and disinformation practices growing as well as, I think, greater appreciation of things like the climate crisis migration affecting many countries, et cetera. So I think. I just say that because I've been reminded over the last week with many of the international events in New York and elsewhere, the parallels [00:06:00] that we see in terms of democracy threats.

Unfortunately, there are some of the tactics and efforts to undermine democracy in the U. S. are there. are shared among autocratic leaders or autocratically inclined leaders across countries. And unfortunately, there are lessons learned that are passed across countries, and I feel strongly that we need to be passing the lessons learned around how you build a strong democracy.

And what it looks like to be effective in terms of standing up for democracy. And there's a lot of lessons learned across states in the US, and they're also internationally. So I think I'll boil

it down to two things that are risk factors or flashpoints that we should be thinking about. So I think first is the nature of how this election happens itself.

So in November of next year, when we have a presidential election while, uh, ultimately, obviously 2020 was resolved and we had a peaceful transition of power, [00:07:00] we obviously had January 6th and a lot of factors happening around that. And unfortunately, The risk factors have not gone away. They might look somewhat different, but the reality is at a state level, the risk of political violence, of efforts to undermine elections through local election administrators, states like Arizona, you see this particularly, but it happens elsewhere as well could really test.

The system. And we do see threats of political violence, rates of political violence on the rise, particularly against female candidates and election administrators in a place like Arizona. You see a lot of threats that have occurred against Republican election administrators, for instance, who have, you know, refused to bow to pressure to change election results.

So I think we hoped That there was this risk factor would diminish significantly or fully go away. I think it's certainly better than it could have been because I think election denialism was rejected on a lot of the 2022 election, but it [00:08:00] remains something that I think we all need to do everything to try to prevent and also be prepared to respond.

And I'll talk a little bit about what that preparation can look like as we go forward. But And then the second factor is this increasing climate of political retribution, right, where there is this both political retribution as well as use of legislation to intervene in business decision making in ways that are related to specific agendas.

So the kind of most. Significant case of this has been Disney in Florida where there was a very direct relationship between an action and speech of Disney and the response of the state legislature and the governor to that effort. And The more kind of broader examples relate to, for instance, legislation that is seeking to [00:09:00] prevent ESG investing, not allow state treasurers to consider ESG factors as well as You know, you see similar legislation in other areas, whether it's voting or D.

I. R. Otherwise, so I think that has created this climate where businesses may not be are concerned about what they say or do that even relates to the basics of democracy and may actually kind of prevent them from preparing for what they might need to do if. We get into a crisis. What we've been concerned about and why I think Disney is also an interesting case is that when you look at these benchmarks globally of autocratic behavior, which span history and also unfortunately occurring a lot today that when you have that type of political retribution and narrative, if business doesn't stand together against it, it invites more.

So the flashpoints are really this kind of You know, push back on business [00:10:00] practices, even if they're good for a company that as well as the conduct of the election. There's obviously other things you mentioned indictments, legal processes, et cetera, that may just create uncertainty about the process.

But we, you know, so I think that's probably the 3rd is just like uncertainty in the legal environment, but I actually think the 1st 2 are more direct in terms of how and where businesses need to prepare, especially if their states, the states where you operate are at risk, understand.

Elizabeth Doty: Yeah, and I think that the image that comes to mind and the phrase I'm hearing often is the feeling of being on our heels.

Reacting hesitant. Just keep your head down. Executives are being called out individually. And don't want to get in the headlines. So I think that the general reaction is how to avoid. How do you see this actually affecting businesses? I know we're hearing from our members. The uncertainty is [00:11:00] a major factor, right?

The ability to invest. The fragmentation of state policies makes it very hard to do anything at scale or speed. But how, how do you see these affecting business leaders?

Daniella Ballou-Aares: I do see that. I mean, I think we've had a bit of an evolution where business over the last five years has been called upon to Be the sometimes the adults in the room, the kind of take a position on issues when government hasn't been able to resolve them or when we've had toxic political rhetoric, et cetera.

But I, we kind of have come to a point where one, I think business appreciates. Many business leaders appreciate that we want a functional government because they can't be the ones to solve all the problems, right? So I think there's an appreciation for that. But second, I think there's a range of responses and, and some who are kind of pulling back and are worried that You know, just don't say anything because that is that's the least risky thing to [00:12:00] do.

And, and frankly, I think they'll see their advisors, legal advisors or political advisors or otherwise sometimes echoing that sentiment. I think that that is dangerous, frankly to have a blanket, we stay out of it perspective. I do think. It is probably overdue that companies were more thoughtful and strategic about which issues and how they they engage.

