

# Corporate Political Responsibility Taskforce

*Expert Dialogue with Ballou-Aares & Caplan*

## Ballou-Aares & Caplan - Module #2

**Elizabeth Doty:** Welcome. My name is 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 Ayers 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 [00:01:00] help 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.

Daniella is 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 [00:02:00] began 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 [00:03:00] about 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 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, uh, University Law Center. Uh, we're so happy to have you with us, especially given that you bring all that big picture thinking to some very practical, uh, real tools for managers and investors and boards. Thanks

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

**Elizabeth Doty:** Uh, terrific.

Let me turn it now to the second area for exploration, and Lauren, if I could start with you here. Leadership Now is very proactive and has been thinking ahead for some time about these things. Um, and I know you've been working on this democracy aligned investing initiative, but there are others both responsive to states and issues as well as laying the groundwork or doing research.

So can you talk about how leadership now is helping leaders and boards prepare? And what are some things that may be in the group here people could take advantage of? Um, and it's an open invitation to talk about your initiative in particular.

**Lauren Caplan:** Very great. Thanks. Thanks again, Elizabeth. And thanks for all of the work and putting the principles together and hosting these dialogues.

You know, I think in terms of what we're doing to help business leaders and boards prepare to really [00:05:00] respond to those flashpoints we were talking about, um, the 1st thing is really continuing to build awareness and increase awareness about. You know, at the base one that, um, political risk in the U. S.

Exists and that you know, we're seeing this backsliding and then to to really help make concrete the link between, um, those political risks and the risks that companies face. Today, and to and to really make it easier to understand that link and then the role that companies can play. Uh, and so, you know, where you put together some resources, they try to make those links more concrete.

Um, and some of what we lay out is what we've been talking about. So 1 that, you know, we know from looking outside of the U. S. that as the fundamentals of democracy, we can. Threats to businesses grow and we see, you know, institutions, um, our institutions in the U. S. Like Daniela was talking about really facing multiple threats, whether it's the increasing violence around elections, um, you know, restrictive voting [00:06:00] laws, attempts to politicize, um, certification of elections.

We see, you know, we see this on a daily basis. Um, and so we know that weak political institutions put the business environment at risk. You know, it's not theoretical anymore, right? Companies are in the middle of it right now, whether it's Disney, as Danielle was talking about, um, or Chick fil A worrying about political retribution or all of the companies

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that, you know, received, um, letters from state attorneys general on, around their DEI efforts or investors.

struggling to figure out in their managers, what to do, um, in the ESG space with this hodgepodge of, you know, regulations, uh, in place state by state, making it hard to figure out how to operate. So they're in the middle of, um, kind of the impact of the political risk right now, but business has, has influence and has the ability to push back.

And so, you know, the second thing we're really focusing on is really trying to provide tools, um, to help companies manage their political activities in a [00:07:00] way. That supports stable political institutions rather than weakening them, um, and also tools that, you know, investors as well can look to in terms of what to ask the companies they're investing with or to ask their managers, um, to engage with companies on in terms of best practices.

What does this look like on the ground? Um, and so we are working on putting together a guide for companies and boards specifically around. Political risk in the U. S. And best practices for managing their political activities. And that's really just trying to build on, um, all the great work that's been done with the herb principles and the thinking around, you know, the fact that, uh, decisions around corporate political activities are not always easy or straightforward.

And that companies, as we've been talking about, are really under pressure from all. Size, right? Whether it's customers or employees, their investors or regulators, they're really being pushed and pulled, um, to respond to a wider range of issues than than maybe ever [00:08:00] before. And so they really need a way, um, to address those pressures in an effective, uh, an effective way that also supports a strong democracy.

And I think oftentimes right now, these questions around political engagement and political activities are really being dealt with more in a crisis management mode, rather than a, um, proactive. Maybe thought out process. And so part of the hope is that by providing tools to help companies, um, think about this ahead of time and have a good process in place.

Um, you know, it'll lead to more effective practices. You mentioned within companies and communication across departments. And that's part of, um, the tools and best practices. Another part is looking at the involvement of boards. And the boards can be really important, um, in managing this, these risks. And so we know right now only 25 percent of boards tend to consider political risk at all.

And often political risk is really thought of as a non US political risk. [00:09:00] Um, so certainly work to do on bringing it to the board level. And there was also, uh, an interesting, um, study that came out recently from, uh, States United and Brookings on institutional investors and 90 percent of institutional investors who were surveyed, and it was 22 institutional investors that had managed about 10 trillion in assets under management.

So a good sampling of investors to 90 percent believe threats to democracy in the US are increasing, but only 30 percent of those investors think public companies are equipped right now to manage that risk. So we're trying to. Respond to that gap as well. There are principles. This is really meant to work with the principles.

