



Transforming Canada through Social Entrepreneurship

The WE Social Entrepreneurship Centre Opportunity

Prepared by Boston Consulting Group, in collaboration with WE

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TRANSFORMING CANADA THROUGH SOCIAL ENTREPRENEURSHIP: THE WE SOCIAL ENTREPRENEURSHIP CENTRE OPPORTUNITY EXECUTIVE SUMMARY

Social enterprises (SE) represent a powerful nexus between philanthropy and business that can help drive positive change in society in a sustainable way. Through innovative business models, investment and leadership, successful social enterprises are able to achieve both societal impact and financial profits. They help tackle societal issues in a self-sufficient and scalable way, while also providing valuable employment and financial returns. Creating a cadre of new social enterprises could have a transformational impact on Canada's economy and society.

However Canada's SE sector currently lacks the understanding, excitement, financing, mentors and visible success stories required for the sector to thrive. While there are major ongoing governmental efforts to enhance the environment for SEs, social entrepreneurship is not yet well understood and supported and the pipeline of SEs is underdeveloped. Most SEs in Canada are small and rely heavily on grants¹.

WE Charity is in a unique position to help address these barriers and accelerate Canada's SE sector. WE holds the recognition and trust of Canada's youth, deep partnerships with corporations, schools, colleges and universities and a track record of delivering social impact as an SE itself. Working together with WE, we have identified two strategic initiatives to help grow the SE sector in Canada: building broad awareness of the SE sector among youth and helping build and grow industry-leading SEs.

Build awareness and excitement among youth: The Movement

WE can drive a youth movement by educating and inspiring the next generation of social entrepreneurs in Canada. Programs could be launched in three streams:

- **High school programs** including social entrepreneurship curriculum, national contests, and conferences
- **Post-secondary and youth under 25 initiatives** including a mentorship network, idea generating events, and access to business services and experts
- **General youth awareness platforms** including instructional videos and network building events.

WE should seek to offer these programs as extensions of its existing programs already active in 7000 Canadian schools, universities and colleges, and in partnership with other organizations already offering business education and social entrepreneurship support.

Build high impact industry-leading SEs: ScaleUp or Venture Builder

Developing success stories will show the potential of social enterprise and provide learning to support new enterprises. WE should consider two models to build new SEs:

- **ScaleUp:** An accelerator that provides funding and hands-on support to scale existing social enterprises
- **Venture Builder:** A partnership with corporations and charities to jointly develop and launch social enterprises.

¹ 2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN

Both models will have impact, but an implementation plan for ScaleUp has been detailed:

ScaleUp's program would have five stages: Prove, Grow, Scale, Expand and Lead. SEs would be promoted from one stage to the next if they achieve predetermined milestones of social impact, financial impact, leadership and team development and product maturity. Support at each stage would include business support services, impact services, training and development, access to WE's work space, sales channels and network, as well as access to capital.

ScaleUp would select high potential SEs on a rolling basis focusing on verticals/segments where WE is uniquely positioned such as youth-oriented solutions, consumer goods and educational products. It would also focus on youth entrepreneurs and ensure equal access for priority populations such as Indigenous and new Canadians. To ensure success, ScaleUp will need to raise capital, build a support network and build a leadership team with a venture mindset and experience. It will need to be nimble, provide mentorship and expertise and create a physical space to support entrepreneurs.

Potential impact of the Movement and ScaleUp

The youth movement has the potential to excite and inspire over two million youth via WE's existing network to grow to support social enterprises as entrepreneurs, employees, consumers or investors. Together the Movement and the ScaleUp programs have the potential to create 5000 new SEs over the next 15 years, adding 15,000 new jobs² and employing approximately 5 percent of the hard to hire segment of Canadian youth³. Overall this program has the potential to generate \$700 million to \$1 billion of societal impact⁴.

