

Masters of Scale: Rapid Response Transcript – Daniella Ballou-Aares

“The business of democracy, w/Leadership Now's Daniella Ballou-Aares”

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DANIELLA BALLOU-AARES: When you look historically at societies that face threats to democracy, business plays a really pivotal role. If business stands up for democracy, if it's part of fixing the system, then democracies can thrive. If it doesn't, then democracies can fail.

The apolitical nature of business is somewhat overstated. While companies are concerned about not being seen as partisan, in certain circumstances, the reality is that business has a very large footprint in Washington. Companies are weighing in in politics on tax and regulatory issues, they're giving political support to candidates, etc.

So, if you play a role in the system already, you have a particular responsibility to be part of making it work.

Business has been such a driving force of innovation. So, particularly in American society, the trust and expectations of business, I think, are significant. And it's only increasing the expectations that business takes a stand.

BOB SAFIAN: That's Daniella Ballou-Aares, co-founder and CEO of the Leadership Now Project, a nonprofit dedicated to engaging business leaders in the future of American democracy.

Through the 2020 presidential election and the January insurrection at the Capitol, Leadership Now found itself in the crosshairs of unexpected controversy.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk with Daniella because business leaders have been pressed in recent times to take public positions on politics in ways they never have before.

That, Daniella says, is a good thing – for business and for democracy.

She argues that even businesses that don't lobby are still key players; by simply paying taxes, businesses are supporting the overall system of government.

Daniella also talks about the rising trust that people have for business leaders, the responsibility that comes with that, and how business-style innovation could remake democracy for the better.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Daniella Ballou-Aares, the co-founder and co-CEO of Leadership Now Project. Daniella is coming to us today from her home in Washington, DC as I ask my questions from my home in Brooklyn, New York. Daniella, thanks for joining us.

BALLOU-AARES: Pleasure to be here, Bob.

SAFIAN: So the Leadership Now Project is a nonprofit launched in 2017 by a group of Harvard Business School alums and other business leaders committed to renewing American democracy. For the uninitiated or the skeptical, that could sound like a standard lobbying effort or a partisan political effort in some way. How is Leadership Now Project different than other organizations?

BALLOU-AARES: When we founded Leadership Now in 2017, we saw a political system that really wasn't working and where trust in government was at historic lows, 17% of Americans really trusting government to do the right thing.

The typical way of responding to concerns about the state of government and politics is to donate to a candidate or vigorously like things on Facebook. And we really believed we needed a smarter way to engage and fix the underlying problems.

We also knew that when you look historically at societies that face threats to democracy, that business plays a really pivotal role. If business stands up for democracy, if it's part of fixing the system, then democracies can thrive. If it doesn't, if it is enabler or silent with autocrats, then democracies can fail. So both of those issues were on our mind in 2017, when we sought to build something different than your typical political organization or nonprofit.

SAFIAN: Business leaders, historically, or I guess, more recently have been uneasy sometimes about engaging in political issues. But there's been more and more pressure on businesses to take positions on social issues, on policy, on politics, areas that used to be considered the purview of government. What is the role of business in our national dialogue?

BALLOU-AARES: Yeah, I think it's a great question. Edelman just came out with their most recent trust barometer, business came out as the most trusted segment of society. CEOs, in particular, were looked to by employees, by society to take a stand on social issues.

The trust and faith in government to be able to address those challenges alone is relatively low. Our markets have changed so dramatically, technology has changed the way that we interact – and government has really struggled to keep up with all of those changes.

So, I think we're at this moment where we don't really have a choice but to, for every segment of society, to be part of figuring out how we navigate these uncertain times. And I do think that the apolitical nature of business is somewhat overstated. In that, while companies are concerned about not being seen as partisan, in certain circumstances, the reality is that business has a very large footprint in Washington. Business lobbying is the largest by far of any sector – the Chamber of Commerce, the Business Roundtable, and companies are weighing in in politics on tax and regulatory issues, they're giving political support to candidates, etc.

So, businesses are actors. They've always been actors to some extent. And I think that means that if you play a role in the system already, you have a particular responsibility to be part of making it work.

SAFIAN: So I want you to take me through two recent phases of activity for your organization. The first one was last fall, the second one more recently. Last fall, you issued an election integrity statement. Can you explain how that came into being and how it unfolded?

