



A 'unicorn', as referred to in the venture capital industry, describes privately held startups valued at over \$1 billion that leverage disruptive innovation to reach massive scale in a short period of time.<sup>1</sup> They are the key focus of water cooler talk and the textbook examples of market disruption – think Uber or AirBnB. While these organizations are changing the game in the private sector, unicorns remain scarce in the social sector.

Based on the input from the panelists and participants at this year's Impact Gathering, we've identified four common traits that can help identify social ventures with unicorn potential. Moreover, the discussion revealed potential actions for public, private, and social sector participants that can help foster more social unicorns in Canada and beyond.

## CONTEXT:

### Structural barriers driving a fragmented social sector

The social sector is a major input into Canada's economic engine, generating more than 7% of national GDP, and employing over 2 million people.<sup>2</sup> At the same time, the sector is characterized by high fragmentation and limited scale. Last year, the Canadian Senate published its report 'A Roadmap to a Stronger Charitable Sector' that identified an estimated 86,000 registered charities and another 85,000 non-profit organizations engaging in public activities that span basically every aspect of Canadian life.<sup>3</sup> At LEAP, we estimate that the broader social sector, including for profit social enterprise, is approximately 200,000 social ventures.

The competitive market for funding in Canada is a key barrier to drive scale in the sector. While the top ten largest not-for-profits in Canada receive over 33% of charitable giving, the remaining 67% is divided among over the 170,000+ other not-for-profits.<sup>4</sup> As a result, new social ventures either don't receive the capital they need to grow or need to depend on multiple donors with competing priorities and restricted spending requirements. Meeting those disparate priorities and requirements discourages many social ventures from investing in what they do best, taking risks and developing disruptive innovation.

<sup>1</sup> CB Insights: <https://www.cbinsights.com/research-unicorn-companies>

<sup>2</sup> The Special Senate Committee on the Charitable Sector: [https://sencanada.ca/media/364859/com\\_1pgr\\_es\\_cssb-catalystforchange\\_2019-07-10\\_e.pdf](https://sencanada.ca/media/364859/com_1pgr_es_cssb-catalystforchange_2019-07-10_e.pdf)

<sup>3</sup> Ibid

<sup>4</sup> Charity Careers Canada: <https://www.charitycareerscanada.ca/size-matters-biggest-nonprofits-canada/>

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THE OPPORTUNITY:

## Four common characteristics of high-potential social ventures

Other countries, such as the United States, showcase that unicorns and the social sector are not mutually exclusive. Examples include Kiva.org, Teach for America, and One Acre Fund. Kiva.org enables people to lend money online to low-income entrepreneurs and students in over 80 countries. Since 2005, Kiva has crowd-funded more than a 1.6 million loans, totaling over USD 1.33 billion.<sup>5</sup> This highlights the massive potential that could be unlocked by better identifying and promoting possible unicorns at an earlier stage.

At this year's Impact Gathering, changemakers from the public, private, and social sectors examined what we can learn from existing unicorns and potential actions that could help foster an environment that promotes and supports more social unicorns. One important theme that emerged from the session was the importance of recognizing common factors across promising social ventures such that pattern recognition could allow the sector to identify and support future social unicorns. Based on the panelists' experiences, successful social ventures share the following traits:

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“A board is the one who has the ability, the authority, and the need to hold the organization accountable for the mission. The investors and beneficiaries are the public good.”

- Jim Bildner, CEO of the Draper Richards Kaplan Foundation

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**1. Effective Leadership:** Jill Miller, Portfolio Director at LEAP | Pecaut Centre for Social Impact, underlined that this was a key factor that the Centre considers when looking at the ventures they are considering for their portfolio, stating that “it absolutely stands out – it has become more and more significant over time.” The organization needs to be led by a leader with passion, conviction, tenacity and an ability to foster relationships to ensure access to the funds and resources that are necessary to move the needle on their respective issue areas. Dr. Leena Augimeri, co-founder of SNAP and Director at the Child Development Institute, shared her description of leadership as a social entrepreneur: “I’ll be blunt-it takes grit, heart, and perseverance but I don’t think it’s magical. I think it fundamentally starts with your why. You’re always going to have to take some steps back-it’s never a straight path-but that’s why it’s important to stay positive and stay passionate.” But good intentions are not enough. These leaders stand out by developing effective solutions for real issues faced by communities. However, they don’t all look the same. So it is important to look beyond dominant leadership characteristics.