* * *

We are excited by the prospective impact of these initiatives. Social enterprises are an important tool to drive sustainable social change in Canada. And we are very grateful to the dozens of organizations and individuals who share our passion for social entrepreneurship and have supported our team in developing these recommendations⁵. The barriers facing social entrepreneurs are significant but we believe that WE is well-positioned to make a material impact on the sector and on the economy of our country. We look forward to seeing WE refine, build and launch these ideas over the months and years to come.

² BCG Analysis; 2018, 10 Things you didn't know about Canadian SMEs, BDC

³ ~25% of new SEs are focused on employment.

2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN

2016, Aboriginal peoples in Canada: 2016 Census, Statistics Canada

2018, Labour force characteristics by sex and detailed age group, Statistics Canada

2018, Labour force survey, Statistics Canada

2018, Annual report on immigration, Government of Canada

2012, Labour force status for adults with disabilities, Statistics Canada

⁴ Assumes SEs have ~C\$150K in revenue and that 90% of this is the cost base. Apply charitable multiplier range of 1.7 to 2.8. Assume 3,000 of the 5,000 SEs created survive longer term.

2010, Economic Impacts of 2010 Foundation Grantmaking on the U.S. Economy, The Philanthropy Collaborative

2014, Civil society impact, Victoria Foundation

2016, Financial performance by industry, Government of Canada

⁵Please refer to acknowledgments at the end of full report

Preface

As part of its efforts to support the development of social entrepreneurship in Canada via a Social Entrepreneurship Centre (WE SEC), WE invited Boston Consulting Group (BCG) to provide its perspectives on the following topics:

- Gaps in awareness of social entrepreneurship and support and resources for those looking to enter the sector
- Models to address those gaps
- Assessment of those models against certain criteria, including the ability of WE to leverage its assets and competencies to implement them
- Tactical next steps and success requirements for the short-listed models
- Assessment of the potential impact of successful implementation of the short-listed models

The ultimate goal of the work was to support the reflection of the WE leadership team and advisors through a curated and fact-based process. BCG based its views on the facts determined by a joint BCG and WE team. The team drew on external and internal experts, researched best practices, and conducted over 60 in-depth interviews with social entrepreneurs, accelerators and incubators (social and general), Canadian universities, and firms at different stages of the social enterprise life cycle. During the 10-week effort, the team met regularly with WE's advisors to get their feedback and to aid their reflection.

This report summarizes these findings and recommendations.

Social Enterprises Address a Critical Gap in Society

Tackling societal challenges was historically the domain of the public sector, nongovernmental organisations (NGOs) and charities. But a growing number of corporations have begun tackling societal challenges, driven by mounting pressure from stakeholders, including investors, governments, employees, and customers. This focus has intensified as companies realize that societal return need not come at the expense

of financial returns—the two are in fact co-related. As a result, more and more companies are now pursuing social impact as a core part of their business.⁶ Social enterprises (SEs) go even further. While they are profit-focused and have a self-sustaining revenue model, their social mission is central to their purpose and to their decision-making, from procurement to operations, and from hiring to designing and delivering products and services.

Charitable organizations will always play an important role in tackling societal issues, particularly those deeply rooted in local communities. Yet social enterprises, with their revenue-generating financial models, can address some societal issues in a more self-sufficient and scalable way. They can diversify and grow their revenue streams quickly. As a result, they can raise the funding for infrastructure to operate, create benefits through economies of scale, and foster innovation by operating in competitive markets for purchased goods.

Social Enterprise Archetypes

For this review, we define a social enterprise as a revenue-generating company that has a business model built around a social mission and can sustain itself without donations.

This definition embraces a range of enterprise types with different goals and requirements. SEs can most often be categorized by primary motive, growth ambition, and life stage.