BALLOU-AARES: Absolutely. The past couple of years since we formed, we're actively learning about the challenges and also supporting efforts to ensure voting access, election integrity, to address issues like gerrymandering.

So, we partnered with a variety of organizations that were very closely tracking election preparations, particularly under COVID, where the operational requirements were going to be significant. And there started to be a stream of disinformation that suggested that the election under COVID might not be legitimate at all.

So we started to do a variety of things. We deployed a set of fellows – MBAs, recent graduates – to voting election integrity organizations who were working with local officials to help support adjusting operations for COVID.

We started informing various business actors and our members around what the threats could be, we started working with organizations like Protect Democracy that had a task force on election crisis to prepare. And it became clearer and clearer as we got closer to the election that these threats weren't going away.

And so we worked with a variety of our members who are executives in major companies and beyond, leaders like Reid Hoffman, and Seth Klarman signed on to this election integrity statement with hundreds of others to say, "Look, we just need to make sure the basics of this election are carried out properly, that every vote is counted, that the media is responsible and patient while the votes are counted. And that elected officials do their job."

And that statement became a really important anchor, I think as the election unfolded, and in the months ahead. And other business groups like the Chamber of Commerce and Business Roundtable, and individual business leaders subsequently started to step out and reinforce that message.

SAFIAN: So is that part of the goal that you're looking to spur other more established organizations like the Business Roundtable? Is this the way you scale your impact to use the terminology that we use here?

BALLOU-AARES: Absolutely. Yes, I think as business school alums and entrepreneurs, an entrepreneur myself and others, I can't help but think about how we drive that scale. And especially because there's so much urgency. We don't have time to wait 5, 10 years. We want to tap into the existing networks.

We've tapped into the alumni networks of schools. We work with business school academics, who are really helping to rewrite curriculum to inform students about the role of business and democracy.

And we now have really deliberately sought to work with industry groups like the chamber, like Business Roundtable, like local chambers of commerce, to be a source for information about the state of our system, how business can play a proactive and positive role.

We want our ideas to be currency here, far beyond just for our membership base. We see our members as the first movers, the ones that push the envelope and open the space for the rest of the business community.

SAFIAN: So, you see as the year is unfolding, as we're moving toward the election, that there's some risk about how it's going to be received and the integrity and the credibility of it. And you get this work done, and you have this echo impact. And yet still, the voices of concern about the election continue. And we land on January 6th, the day of that insurrection at the Capitol. Where were you that day? How did you hear about what was going on? And what did you try to do about it?

BALLOU-AARES: I was actually sitting right here where I am right now, which is six blocks from the Capitol. I was on a call and started to hear some sirens. I was getting texts from people across the country making sure I was okay because, of course, I wasn't right there, I was in my home. But it was a scary moment.

Our friends, all of our neighbors, we had children in our home playing, and we all wanted to make sure we kept them inside, we didn't know where things were going to go. So there was a very personal moment for me around just the safety of my family, and, of course, the safety of our nation, and how that was going to play out.

But then it was also, of course, it was like we'd been watching this for months and months that this was a possibility of how things could turn out. So we also quickly saw to issue a statement. We came together the next morning with a group of other business groups. Actually, the first business group to issue a statement was the National Association of Manufacturers, not known as anything but a conservative group. You also had groups like the small business associations and others.

So, it was extraordinary to see. We quickly came together with others, and we issued a statement encouraging businesses to withdraw contributions from those who had refused to endorse the electoral college vote and supported the insurrection.

SAFIAN: This was not a surprise in some ways. And, of course, obviously, it surprised in other ways that it actually came to fruition in the way it did. In those dialogues with business leaders, were they surprised?

BALLOU-AARES: I think that I continue to hear from many business leaders that they saw January 6th as an inflection point when the nature of the threat to democracy became so real, that it is informing and shifting the way they're thinking about how they engage in the system.

I would say for our members who'd been primed on these issues for quite some time, it was less of a surprise, though. It was still a surprise to all of us that it actually happened. We knew the possibility was there. But it's still hard to imagine. And it still is.

I do think there's a real question around, does that concern and shift in thinking sustain? Or do people move on? I think we need to move on. But we also need to move on with a different set of sensibilities about what the risks are, and also what our role can be in changing them.

