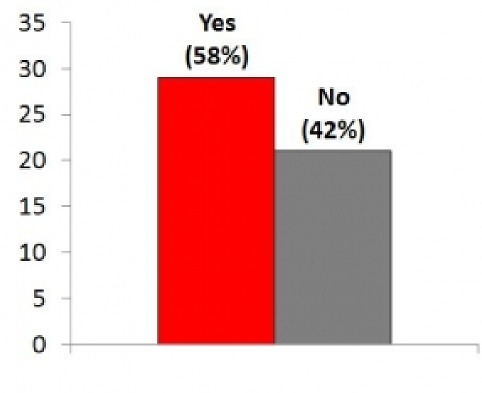
Poll result: should social entrepreneurs prioritise social good over profit?

The results are in for our blog's first entrepreneurship poll: 'Should social entrepreneurs prioritise social good over profit?'



Voters were fairly evenly split: 29 people agreed that social entrepreneurs should prioritise social good, and 21 people disagreed.

We asked some experts what they thought of the question and whether they could shed some light on our voters' lack of consensus.

Matt Hall is Associate Professor in Accounting at LSE, where he has worked since 2006. His research is focused on how social entrepreneurs and social enterprises develop measurement and valuation techniques to capture 'social profits', particularly through techniques like Social Return on Investment.

'The question itself is intriguing because it sets up an assumed tension or opposition between social good on the one hand and profits on the other. According to this logic, if social entrepreneurs focus on social good, then profits will suffer, or if they focus on profits, social good will suffer. This may be in some cases, but not always.

'Consider a normal business. In this setting, generating profits is good for the firm but also typically good for customers and other stakeholders as the firm is providing goods or services to meet customer demands. A win-win if you like.

'The same can clearly apply for social entrepreneurs, where they can generate income from providing a service or product, generating profit, as well as helping to solve a social problem, the social good. Perhaps what is really implied in the question is where social entrepreneurs may be tempted to create 'excessive' profits that leads to actions that actually reduce social good – in this case I agree that some prioritisation is needed, but not always.

'The other interesting issue raised by the question concerns what is meant by profit – accountants spend lots of time debating what profit means and how to calculate it, because it actually matters how you measure it. For example, some measures of profit try to include social and environmental outcomes (such as triple bottom line reporting or techniques like Social Return on Investment), meaning that creating social good would actually increase profits according to this type of profit measurement. So what the question is implicitly getting at is that the assumed trade-off between profits and social good only arises because of more traditional profit measures that are focused on financial returns only – under this type of profit measure, some trade-off between social good and profits is unavoidable.

'My feeling is that the almost 50/50 result of the poll is picking up some of the issues above.'

LSE alumnus Henry Wigan is a founder of Mustard Seed, a company which invests in and incubates socially and environmentally impactful start-ups. Its founding ideas explicitly reject what Matt Hall calls 'the assumed tension' between profit and social good that the question implies.

'In my mind social impact and commercial success are by no means mutually exclusive. In fact, I am of the view that there is tremendous commercial merit in addressing a social problem. At Mustard Seed we look for companies where long-term value is linked to responsible practices in what we term the 'Virtuous Venture Cycle'; these companies are able to generate, a combination of the following: 1) Positive press and brand association among increasingly conscious consumers; 2) More loyal staff and higher numbers of applicants for open positions; 3) Increased customer loyalty, and; 4) More favourable terms from suppliers and creditors.
All these factors help to de-risk the commercial prospects of the company.'

Daniela Papi-Thornton, Deputy Director of the Skoll Centre for Social Entrepreneurship, told us what she thought when she was speaking at our *Entrepreneurship Matters* session in January. For her, the answer to this question depends on how the individual (social?) entrepreneur defines themselves, but she also acknowledges the difficulties around this.

'If you are making claims about the impact you're having, you'd better also make choices that align with those claims and measure for that. If your measurements show you're not moving in the direction of achieving those claims, then you should be making decisions to try to ensure that you do. Unfortunately it's not very transparent, and what we hear is the claims but often we can't see or touch the impact. So I think the answer is yes -if you say you are doing something and people are investing in you because of that, then you have to make those choices.'

You can listen to the podcast of Daniela's talk on our website.

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