Primary Motive. All social enterprises have a dual focus on profit and cause, but the primary motive for each varies. Social enterprises with a primary objective skewed toward profit aim to maximize profit while applying socially and environmentally conscious practices. They still care about driving social impact, but operate first as a traditional business that defines success in financial terms. Social enterprises with a primary objective skewed toward cause see the revenue stream as a means to succeed

⁶ *Total Societal Impact: A New Lens for Strategy*, BCG Report, October 2017 (<https://www.bcg.com/en-ca/publications/2017/total-societal-impact-new-lens-strategy.aspx>)

in achieving a social goal. While profit is essential to their operations, they focus mainly on supporting their cause, and apply a decision framework maximizing impact over profit.

Growth Ambition. Social enterprises vary in their aspirations. Some social enterprises aim to grow nationally or globally, while others want to stay focused on the local community. This ambition determines an SE's approach to operations and shapes many strategic, financing, and daily decisions.

It is possible to map social enterprises using primary motive and ambition. (See Exhibit 1.) Across these two dimensions, four archetypes emerge:

- **Better business enterprises** (Archetype 1) have ambitions to grow globally. They operate as traditional for-profit companies that incorporate social and environmental good throughout their businesses. This may include give-back programs, socially conscious practices in their operations, and products or services with a positive impact. US outdoor clothing company Patagonia, for example, is a certified B Corp⁷, commits 1 percent of its US\$500 million⁸ in revenue to environmental groups and uses sustainable fabrics.
- **Purpose-first enterprises** (Archetype 2) aim for growth but are primarily cause driven. They sell products with a positive impact and are often associated with a charity or social cause. They aim to grow large, but their purpose is primarily directed to their cause.

ReStores, for example, a retailer with \$30 million annual revenue, is affiliated with global housing organization Habitat for Humanity. The company's outlets sell new and used building and household materials donated by small

⁷ Certified B Corps are businesses that meet the highest standards of verified social and environmental indicators including socially conscious procurement and sourcing, equal pay, community focus, transparency, and legal accountability to balance profit and purpose.

2019, Certified B Corporation, B Lab (<https://bcorporation.net/about-b-corps>)

⁸ 2014, How Patagonia went from turmoil to wildly successful by making counter intuitive moves, Financial Post

(<https://business.financialpost.com/entrepreneur/how-patagonia-went-from-turmoil-to-wildly-successful-by-making-counter-intuitive-moves>)

businesses, large companies, job sites, and individuals. Proceeds from ReStores help local affiliates fund the construction of Habitat houses in the community.⁹

