

URL: <https://ecorner.stanford.edu/in-brief/the-tension-of-social-enterprise/>

Abl founder and executive chairman Adam Pisoni advises social enterprises to be open about the tensions between profit motive and social impact, and embrace those tensions. By admitting that economic opportunities and maximum social impact may not always align, he finds, teams can explore options and make more sustainable decisions.



Transcript

- I was reflecting on this before this talk, this label of social enterprise.. I would not be surprised, I'm certainly hopeful that in 10 or 20 years, people look back on this time and they say, "What are these social enterprises?" And they're confused by it, because they can't imagine a world where the norm would be that the vast, vast majority of creativity and resources and companies and money, and all of that were going to these things, which weren't social, that whose pure goal was, or whose highest goal was increasing shareholder value.. And what we expected in 2020 was that a very, very small in comparison set of social enterprises and nonprofits or whatever, would clean up all the problems created by the vast majority of other companies.. And I think someday we're gonna look back and say, "That was just a crazy thing." Part of the challenge there is that, I think for a long time, and maybe if I was alive or if I was doing this 50 years ago, I'd think that too, that people thought that there was no tension between profit motive and doing well, do well by doing good.. And yet it's just getting increasingly hard to explain why under the current system, so many people are being left behind, whether that's students or adults or communities.. And we used to say that just because the market wasn't free enough, but it's just getting harder and harder to justify that, and the existence and the need for social enterprises, if anything, shows the fallacy in that.. The challenge for a social enterprise is that, you still need money, you still need funding, you still need these things, and you're playing in a world which doesn't have really good sort of language for the needs of a social enterprise.. And so you end up you end up in a strange world in terms of how you balance the tension.. The tension is real.. There are times when the decisions that you need to make for rapid growth, for example, may be different than the decisions you would make if your pure intention was impact..

And I think a lot of times entrepreneurs try to ignore that or hide it.. Part of it is the cognitive dissonance of raising money in that context of like, "When you raise money, you have to tell the story about the economic opportunity." And if you're raising from impact investors, you have to tell both stories, but it's hard to know which one take supremacy.. So there's that cognitive distance, where a lot of entrepreneurs they just sort of pretend there's no attention.. And I found it helpful to admit there's attention due to my company's attention, and allow us to hold that tension, talk about that tension, and know that we're not gonna be making decisions all one way or another, and by not agreeing on the tension, then we really run the risk.. If I sat here and said there's no tension, it's actually more likely that I would end up moving in the direction of pure economics, because economics drives itself in a lot of ways.. But by naming that tension, I think there's an opportunity to do better..