There's certainly things companies can weigh in on. Well, frankly, it's low impact, but there are core things to the functioning of democracy, legitimacy of elections. The ability of companies and individuals to have free speech and be able to exercise a perspective. So I think, um, I'm eager to see a more deliberate coalition building around kind of core democracy issues, which is like what we just did in Ohio.[00:13:00]

Our members in Ohio, 50 business leaders in the state who are very well respected came out against the issue on ballot initiative. And that ballot initiative sought to raise the threshold for citizen ballot initiatives from 50 to 60 percent. And so they were able to say, look, you know, For our state for to attract talent to our state for our state to operate effectively.

We need citizens to be able to weigh in on policy and they were ultimately part of a successful coalition that beat that ballot initiative. So there's very concrete places where business in a very legitimate way can weigh in on issues. I'm hopeful that that strategic engagement and Engagement across leaders and companies can happen going forward, and it's super critical in the lead up to the upcoming election,

Elizabeth Doty: and I hear your emphasis on doing it together, which I think that's really important as we will get in our second round.

Some lessons learned. The other thing I think is interesting is this. You've used the word [00:14:00] legitimacy. Several times, and that was the principle we came up with that was a bit of a surprise that came out of the task force that we need to have a thought process for when it's legitimate to engage and much of the concern has been the that's not clear.

So we'll get into that in a moment. But that makes a lot of sense and I think leaders who study the social, political, civic environment are seeing that as well. So Lauren, let me turn to you to see, do you have anything to add before we open it to the group about flashpoints or

headlines risk factors that business leaders should be looking at, even though it may be uncomfortable.

Lauren Caplan: Yeah, I think I would just add that to your point about kind of being back on, you know, back on their heels or not wanting to engage. I think as we've talked about, the, the truth is that political risk and, you know, the democratic erosion, this is just part of the risk landscape at this point that companies, you know, and investors are operating [00:15:00] in.

So it really isn't a choice anymore. You're gonna have to engage and, and figure out the best way to do that for your. Company or if you're an investor from where you're sitting. And so you know, I think we've moved to a place where this just is, is what the climate is in the environment.

Elizabeth Doty: I did just read Martin Reeves and Roger Martin's article in HBR strategy in a hyper political world.

And they basically say every business strategy right now needs to consider the political environment as part of it so echoes what you're saying. And. You know, just to take a proactive look like business leaders know how to do

Daniella Ballou-Aares: what people have to ask themselves is orientation that you business is just like a market taker, like the environment happens and then you're kind of responding like you don't have influence or agency to influence the context.

And I think both practically and and From a principled perspective, that is the wrong [00:16:00] orientation. I mean, really, ultimately, both business citizens, et cetera, are part of shaping the environment. And we know that business is influential in the system. So if you have that influence, the idea that you just have to wait and see what happens that strategy as you know what I mean?

This, this is not a context that you have no ability to shape. And it's both a responsibility, but also a responsibility. You know, if that direction is going to be harmful to your business and to society it is only good strategy and risk management to do the things that will prevent it.

Elizabeth Doty: Yeah. Thank you very much.

Well, point well taken. There are departments in every company. We were talking with an advisory firm in their geopolitical risk department, and it was exciting for them suddenly to go, Oh my goodness. Yes, we do influence this environment. It's in flux. It's in strategy. That's the time to pay close attention to small moves and coalitions.

So point really well taken. Let me turn now Grace, what are you seeing? And, and let's invite you if you had a comment or question to add as well. [00:17:00]

Grace: Yeah I have a pre participant question for Mike, and I think it's a really good follow up to discussing the importance of strategy in this landscape and not ignoring political responsibility.

So having that understanding that we need to, you know, be proactive, how do we As individuals and businesses raise awareness of political responsibility in a way that businesses see it as an issue affecting them.

Elizabeth Doty: Mike, I think you are on the call. There you are. Would you like to add color to the, to the comment?

Michael: First of all, thank you guys. Appreciate all the work you're doing. I think the question is, we know the businesses want to avoid the hyper partisan hyper polarized issues and and want for all the reasons Daniella that you've already described and and they want the cover of something, whether it's. yoU know, a chamber or a trade association or something so that they're speaking, not as individuals, but as a, as, as an organization, because there has been the issues that you've already addressed that you've already talked about.