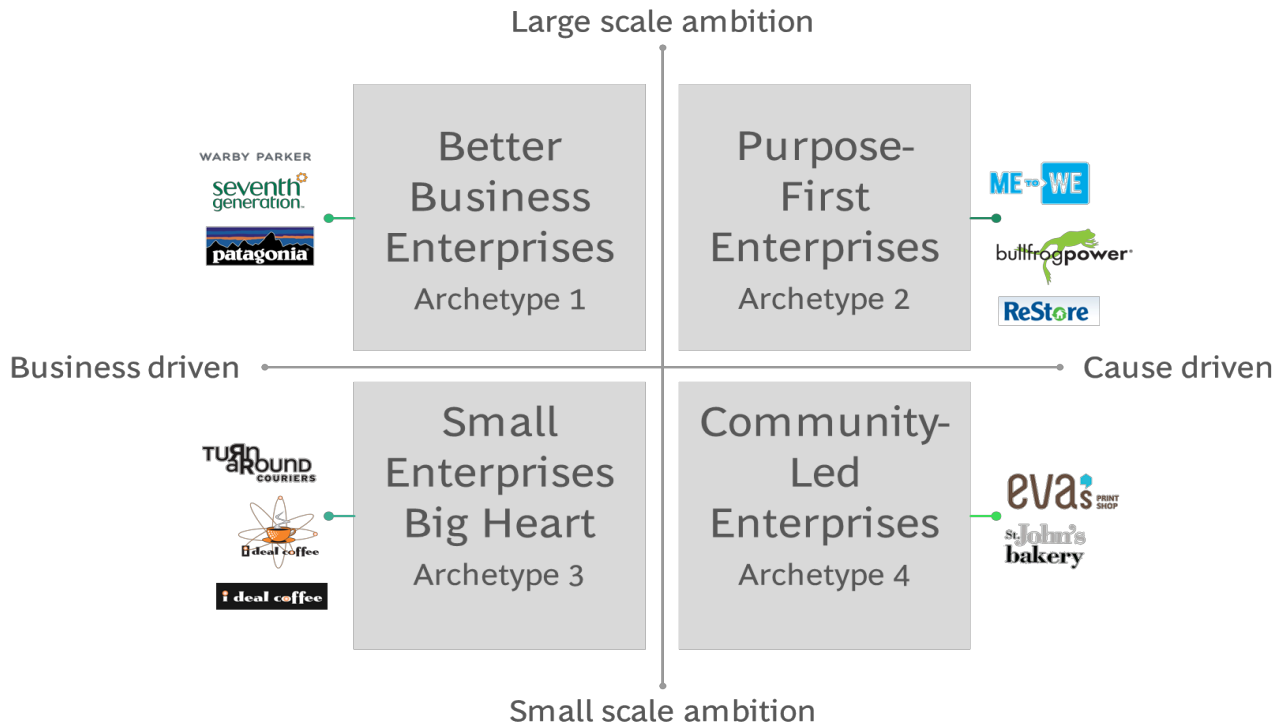
- **Small enterprise, big heart** (Archetype 3) companies are local businesses that operate as traditional for-profits but with socially conscious practices. For example, I deal coffee in Canada is a small neighborhood business that sells fair trade coffee to support small farmers and farmer-run co-ops.¹⁰
- **Community-led enterprises** (Archetype 4) are operated with a focus on the community. Often they generate local jobs and do not plan to grow beyond their community. Toronto's St. John's Bakery is community led and employs, trains, mentors, and supports refugees, single parents, addicts, and other socially marginalized people. The business uses certified organic and all-natural ingredients from local suppliers.¹¹

⁹ 2017, Annual report, Habitat for Humanity Canada (<https://www.habitat.ca/photos/custom/PDF/2017%20Annual%20Report.pdf>)

¹⁰ 2019, About Us, Ideal Coffee (<https://idealcoffee.ca/about-us/>)

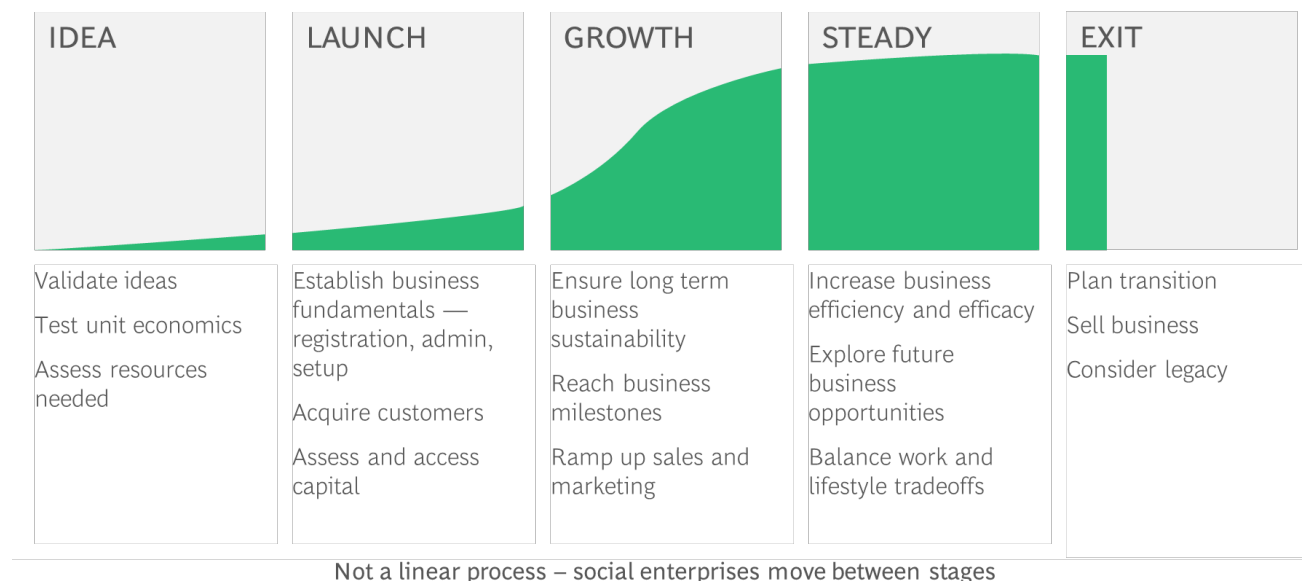
¹¹ 2019, About Us, St John's Bakery (<http://stjohnsbakery.com/about-st-johns-bakery/>)

