The Insightful Leader Podcast Transcript
Designing Social Impact Programs That (Really) Work

Jessica LOVE: Twenty years ago, “social impact” for companies typically just meant…

Megan KASHNER: “We do this nice thing. We support this afterschool program. We encourage recycling in our company.”

LOVE: That’s Megan Kashner. She’s a clinical professor and the director of social impact at Kellogg. And to be fair, she says, twenty years ago, the issues at hand were very different.

KASHNER: Climate change didn't feel like an urgent threat. Income inequality was the same as it had always been. And it still felt like we were making reasonable progress on issues around gender, race, global connectedness.

LOVE: Today, though? We recognize that all of those things are big problems. They pose serious threats not just to society at large, but to every individual company, too. Climate change could wreak havoc on your supply chain and access to energy. Rising income inequality could cut into your customer base, or it could cause political instability, leading regulators to impose new rules, or customers to clamp down on spending. On top of that, the evidence is mounting that the younger generations really care about who they buy from and invest in; they want to give their money to companies that source products responsibly, that treat workers fairly, and that help combat climate change. Which is why investors now expect companies to step up on these issues.

KASHNER: Major market players like JP Morgan and BlackRock and Vanguard saying, “We are expecting our investable companies”—which basically is the entire market when you're talking about these investors—”to demonstrate that they are taking decisive action and making progress against community-minded goals. We’re not just talking about this anymore. We are now going to expect you to measure it in areas that are material to your business.”

LOVE: The point is, it’s no longer enough for businesses to make small changes around the margins, or let others solve problems for them. If leaders want their companies to survive and thrive in the coming years, Kashner says, they themselves need to be a part of the solution.

[musical interlude]

LOVE: Welcome to *The Insightful Leader*, from Northwestern University’s Kellogg School of Management. Today on the podcast: What does it take for leaders to achieve real social impact in the twenty-first century? Megan Kashner shares her perspective, drawing on decades of experience helping organizations deliver lasting benefits to society. She’ll describe three barriers that stand in the way of social impact in the private sector, and what business leaders can do to overcome them.

And to be clear: we recorded our interview with Megan Kashner over a month ago, before the coronavirus crisis was upending business in the U.S. Since then, we've checked in with Kashner to ask how organizations can help their communities right now, during this emergency. We'll share some of those tips later in the episode. And if you go to the Kellogg Insight website, you can find a whole article about how companies can step up during the pandemic.

[musical interlude]

LOVE: Historically, Kashner says, a lot of corporate impact initiatives have centered on things like philanthropy and employee volunteerism.

KASHNER: Those were all fabulous things and they haven't gone away, and they need to not go away.

LOVE: But truth be told, these initiatives alone are *not* likely to have a huge impact, since they don't require a company to think about the ways that it's actually contributing to social problems. As she explains, the real opportunities for progress come from what are called "material" issues: those that are central to a company's core business. And this is the first challenge that leaders face: finding ways to make meaningful, material changes.

For a good example of material changes, Kashner points to Unilever, the company that owns Dove soap, Lipton tea, and lots of other consumer brands. Since so many of Unilever's products were packaged in plastic, the company realized that it was encouraging pollution, and wasting lots of fossil fuels. So Unilever set specific goals to increase the portion of recycled material used in their packaging, and to substitute in materials like cardboard and aluminum wherever possible.

KASHNER: Each of their brands and product lines has sustainability targets that are numerical and executives are judged against, as well as other social impact targets and goals that are specific to that brand.

LOVE: So far, they've managed to reduce their total waste impact by nearly a third. So how can other companies follow this lead, and make material changes? Kashner says the first step is to pinpoint the problems that your business is contributing to most. You might think about internal processes, like hiring and employment practices that might be perpetuating social inequalities. Or you might consider your company's external impact, like its carbon footprint, and its supply chain.

KASHNER: Are they a company that consumes and is reliant on a great deal of data, data centers, and therefore electricity?

LOVE: Once you know where your organization stands to make the biggest difference, there are a few kinds of goals you could set. For instance, say your company relies on enormous amounts of data, and therefore electricity. In that case, your long-term, big-picture goal might be to make those data operations more energy efficient.

KASHNER: We need material sciences people to be working on how do we decrease the energy consumption of computing? Making those material changes is going to fabulous, but it takes time.

LOVE: So in the meantime, you can think about “medium-picture” goals.

KASHNER: You know, shifting your energy source and purchasing, looking at the carbon footprint of your plants, and your data centers and whatever you might be using.

LOVE: And finally, there are those last-mile, more supplementary actions—the ones that can help push you over the finish line. For instance, even as the data-intensive company works on boosting its energy efficiency, it could also do some carbon offsetting, paying to plant trees that will balance out the electricity it’s still consuming in the meantime. Now Kashner admits, these kinds of actions can sometimes feel like putting a band-aid on a serious wound.

KASHNER: It seems almost like a sin tax, or a luxury tax. But if that's what is left at the end of the day for you to complete your sustainability work, then please get over it and buy those carbon offsets or invest in whatever that community solution might be.