How do we, [00:18:00] and maybe I'm not even sure I know the answer. I'm not sure there is an answer, but how do we get businesses to see that this is an issue, you know, having a healthy representative democracy affects them. How do we get them to connect that? To their businesses or to their, you know, individual perspectives.

Daniella Ballou-Aares: Yeah, you know, I see part of the work that that we've done and what you're doing with the principles as well. Elizabeth is. Kind of framing and educating right around how to think about these issues and where the linkages are between a company and an outcome that is bad for society, but for their business, you know, what the principles speak to to in particular is around political activity of companies and making that connection between, engaging in politics, knowing who you're supporting, knowing who, you know, what your influences and how that might be already impacting the system. So that's not applicable to every company, but it is [00:19:00] applicable to those companies who have a political footprint, and there's an element of do no harm to that, as well as being kind of proactive.

So I do think that kind of Companies really understanding what their kind of current influence, et cetera, can help them unpack where they could frankly have a positive influence and reduce and reduce negative. I think, you know, that doesn't apply to every company. And I do think there's an element of education of look, if our democracy is not functioning, here's what it means for all of us.

And I think we all play a role in including you, Mike, you know, in terms of really giving that picture of look of not functional political system hurts. All of us. And I think still the basics of civic engagement for companies to get involved in giving time off for voting, informing your customers of the opportunity to participate.

All of those things help them help companies get in the game. So I think that's important, but you know, there's a step further that we're talking about here. So some mix of education and then really being thoughtful. [00:20:00] clear and thoughtful about the role that you can play as an individual company.

Lauren Caplan: I think it's also kind of getting specific, right?

And mapping, helping companies really connect those risks to their own operations, to where they're based, to things that they are more traditionally used to looking at. And so helping them make those links concrete in addition.

Daniella Ballou-Aares: Can, can help kind of drive it home. Mark put in the chat this kind of tying to an industry issue, et cetera.

I mean, look, I think at the, where the rubber meets the road is typically in a particular state on a, on particular issues, right? So, okay, here's a piece of legislation that is harmful, or here's a piece of legislation that could help pass rank choice voting, or could pass, you know, like there's, there's where it's very specific or, you know, Okay, you know, you're in healthcare industry, you're very impacted by state legislation.

If you have a not functional state legislature, that's that's concerning. Right? And it's highly gerrymandered. It's going to make bad decisions about healthcare is gonna make [00:21:00] bad decisions to other things. So I do agree. Like, getting to that specificity where there's aligned interests is really important to kind of You know, get significant action because otherwise it can get a bit too kind of theoretical about what the risk factors are.

Elizabeth Doty: And if you don't mind, I'd love to weigh in, just step out a facilitator hat right here. One thing that we're what we're finding is that it requires cross functional evaluation in the company because different functions are seeing the costs of dysfunction or uncertainty in parts. And if they add those up together and you connect the dots or the linkages, then you start to see we do have a real interest in overcoming the risks or navigating wisely through these risks of retribution or instability.

And one of the areas we're finding is their strategy departments or sustainability departments have very real [00:22:00] policy needs. The business strategy needs functional government, as you mentioned, needs functional, clear, sensible policy, and those come together with your need to avoid retribution or to make sure you have a stable civic environment, and you're dealing with polarization internally, right?

Like, All of these things added up together end up having you say, yes, we have an affirmative responsibility here. So that, that was one that surprised us when we've been talking to different functions about the principles. I also want to mention that responsibility B in the principles is actually an affirmative responsibility to protect and support representative constitutional democracy.

So affirmatively as well as cleaning up their own influences.

If you want to go further with this, there are ways to stay engaged going to the website for the task force. We have speakers every month like this to come in for conversation. It's an honor to be part of it. And [00:23:00] the community is growing in in the thinking. I think. A resource list, some of the important ways to help build awareness that we've talked about.

You can also go to the Leadership Now Project. I encourage you to join if you're a business leader. The newsletters are awesome and the projects are incredibly valuable and focused. And then contact me if you would if you're interested in looking into the task force, actual private group that works on these issues in more in ERB principles if they might be relevant for your business.

Thank you so much. Really appreciate the depth of thought that you that you brought today and the focus on how to enable and empower business leaders and investors and boards to take thoughtful strategic action in the coming, coming year. Really, really appreciate it. Thank you to you both.

And I look forward to continuing to collaborate.

Lauren Caplan: Thanks so much for having us.

Daniella Ballou-Aares: Yeah. Thanks so much for having us. Good to see all of you.[00:24:00]