Exhibit 1: Social Enterprise Archetypes



The third dimension of a social enterprise is life stage. As shown in Exhibit 2, a social enterprise goes through five stages with different goals and requirements. This maturation process is not always linear—SEs often move back and forth between stages.

Exhibit 2: The Five Stages of a Social Enterprise



Guiding Principles

To create and evaluate the several models considered for WE SEC, the team relied on the following guiding principles:

- Address challenges identified in the sector
- Leverage the unique assets and core competencies of WE and its network
- Advance the values and expand the impact of the social enterprise sector in Canada
- Ensure that the benefits of social enterprise reach population groups lacking adequate resources and cover all regions of Canada
- Build on existing resources in the social enterprise sector
- Be self-sustaining in the long term

Below is a snapshot of the facts gathered on the first two principles.

The Challenges to Increasing the Impact of Canada's SE Sector

A main component we used when evaluating each model was whether it addressed the sector's challenges. We believe that to boost the nationwide impact of the social enterprise sector in Canada it is necessary to target what is lacking in three areas: understanding and excitement, financing and mentoring, and visible success stories.

Understanding and excitement of SE careers is nascent

In Canada, there is an opportunity to build momentum and increase public awareness about SEs. Although governmental efforts are underway to create an environment for social enterprises to grow and thrive¹² (such as creating a steering committee to guide Social Innovation and Social Finance Strategy for Canada)¹³, there is still much more that can be done to build enthusiasm and excitement around social entrepreneurship. Social entrepreneurship is not currently part of the high school curriculum, and universities are only beginning to offer courses on the subject.

In addition, youth leadership development programs, such as Junior Achievement, remain focused primarily on traditional business models. In post-secondary schools, as well, business programs and competitions remain largely geared towards the for-profit sector. Social entrepreneurship is not regularly introduced as a viable career path for students.

As a result, the pipeline of social enterprises is not very strong. And despite a shift in consumer preferences, broad based, pro-active support is lacking for the products and services of SEs, a reality confirmed in interviews with industry stakeholders.

¹² 2018, Government of Canada announces fund that will have a real impact for the middle class, Government of Canada (<https://www.canada.ca/en/employment-social-development/news/2018/11/government-of-canada-announces-fund-that-will-have-a-real-impact-for-the-middle-class.html>)

¹³ 2019, It's time for a social innovation and social finance strategy for Canada, sisfs (<https://sisfs.ca/>)

Financing and mentoring is needed to encourage entrepreneurs.

The young social enterprises we interviewed said capital and mentorship are their two most critical needs. Getting access to either in Canada is challenging. The MaRS Centre for Impact Investing estimates that new social enterprises (those no more than two years old) face a capital gap of more than \$150,000 per enterprise¹⁴ and funding pools are limited. Meanwhile (and without opining on the sufficiency of capital available to traditional startups), traditional venture capital investments reached a record C\$3.2 billion in 2016, more than double C\$1.5 billion in 2011, according to a 2017 report by BDC Capital¹⁵. While the path for financing traditional ventures is well trodden, social enterprises do not have the same infrastructure in place to find financing.