I think the principles provide such a great framework as we were talking about for companies to think about those hard questions of when and whether to engage on which issues, whether it's the legitimacy and trying to think about. Where you should engage and where maybe it's not as legitimate to [00:10:00] engage questions around responsibility and the

impact of companies on these political institutions based on their activities, accountability in terms of thinking of alignment between commitments they've made and other their political activities, and certainly transparency.

And so all of that. Um, provide such an important framework for starting the conversation, and, you know, the hope is that the guy would just, um, help companies operationalize some of that on the ground. So what does this look like and make it an easier lift with really samples of best practices and, um, and step by step guide to how to do this.

**Elizabeth Doty:** Fantastic. Yeah, because you'd need a process, right? That, that is a critical element. And as we've collaborated, as you've shared what you're envisioning, the idea of using a, having a process you go through. And I'm delighted to hear on our last task force meeting, people shared that they were running table simulations with frontline managers.

So I think there's an appetite here for a process that makes that easier to do well. [00:11:00] And to do responsibly. Um, and then the principles we tried to capture all the ways people had, had learned that something could be irresponsible or, or, you know, risky in a way that you know you didn't want to stand behind that, that you wish you hadn't done.

And so the combination of having a process and having the, the principles or a thought process is really good. I'm wondering. How do you feel about investors as a channel and investors and boards as a channel for raising awareness? What do you picture, um, have happening there that gets to the above 30 percent being prepared for the level of risk?

**Lauren Caplan:** I think, um, investors are a powerful lever, right? In terms of influencing companies, um, and just also surfacing which issues are most important and which issues, uh, investors feel are material. And so, you know, in some ways, I think. You know, any tool in this area needs to be a joint tool between investors and companies, right?

So, um, and so that's part [00:12:00] of why the idea of this is, you know, here's what companies should do. But here's also how investors should be engaging on these issues so that it's a conversation, um, back and forth in terms of what, what looks, you know, what is going to most effectively address the risks, um, that are being posed by it.

Backsliding and by the instability that we see.

**Elizabeth Doty:** Do you feel investors have some convergence on this? Um, you know, you have the anti ESG those saying, you know, excellence versus over politics. I don't want my companies getting involved in political issues. So some investors saying, uh, don't be political. I don't know the scope of what political influence they don't want companies to do.

Um, but I wonder if you feel investors are are. divided on this, um, and And how your guide would respond to those different factions within the investor community. And I'll ask both of you.

**Lauren Caplan:** Yeah, I mean, I think it's pretty similar in the [00:13:00] investor landscape as to the in the business landscape writ large, right?

In terms of to the extent you can make the link between the political instability. And risks, um, at the company level, which then are going to flow through to investors at their portfolio level. The clearer that link is, the easier it is for investors also to feel, okay, I understand it's having a direct impact.

This is just part of the landscape. This is part of any should be part of any risk management, um, process at a company level. And for, you know, if I'm an investor for me as an investor,

if I'm looking across my investments, um, so. In terms of the tool, I think the hope is that again, by making the link clear, you know, leading, um, companies through a process where they can map those risks, that's going to also convert those in the investor community that are maybe still on the, on the line in terms of thinking about, well, I, I understand conceptually that this is going on and there are [00:14:00] risks, but I don't, I I'm missing the, the link.

I don't see how it's material enough that it should be considered. So I think it's all about getting specific.

**Elizabeth Doty:** Gotcha. And that's, and that is a contribution to the whole system, uh, making wiser choices, right, is helping make those, connect the dots. I think that's some of the enormous value that this type of project creates.

Daniela, how would you respond, um, to the concerns that, you know, companies should not be political, uh, investors in particular, there's a subsection.

Daniella Ballou-Aares: I think that's used. In a very broad sense, uh, in terms of what does it mean to not be political as opposed to, you know, the reality is companies make decisions all the time related to issues beyond the just their product.

And, and, um, so I think it has to be much more specific. What is it that actually we're talking about? Are we talking about? Um, what factors you use to decide whether to invest? Um, is it talking about what are the influences on the [00:15:00] political system that actually you and the companies you invest in already having?

So I think that's that's a good way to kind of scare people off, but not really a solution. I think we all have to help create nuance on that, you know, for investors, and I would put boards in this bucket that, you know, if you imagine that there's 20 percent of investors or boards That are like skeptical of anything that is related to society, let's say right and there's 20 percent are ready to jump in and be, you know, fully engaged on every on every issue and really kind of that's a big ethos.