[musical interlude]

LOVE: Challenge number two that companies face when trying to achieve social impact is about patience. The fact is, solving social problems tends to happen on a long time-scale. For instance, to stem the rise of inequality in the coming generations, companies need to take action today.

KASHNER: And so we often run into this sort of structural, time-based challenge.

LOVE: Which can pose a real problem for changemakers in the private sector. After all, investors and boards of directors tend to judge companies’ performance against quarterly or annual benchmarks, meaning there’s serious pressure to hit short-term goals. And if your company’s big-picture goal of fighting inequality or reducing your carbon footprint conflicts with its short-term target for quarterly profits, then managers are probably going to focus on the short-term target. Meaning, your social impact goals will just keep taking a backseat.

But the good news: as Kashner mentioned earlier, companies like Blackrock and Vanguard have actually begun to bring those long-term social impact goals into the short-term picture.

KASHNER: The biggest of investors are now judging not just on quarterly performance but on these other metrics that have to do with sustainability, climate change, and social impact.

LOVE: So if companies aren't making progress in those areas, they could lose out on huge amounts of investment. While it remains to be seen whether this will truly change how companies make decisions, Kashner thinks that it's movement in the right direction. What's more, it provides something of a template for how leaders can achieve social impact in their own organizations.

KASHNER: Taking long-term priorities and figuring out how to actualize them in the short term is the name of the game right now.

LOVE: And you can do the same. For instance, if improving equity and inclusion at your company is the long-term priority, you might include diversity KPIs in your monthly reporting. Or, you might add in diversity and equity as a criterion in performance reviews.

[musical interlude]

LOVE: The final challenge for business leaders comes down to measuring the impact you're having. Kashner has seen that often, organizations care more about making a social impact than about quantifying it. And that's understandable—spending lots of time and money just evaluating a program can feel like a waste, especially when resources are limited. But Kashner insists that good measurement is the only way to know if your changes are actually doing anything.

KASHNER: If you're not investing in the infrastructure of an impact endeavor, including data measurement, then you are most likely wasting money on the time and talent that you're pouring into that program delivery.

LOVE: So what does it take to measure impact? The first step is to make sure you have the right data infrastructure in place from the very beginning, so that you have a baseline you can compare your results to later. For example, if you're launching an initiative to improve working conditions in your factories, you should first evaluate workplace conditions the month *before* you begin. Too often, Kashner says, people don't think about this until the program's already underway.

But what you then do with that data is also extremely important. A lot of the time, Kashner sees organizations use their data to tell a really simple story. For instance: "Since implementing our equity initiative last year, the share of women among our subcontractors has grown five percent."

The problem is, this kind of measurement doesn't really tell you much, since it doesn't account for what might have happened without the initiative. Maybe your share of women subcontractors would have grown anyway! Which is why leaders need to find ways to rigorously evaluate their programs. Maybe that means setting up a controlled experiment, where some parts of your organization undergo the program and others don't. Maybe you can partner with a research organization that's interested in studying social programs, and would welcome the opportunity to evaluate yours. Or, if you're a big company with lots of resources, Kashner strongly recommends hiring professional evaluators to measure your program's impact. Now, she knows that it can be challenging to get companies to spend money on this aspect of social impact. After all, it's much more rewarding to pay for the glamorous stuff.

KASHNER: You know, everybody wants to pay to plant the trees, to put books in children's hands. But you know, we need to pay for those infrastructural systems, and the statisticians and evaluators to be sure that we know what we're doing. And there have actually been instances of social programs that have turned out not only to not make a difference in a positive way, but to actually be detrimental. And heaven forbid we should be doing that.

LOVE: Good research has shown that certain public anti-drug programs have backfired, for example, and that company wellness programs often waste money without making employees any happier or healthier. But on the flip-side, if your program does work, having reliable proof will enable you to tell a powerful story about the impact you've made—the kind of story that can help convince executives, customers, and investors that you're truly doing your part.

Before we head to the credits, we did want to address the coronavirus-shaped elephant in the room. Communities are suffering *now* with very urgent needs—needs that businesses may be in a position to address. So if you want your organization to lend a hand, but you aren't quite sure how it can help, Kashner recommends thinking through a few questions. For instance, what resources do you have at your disposal: money, expertise, equipment, manpower? How might these be redeployed to help folks in your community who may be struggling? Could you lend your marketing department's expertise to a local nonprofit? Or maybe you could relax certain procedures or payment policies in order to keep other organizations afloat. You can read more of her ideas on our website, insight.kellogg.northwestern.edu.

[musical interlude]

LOVE: This episode of *The Insightful Leader* was written by Jake Smith. It was produced by Kevin Bailey, Jessica Love, Fred Schmalz, Michael Spikes, and Emily Stone, and mixed by Michael Spikes. Special thanks to Megan Kashner.

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We'll be back in a couple weeks with another episode of *The Insightful Leader.*