SAFIAN: You mentioned this idea of shifting how they engage in the system. And some organizations previously supported specific candidates, specific parties, others played both sides, trying to have an interest everywhere. But some of the CEOs I've talked to since January, they're pushing pause on supporting anyone, almost like they're suspending their engagement as opposed to engaging more. Do you hear that? Do you see that? Where do you think this engagement is heading? And where should it head?

BALLOU-AARES: I think there's a couple of ways that companies can go. You have companies like Microsoft, for instance, who've come out and said, "We are not going to support any of the candidates who supported the insurrection in the federal government or at the state level, for the next two years. No contributions to those elected officials."

And they're also setting up a democracy initiative, where when you support your Corporate PAC, you don't need to support a candidate anymore, necessarily. You can decide to support voting rights efforts, efforts to address gerrymandering, or campaign

finance, which I think is a very good shift. Because corporate PACs, often are, employees are encouraged to contribute to them. And the only vehicle then is to give to candidates.

So, I think Microsoft's statement and approach was quite strong. You see others that are pulling back all together. Charles Schwab, for instance, said they were discontinuing political contributions and making donations to the Boys & Girls Club and historically Black colleges and universities with their former political contributions.

I think both of those paths have merit. I think what's most important is that companies are setting a minimum bar criteria for who they're willing to work with, and support, and what they expect of our political leaders. I think companies have lots of criteria of who they'll support in terms of policy. Is that political leader supporting policies that are good for their business and their regulatory context?

But I think we need to add to that: Is this a candidate who is supporting the fundamentals of democracy? Are they supporting everyone's right to vote? Are they making sure that they're not gerrymandering their own seats, so they keep power as long as possible? I think those kinds of criteria are very legitimate for business to set as minimum bars.

Ultimately, the way that business interacts in Washington and state capitals with politics has not evolved for 20 years. It's very old-fashioned. It's writing a check to show up at a fundraiser and mention to someone your regulatory interests. And I think there's plenty of room for rethinking that relationship in a way that's good for democracy and still enables business to be part of building a strong economy.

SAFIAN: As you've described that historical way, I think others just call that the swamp. But as I'm hearing, too, it sounds, too, a little bit like that maybe there's a more conscious differentiation between talking about business and politics, and business and government. There's the process of the elections and then there's the operation of the apparatus and the policies that are part of that. Am I hearing that right?

BALLOU-AARES: Yeah, I think that's right. I mean I would say business and government or democracy, the core functions – what is worrying is if we erode basic functions of democracy, faith in democracy.

I think this is a really important moment to shore up the system and for business to make a proactive stand and say, "Look, we want this system to work." And part of that is supporting voting rights and competitive elections. But also, I think we could be a lot more ambitious. In this election, there was about a 62% turnout in the presidential election, the highest in memory, and even under COVID.

So why can't we set a goal that 80-90% of Americans should be voting in every election, and business is going to be part of that?

Business dipped its toe in the water this election cycle by doing a lot of messaging around voting. And maybe we can turn this around a bit and say we shouldn't be in this moment where we're trying to add new barriers to voting. There were 250 laws introduced in the last three months to restrict voting at a state level, which just seems crazy. We should actually be working on: How do we make the voting experience and participation as smooth and easy as possible? So, I think there's an interesting role for business to play in that.

SAFIAN: You talked to me a little bit about the need to educate some businesses about the investment that they're actually making in the political system, even when they're not overtly lobbying. That, as part of a functioning part of society, they're actually funding a lot of government. Can you take me through what that education is for someone who might be running a business, is listening and saying, "Why should I get involved in this?"

BALLOU-AARES: Yeah. I think twofold. One thing we've talked about: Is this relevant to all business people? Is this just a question of the big companies that are big lobbyists. And I think the role that an interaction that business has with the government and politics is a lot broader.

So let's think about startups whether an Uber, an Airbnb, whose business models depend on a lot of interaction with government in order to enable them to participate in the local business environment. I think a question that anyone who's interacting with government should be asking is: Who am I working with? And are they supporting the kind of health and strength functioning of the system?

If the answer to that is yes, great, let's work with them. But if you take an approach to politics, which is very transactional, and you say, "There's one regulation I care about or one tax I care about. And I'm just going to go and focus on that and engage with political leaders on that."

That political leader you're interacting with may spend the rest of their time undermining the system. And you've never asked that question or created a guardrail to make sure they're not doing that.