And then there's a big group in the middle. And I think, to me, that's the most important audience in a certain way because. I think the typical investor or company who would like a society that's functional has seen that taking into account ESG or other principles has been made sense and been an effective, um, does not want to have unintended consequences, et cetera, but doesn't really see the road map to get [00:16:00] there.

Is concerned about the risks, et cetera. That group is who you really want to give a picture of what it takes. What are the case studies of others? How does that look because if we lose that broader set of companies, investors and then the same holds. And when you think about politics, if you lose the kind of relatively concerned, but not highly engaged part of the public in politics, it's super dangerous.

So that's what I worry about is that there's, you know, I get a lot of people who are like, Oh, I just. Yeah. I'm just saying out of it, because what would we do, you know, and it's not ill intent. It's not really because they have a particular agenda. It's because there's not a road map. That's clear. And I think that's part of what we and our principles can be addressing together.

And what we collectively have for sure is like a marketing and distribution. Go ahead.

Challenge, which is how do you get these ideas into the bloodstream in an effective way and having some guidance? I think is part of that. There's a whole set of other things in terms of

kind of our model is that also, you know, have the leaders and [00:17:00] people who are willing to be particularly engaged and thoughtful as part of our group so that they can be kind of ambassadors to others in the business community.

**Elizabeth Doty:** So I think that's important as well. It's very interesting. I spoke with, um, a gentleman who with the committee for economic development in the, uh, 70s, where we also had an ethos of corporate political responsibility in the wake of Watergate. And the business community really came together to say let's stabilize let's restore trust here's what we can do here's what is beyond the business community that we're calling on government or civil society to do.

And I asked him how that worked and he said you need 12 business leaders who are good spokespeople. Maybe six. Right? And who can do that middle, articulate the value, connect the dots, be specific, not be reactive, not trigger this sense that I'm being reactive, you know, and hysterical, um, which, which is understandable for people who are frustrated and see the risk, you come in like Cassandra in the Greek myth, right?

Um, but those who can walk through it in a [00:18:00] thoughtful way that we really only need a few. And maybe by the end of the call, maybe in the chat, people can start sharing who they think are those trusted, respectful leaders walking through what does it take in a company where our internal, uh, you know, perspectives are very different.

And that's, I think ambassadors would be really, really helpful to your point. If you were a C suite executive, say a chief legal officer, a CFO, um, a CEO, what would you do in the next three months knowing these tools? We're there, um, knowing that we need to build awareness and shared, uh, perspective on this, what would you do?

**Lauren Caplan:** The most important thing is to, to start now, is to do something now, right, ahead of time. I mean, we're already in it, but, um, as much as you can ahead of time, putting a process in place, one looking at What you're currently doing in terms of political activities, making sure you understand where you are, um, to start and then taking a look at again, best practices.

What can you put in place to Elizabeth to [00:19:00] your point? 1, make sure that internally everyone is talking to each other that needs to be. So you've got your government affairs is talking to your operations group to your risk group to your sustainability team and that when decisions are being made about.

Political activities and using that for that term kind of broadly, right? So both definitely political spending decisions, but also these decisions about like, which issues to engage on and when when those decisions are being made. Everybody who touches it or could be affected internally is involved in it and sharing information.

And then getting specific, like, we already talked to before before, in terms of really sitting down and trying to map out what are the risks that you see. Where your company is based, where your operations are, your suppliers, starting to map out specific, um, risks in those areas in terms of political risk and mapping them to the impact it could have so that you're ready to respond.

And then, like we talked about creating, if you don't already have 1, [00:20:00] putting in place a process at the board, deciding what decisions should go up to the board to get reviewed or decided on, um, and then really thinking through ahead of time. You know, are



there certain events that could happen? Um, and can you think of now how you would react to our, do you have certain red lines?

Do you have certain, um, things that if they happen in this election cycle, you, you can think about now and decide what your response might be. And then I think the other thing is just, um, like we've been talking about thinking about the opportunities for, for business. Impact, right? What are the things that you can be doing?

And that's everything from aligning political activities to support strong institutions and reviewing your your activities in that space, but also identifying election risks in the states where you operate and support it doing what you can to support, um. Democratic principles, both in your company. So, like Daniela mentioned earlier, I think everything from time off to vote and kind of having a civic action plan [00:21:00] to, um, supporting election security or other, you know, current needs in the cycle, and then also looking at systemic reforms, um, and whether, you know, there are ways to support sort of nonpartisan efforts to strengthen them.

Thank you. Election infrastructure in your state where you're operating, um, and whether there are longer term kind of efforts at systemic reform. That might be a good fit. So it's kind of both defensive and offensive in a way, right in terms of making sure you have in place. Um, and, you know, ahead of time, how you're going to deal with these decisions and then and then also thinking about what you can do to contribute to solutions.