On mentorship, a survey by the Ontario government found that 56 percent of for-profit SEs and 65 percent of nonprofit SEs said workshops and in-person training would be helpful.¹⁶ But in-person training and mentorship for SEs is limited. Creating programming, mobilizing motivated mentors (both subject matter experts and successful social entrepreneurs), and providing a venue for social entrepreneurs to come together could address this gap.

Visible industry-leading SEs are necessary

The government of Ontario reports 10,000 organizations in the region identify as social enterprises.¹⁷ Most are small and rely heavily on grants. In 2015, a survey in Ontario found that the total revenue of 369 social enterprises in Ontario was C\$490 million, but when C\$66 million of grant revenue was excluded, they did not break even.¹⁸ By

¹⁴ 2017, Do Ontario's For-Profit Social Enterprises Face a Capital Gap, MaRS Centre for Impact Investing (https://impactinvesting.marsdd.com/wp-content/uploads/2017/10/MaRS_Ontario_Social_Enterprise_Report_2017.pdf)

¹⁵ 2017, Canada's Venture Capital Landscape: Challenges and Opportunities, BDC (https://www.bdc.ca/EN/Documents/analysis_research/venture-capital-landscape-paper-en.pdf)

¹⁶ 2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN (<https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/2015-se-survey-ontario-report-enterprising-change.pdf>)

¹⁷ 2015, Ontario's Social Enterprise Strategy 2016-2021, Government of Ontario (<https://www.ontario.ca/page/ontarios-social-enterprise-strategy-2016-2021>)

¹⁸ 2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN (<https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/2015-se-survey-ontario-report-enterprising-change.pdf>)

contrast, the US has been home to several large and highly successful social enterprises, many founded in just the last decade, including Warby Parker, Patagonia, and Seventh Generation.

The shortage of large, successful SEs leaves young social enterprises with few mentors or examples to help guide their thinking on the double bottom line (balancing the social and financial objectives) and how to optimize for impact. Moreover, investment-ready ideas in the market are few. A 2018 MaRS report notes that while 90 percent of surveyed Canadian high net worth individuals are interested in impact investing, viable products and investment options are lacking, liquidity is low, and there is little evidence of the financial performance of SEs¹⁹.

WE Is in a Unique Starting Position

Another guiding principle for selecting models is WE's ability to leverage its assets and competencies. Over its 23 years, WE Charity has built up a set of assets to help address the challenges in the SE sector. It has a track record of delivering social impact with initiatives such as WE Schools and WE Day involving over two million young Canadians. Over a decade, ME to WE social enterprise has provided employment to 2,000 people globally each year, generating over C\$20 million in cumulative profits to support for WE Charity.

WE Charity and ME to WE's assets include:

- An in-house team that successfully launched a social enterprise, including global service (travel and tourism), fair-trade chocolate and coffee (consumer packaged goods), artisan jewelry (fashion), track your impact licensing (technology)
- Access to over 7,000 schools, colleges, and universities in Canada
- More than 650 Canadian staff in offices in Montreal, Toronto, and Vancouver, with bilingual operations

¹⁹ 2018, Market momentum: Impact investing & high net worth Canadians, MaRS Centre for Impact Investing (<https://impactinvesting.marsdd.com/resource/hnwi-report/>)

- Expertise in designing and delivering curricula
- Corporate partnerships for social good
- Strong relationships with the media and government
- Experience hosting large-scale, national events to celebrate social good with 170,000 people annually attending WE Day, and 5.4 million watching via broadcast

WE's business skills and well-developed toolkit for delivering impact, along with a robust platform from which to disseminate its message, make it uniquely positioned to provide support to the social enterprise sector.