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<sup>5</sup> Kiva.org: <https://www.kiva.org/about>

**2. Investment in top talent:** Most talented social entrepreneurs don't expect to make what they would in the private sector, but high-potential social ventures still find ways to make the trade-off less painful by investing in their people, for instance through investing in their teams education and growth. Beyond compensation, perseverance in sourcing talent is essential. Aimee Eubanks Davis, Founder and CEO of Braven, is a self-proclaimed "talent nerd" and believes that people often underestimate the importance of having an extraordinary team: "I just believe that there's no way that anything becomes great—in the social sector or the for profit sector—without extraordinary human capital. If I think someone could be a great head at Braven, I will do all I can to create a value proposition for that person."

**3. A sustainable and scalable model:** All the panelists underlined the importance of a business model that was both sustainable and scalable. That is to say, high-performing social ventures show or actively work towards stable funding/revenue streams, incorporate scalability into their operations and program structure from day one, and nurture an appetite for growth with the intent of moving the dial on their respective issue areas.

**4. Measurement and private sector discipline:** On the one hand, this means a rigorous approach to impact measurement both to showcase results and to continuously improve program design as the venture is scaling. On the other hand, this means using governance and oversight mechanisms that proved successful in the private sector, such as having an actively engaged board. Jim Bildner, CEO of the Draper Richards Kaplan Foundation, noted that "a board is the one who has the ability, the authority, and the need to hold the organization accountable for the mission. The boards of these organizations are the fiduciaries; the investors and beneficiaries are the public good."

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"We have examples in Canada that are blossoming, but we need to get those examples out there. By showcasing these examples, we can inspire and inform others."

- Nan DasGupta, Senior Partner and Managing Director at BCG

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Jim Bildner (CEO, DRK Foundation), Aimée Eubanks Davis (Founder and CEO, Braven), Jill Miller (Portfolio Director, LEAP | Pecaut Centre for Social Impact), and Dr. Leena Augimeri (SNAP Co-Founder, Scientific and Program) during the Reverse-Engineering Successful Unicorns panel at the 2019 Impact Gathering.

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POTENTIAL ACTIONS:

## Fostering more social ventures with unicorn potential

**Showcase existing Canadian unicorns.** All sectors can contribute to highlight the impact that successful social ventures have in Canada. Showcasing successful examples will help to motivate young leaders. In the words of Nan DasGupta, Senior Partner and Managing Director at BCG: “We have examples in Canada that are blooming. By better showcasing these examples, we can inspire and inform others.” However, this doesn’t mean hiding the failures. Jim Bildner pointed out that proving the counterfactual is just as good as proving what works: “Allowing other organizations to learn from what certain organizations have tried and failed provides free learning to the sector.”

**Provide potential unicorns with the resources they need to grow.** The second action we can take to foster more social ventures with unicorn potential is to enable them to grow through access to the right resources:

- Funding in the social sector is highly fragmented. Fragmented resources prohibit reaching critical mass that high-potential social ventures require to scale. Instead, if investors used the characteristics of potential unicorns identified above as a starting point, they would be able to place more educated and meaningful bets on the highest potential interventions. While not all investments will turn into breakthrough social ventures, this approach would increase the likelihood of seeing more unicorns in the social sector.
- While government is the largest funder to the social sector, given their insufficient and often restricted support, we need to facilitate the matching process between corporations/investors who can provide capital and resources and social enterprises that need support.
- We over index on supporting “what’s new” in a short-term ad hoc manner. We need more long-term, patient partners and investors that provide the stability and flexibility to unlock experimentation and disruptive innovation to scale.
- We also need more corporations to leverage the under-utilized capacity of their skilled employees that can be put to better use to support social impact organizations. Organizations like LEAP support corporations to move away from one-off Days of Caring to providing more meaningful skills-based volunteering opportunities. Many groups provide resources to help make this happen in an effective and efficient manner.
- On average, talent in the nonprofit sector is still poorly compensated. We need additional incentives to attract the best talent to work on the most pressing issues with long-term benefits. While there has been progress on this topic, there is an opportunity for the government to consider further options of tax incentives for those engaged in social purpose work.



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