So I think the transactional nature that many companies have taken to politics can be really detrimental. And actually, I think a lot of Americans have taken a transactional nature to politics. They've just said, "Hey, I care about one issue. And I'm just going to vote based on that issue. I care about one policy." If you just do that, and you're not worrying about: Are these political leaders governing well for the totality of the citizens and the issues? You end up where we are today.

SAFIAN: I guess we're hiring people for a much broader role than just the one issue that we may be focusing on.

BALLOU-AARES: Yeah. I think that's actually a great way to think about it. We're asking them to make hard decisions whether it's responding to the pandemic, or creating good economic legislation, or dealing with climate change and health care. It's a big job, and the flip side of this is we need to have great talent going into politics, who have the orientation to solving those problems and can be analytical decision-makers.

So that's the other thing we focus on as an organization is we've really looked at how do you identify and evaluate new leaders entering politics from other sectors, whether it's business or the military, or nonprofits and what makes for a good leader shifting into politics, who's going to be part of the solution.

[AD BREAK]

SAFIAN: It is tough as I'm listening from a business leader's point of view, you're running a startup or a business of any size, you need to get a certain legislation or regulation or policy in place to be able to be effective, whether you're Uber, Airbnb, or another business like that. But if I say, "Well, that transactional part is not my priority," I may not be here tomorrow to influence the wider things that I'm hoping my business can do down the road.

BALLOU-AARES: Yeah, I think it's a question. If you take that to the logical extreme, the question is, who are you willing to do business with and who you're willing to work with? So, name your egregious autocrat in history. Would you be willing to work with them to get your business done?

If you work with someone who's really not legitimate to their voters, it'll come back to bite you often. You will many times win the battle but lose the war. So, the war here is to create a great society and democracy and one that businesses can thrive in. And I think we have that common goal right now.

SAFIAN: Yeah, I think a lot of leaders do struggle over the widely divergent viewpoints across their employees and their customers, and they want to do the right thing, but without polarizing some of those constituents, and that ends up narrowing the areas that they engage in.

BALLOU-AARES: There's a moment right now where we can be really thoughtful about defining what is indeed partisan, and what does it mean to be a principled leader in America.

And I think, for business leaders differentiating, that's not purely among partisan lines. I would say there are many moderate Republicans that I engage with, that are concerned that there's not a differentiation being made between groups that are really taking extreme stances right now in terms of suggesting that none of our election processes were legitimate, that the election was stolen, all of those kind of rhetoric, which frankly, business stood against.

And so, I think because we're at this unfortunate moment, where there are some genuine threats to democracy, the defining of what it means to be partisan has to be reframed to some extent. So what are our core beliefs? What do we really believe in? And we'll support anyone. We have a set of principles. And we'll work with and support anyone of both parties, who is committed to those principles. And I think that's something that businesses can work through and really make legitimate to their employees.

SAFIAN: Yeah, this divisiveness that we have seen rising across the country for a while now – is addressing that from a business point of view, is that a matter of responsibility as a leader? I'm thinking back to those numbers you were citing about the level of trust for business leaders. Is it responsibility? Is it just practicality?

BALLOU-AARES: I think it's both. There is a recognition that in American history – not now only, but always – business has been such a driving force of innovation. So, particularly in American society, the trust and expectations of business, I think, are significant. And that's only grown recently. It's only increasing the expectations that business takes a stand.

When you look into the data of how Americans feel about business, it's a very mixed interesting set of data. They want CEOs to take a stand. They actually trust small businesses more than large businesses, but they really trust their CEOs. It's a mixed picture. Americans have a mixed feeling about where business is standing right now. So, I do also think that employees and customers are watching closely for companies to do the right thing. Companies are being scrutinized. So I wouldn't underestimate some of the risk factors and blowback that companies face influencing their willingness to take a stand on some of these issues.

SAFIAN: What's at stake in this moment?

BALLOU-AARES: I think what's really at stake is our trust in each other and our trust in America to be a resilient, dynamic country where every voice is heard and counted, and we're governed and led in a way that Americans are proud of. Concern or lack of faith in our system has been going on for some time. It's not just a product of the last four years, but it's been eroding for 20 years when you look at the data.