The way forward for WE SEC

Taking into account WE's unique assets, the challenges of Canada's social enterprise sector, and the other criteria and guiding principles, we believe WE SEC should focus on two strategic initiatives:

1. Building broad awareness of the social enterprise sector among youth
2. Helping build large, industry-leading social enterprises

After identifying and evaluating a range of ideas and models, three were shortlisted: Broad Movement, ScaleUp, and Venture Builder.

1. Broad Movement: Build broad awareness and excitement of SE among youth ; build a pipeline of SEs

We envision the first division of WE SEC starting a youth movement, by investing heavily in educating, engaging, and inspiring the next generation of young social entrepreneurs in Canada, primarily targeting youth under 25. Under this model, WE SEC would focus on building a youth movement, investing heavily in educating, engaging, and inspiring the next generation of young social entrepreneurs, primarily targeting those under 25. Focusing on the younger generation should be the first step, as its members are more receptive to new ideas and concepts, have a long runway of potential impact, and are often easier to access. In addition Canada today has a high

youth unemployment rate of 11%²⁰. WE's strong reach and experience with youth make them the ideal agency to drive this change.

Generating broad awareness and excitement about the role of social enterprises is essential to creating an environment conducive to launching and growing a social enterprise. A core outcome of these programs would be building the skills of young Canadians, including on financial literacy, interpersonal skills, business acumen, and a deeper understanding of social issues. It would also help inspire these young people to launch, join, or support SEs, which can boost their employment and entrepreneurship. This view is consistent with the Social Innovation and Social Finance Strategy committee's recommendation to coordinate a national social innovation and social finance awareness campaign²¹.

To succeed, WE SEC will need programming that is bold in scope, relevant to youth, and diverse in application. We believe WE SEC should leverage its existing platform of WE Schools and WE Day (a forum to inspire and motivate young people to take action and to celebrate their contributions), which reaches 7,000 Canadian schools, colleges, and universities, to focus on four delivery mechanisms, with programs under each to be rolled out gradually:

High school curricula and extracurricular activities

- **Boost:** The goal of the program would be to increase students' exposure to social entrepreneurship and provide avenues to practice what they have learned. WE SEC would take advantage of WE's broad reach with youth and its large high school footprint to scale in-progress pilots and carry out new initiatives. The program would focus on enabling social entrepreneurship in high schools by designing and disseminating a social entrepreneurship curriculum,

²⁰ 2018, Labour Force Survey, Statistics Canada (<https://www150.statcan.gc.ca/n1/daily-quotidien/180907/t001a-eng.htm>)

²¹ 2018, Steering group recommendations for a social innovation and social finance strategy for Canada released today, News Wire (<https://www.newswire.ca/news-releases/steering-group-recommendations-for-a-social-innovation-and-social-finance-strategy-for-canada-released-today-692191881.html>)

creating extracurricular activities such as National Contests for Social Enterprise, and scaling up Youth Social Enterprise conferences.

This strategy leverages WE's competencies and scales current efforts. In 2017, WE launched WE Are Social Entrepreneurship, which is made up of three main elements. First, WE designed and delivered a pilot version of a social entrepreneurship curriculum. Second, the organization conducted a series of youth leadership conferences about social entrepreneurship across the country. Third, through a Business Case Challenge, students compete to win a space in WE's pilot Social Enterprise Incubation Program, where they receive one-on-one mentorship and skills coaching to launch their own micro social enterprise²².

Programs for post-secondary school and those out of school, age 25 and under

- **MentorMe:** To increase awareness in social entrepreneurship and give guidance to young people, WE SEC would create an extensive mentorship network, with sector leaders as mentors. WE SEC would pair aspiring and beginning social entrepreneurs with established entrepreneurs to foster personal and professional development through in-person and virtual sessions.
- **Hack-a-cause:** Events to engage young people, charities, and business leaders in problem solving. WE SEC would team up with sector, corporate, and government leaders to provide a platform for youth to help a charity find entrepreneurial solutions to societal issues.
- **Clinic Fridays:** Give social entrepreneurs access to advice, free of charge, from accountants, lawyers, and technology and design experts, in person and via video.