**Elizabeth Doty:** Yeah, terrific. One of the takeaways from last month's dialogue with Seth Radwell was there are already efforts underway. And those efforts have worked hard in many cases to build coalitions across ideological divides for reforms that would be, uh, that would strengthen people's trust in the processes and business could do well to listen in and see what they could [00:22:00] support and where they're needed.

Um, and I also think you're probably likely to be coalitions at the state level that they could be aware of and. Strengthen. This is great. Daniela. I agree. I

Daniella Ballou-Aares: think knowing what collisions you can be a part of and where the actors are, we have a state democracy report card that and I can put it in the chat that basically different states in terms of where the democracy risks, et cetera.

And I think companies should know which of those states they have exposure to. And that gives them a guide to say, look, you know. We're going to see has a lot of risk factors. Here's what they look like. Um, now we need to be prepared there. We need to know who else is working on this locally, et cetera. My orientation is always that, um, a business or business leaders can only be effective working with partners if they're like smart enough on the issues.

So I always said like, you have to kind of build your baseline of understanding and then work with others. And the one last thing I would say is, you know, our orientation is working with individual leaders rather than companies per se. And I wouldn't underestimate the. Power of, um, [00:23:00] networks of business leaders, um, and executives, as opposed to exclusively the formal networks of chambers and otherwise, um, which are also often not the most nimble institutions or at times, frankly, are working, um, at, you know, are doing things that are cross purposes of democracy.

So I think that's an important piece. Be willing to stand against your chamber if they're doing the wrong thing, you know,

**Elizabeth Doty:** Yeah, or to or to create processes where the broader interests become more, uh, apparent, hopefully, um, so that makes good sense. And this an individual leaders are a key part of this inside their companies and, you know, need those champions inside and working with each other, as you've done in Ohio and Wisconsin and.

In other states in Michigan is active as well. We've been working with companies per se and inviting those champions to engage their companies in those processes. And that's been well done. And I also want to call out Business for America, the Civic Alliance, um, uh, the Bipartisan Policy Center has a Alliance for Business.

Business alliance for [00:24:00] elections and democracy. All of these are working particularly on that civic engagement piece and or particular legislation that is cross partisan and widely supported. So those are all groups to consider. Um, let me turn it now to the group.

Grace: We have a lot of pre participant questions.

So we have one from Stephanie that says, How can you be sure that civic engagement is representative and authentic

**Elizabeth Doty:** good point because it either it, it is or isn't. In practice and also there's the perception right and and in the last election cycle. Um, some companies were accused of steering their employees are biased.

Approaches, um, contributing to censorship, things like this, Lauren, did you want to weigh in on this one?

**Lauren Caplan:** Yeah, I mean, I was going to say, I think the principles are a great start, right? Because, um, they really provide that framework for making decisions around to engage and how to engage. So, I think tying to a, you know, a framework like principles is really useful.

And then the other thing is, um, I think [00:25:00] being transparent about how you make those decisions is really helpful to, um, and kind of. Doing that ahead of time. And then with each decision, because there's research that shows that if you're transparent around or decision making, even if someone doesn't agree with the decision, it's more, um, it's it's still accepted as more valid and less arbitrary.

And so I think that's that's important as well. And that's part of the kind of doing things ahead of time a bit.

**Elizabeth Doty:** Yeah. And Daniela turn it to you. Anything to add?

Daniella Ballou-Aares: I agree with that.

**Elizabeth Doty:** Yeah, terrific. I've also noticed that if you pre declare commitments. Okay. Um, because it shows if you know the risk, you're aware of it, you'll be responsible, even if you're well intentioned, it can happen.

And we also, in the principles under legitimacy, there was a surprising one that was really important to some of our members, making sure you're not coercing any of your stakeholders in political matters, which means you have to do more engagement to find out the diversity of thinking. Um, and that can be a safeguard on that as well.[00:26:00]

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 who come in for conversation. It's an honor to be part of it and the community is growing in the thinking, I think. A resource list, some of the important ways to help build awareness we've talked about.



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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, uh, if you're interested in looking into the task force, actual private, uh, group that works on these issues, uh, in more in depth and look at the herb principles, if they might be relevant for your business.

Thank you so much. Um, really appreciate the depth of thought that you, um, that you brought today and the focus on how to enable and empower business leaders and investors and boards, uh, to take thoughtful strategic action in the coming. coming year. Really, really appreciate it. Thank you to you both. And I look [00:27:00] forward to continuing to collaborate.

**Lauren Caplan:** Thanks so much for having us.

Daniella Ballou-Aares: Yeah. Thanks so much for having us.