And particularly with younger Americans, the lack of sense of real pride and trust in the system is worryingly low. So, we all know that America's democracy was never perfect. Our reckoning even over the last year on racial equities is a real reminder that when we were founded, it was based on exclusion of Black Americans and so, there are fundamental flaws in American democracy. But we also have always aspired to something bigger and innovative in the way that we govern. And it's just a worrying moment when we can't be seen as leaders internationally, in our political system.

I think we can totally turn that corner and innovate and be a really extraordinary democracy and have amazing ideas and discussions and debates about where that goes. And that's part of what I'm trying to create, is bring back an innovation engine to our democracy, while also being very real about short-term threats that we need to address together.

SAFIAN: I can hear in you this push and pull that, in different ways we've heard from business leaders all across this year about the challenge of this moment, of this time, and at the same time, the opportunity, silver lining, or whatever you want to call it, that we can find our way out of this challenge, this unexpectedly difficult period that we find ourselves moving through.

BALLOU-AARES: I feel like it's overdone to say we're in an inflection point. And I probably have said it once or twice in this conversation already. But I think it's true, and it applies as much to our economic system, as our political system, as to our business models. All of these things are intersecting at once.

So what are some of the specific things that business leaders can be doing right now or have been done? So, obviously, the election is done. Fortunately, the insurrection is done. So, okay, immediate reaction, rapid response on that is behind us. But how do we set this new paradigm for engagement? What are some of the specific intervention points?

So I just wanted to mention a couple of things that we've been doing and that we've seen real leadership on. Most recently, last month, we submitted with a group of over 300 business leaders and companies an amicus brief to the Supreme Court in support of voting rights. There's currently a case in front of the Supreme Court that is asking the question of, is the Voting Rights Act still necessary? Are voting laws too restrictive? Are they legitimate, etc.?

And so, we came out with a very strong amicus brief with companies from PayPal to D. E. Shaw hundreds of business academics, that said, "We know that democracy is good for business. We know that racial equity is good for business. We see this in our own companies. And we should be doing everything possible to protect the right to vote of Black Americans and all Americans in our society. And any erosion of that goes against what we know to be good for our country."

A second thing that we're seeing in the short term is, with the state-by-state laws being introduced that are restrictive of voting rights, we're working with our local chapters in multiple states, whether it's in Texas, or Georgia, or Wisconsin, to have a real business voice, in the press and with other business groups to say, "Look, again, we really want to support voting, not only voting rights, but elections that are easy for people to participate in, that are transparent, etc."

So, I think for everyone who listens to this, getting involved in your local community and in your local political context to support strong elections, and that's not only in states that are the most contested in the election. I look at New York, Bob, you're sitting, I'm a Brooklynite originally. New York elections are kind of a mess. New York has had some of the lowest primary participation rate in the country, they've historically made it quite difficult to vote.

There's no reason that we should not – all of us – be asking our local political leaders to make sure that our democracy is functioning well. So that's an entry point. It doesn't always have to be on a national scale. It doesn't need to be in Washington, you can start local and it can have a real impact.

SAFIAN: I have had this conversation probably last year, at this time with Reid Hoffman about, "How come I can't just vote on my phone?" And he said, "No, no, the easiest thing is just to vote by mail." Obviously, anything can be questioned by anyone. But if I can do my banking on my phone, it just seems like it should be so much easier to access getting your voice heard than it is, and I hope we can find a way to do that. I know not everyone wants everyone to vote. But I do believe that that's a better way for our country to operate in the long run.

BALLOU-AARES: Absolutely. And there's a lot of innovation to learn from in business and other countries. Estonia votes online, there's many. So, I think that challenge of making it easy, accessible, and of course, secure and legitimate is one of the things we need to take up in the years ahead while at the same time, making sure that these legal battles don't further erode the current system.

SAFIAN: It's been a stressful year going through all this. Are you stressed? Do you find yourself stressed?

BALLOU-AARES: Do I seem stressed? Yeah, sometimes. I realized after the election, that that had been a pretty stressful period. So, I am kind of a "keep calm and carry on" kind of person in many ways. But I think the last four years, probably just had a degree of uncertainty about where we were headed. And then obviously, with COVID on top of that, and then the weeks waiting for the election results. All of those things, I think, took a toll on me and took a toll on many of us. So, I feel energized now to move to the next phase. But I think there have been some very challenging moments in the last few years.

SAFIAN: Well, again, Daniella, thank you so much for talking with us and sharing your perspective. I really appreciate it.

BALLOU-AARES: Thanks so much, Bob.