²² 2019, WE Are social entrepreneurs program, WE Charity (<https://www.we.org/wase/>)

General public resources for ages 25 and under

- **The Reel:** WE SEC would create a series of short, engaging educational videos, delivered by an engaging personality. The Reel videos would introduce social entrepreneurship concepts and foundational knowledge in a format that matches the way young people consume media and information. To showcase SE impact and career paths, these short videos would tell the stories of passionate social entrepreneurs. The videos could be shown at We Day and folded into other WE programming.
- **Meet-ups:** Regular face-to-face and virtual gatherings to build a community of social entrepreneurs. WE SEC would facilitate and set meeting agendas, bring in speakers, and provide a forum for networking and community building.

Partnerships

- Across all programs, an opportunity exists to collaborate with existing WE programs and other organizations in youth business education to offer social entrepreneurship support, including Junior Achievement, Enactus, Futurpreneur, Next Canada.

Broad Movement: Next Steps

- We recognize that successfully building awareness and engagement among youth will require WE SEC to continue to iteratively test and pivot its programming. In the first phase, we recommend WE SEC launch Boost, MentorMe, and The Reel. WE SEC should survey youth involved in programming and educators to incorporate feedback into its future curriculum, video content, conferences, and contests. Each initiative should be piloted and then ramped-up to full implementation after assessing whether it reaches the intended audience and meets community needs.

2. Build high impact, industry-leading SEs in Canada

We foresee a second WE SEC division to help establish 10 to 15 “lighthouses” that will guide the way for social entrepreneurs. These social enterprises should become household names, as have ME to WE, Manitobah Mukluks, and ReStore. Their size, reach, and sustainability should show the potential of social enterprises to create impact, generate investment in social enterprises, and move the social enterprise sector forward.

Success stories of large SEs are needed to prove the social enterprise model works. These large social enterprises will be investment-ready and able to capitalize on the rapid growth in impact investing, now worth US\$228 billion globally,²³ double the total from a year before, according to the Global Impact Investing Network. A successful social enterprise will provide Canadian options for investment and offer guidance on creating the structures and support necessary to help new enterprises.

We identified two models capable of building large SEs, each of which was evaluated against the criteria and principles outlined above.

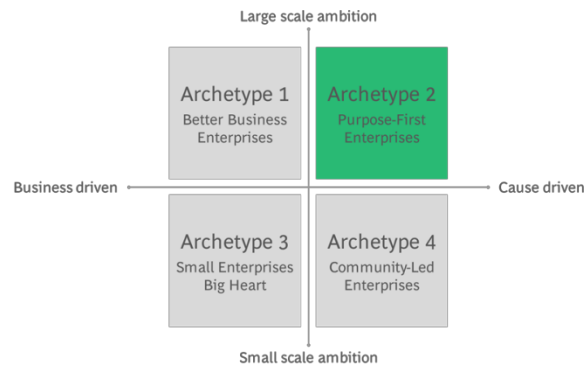
ScaleUp: An accelerator model that offers high-touch, long-term support to scale up existing social enterprises with sufficient revenue, primarily targeting Archetype 2 (Purpose First Enterprises). Program is tailored and selective, taking in a few enterprises each year and providing in-depth, hands on support and funding. (See Exhibits 3 and 4.)

Venture Builder: Helps corporations and charities leverage their existing assets to create social enterprises in Archetypes 1 (Better Business Enterprises) and 2 (Purpose First Enterprises). The program provides support from idea generation through to the launch and growth stages. (See Exhibits 3 and 4.)

²³ 2018, Canada’s biggest opportunities in impact investing, BMeaningful (<http://www.bmeaningful.com/blog/2018/09/canadas-biggest-opportunities-in-impact-investing/>)

Exhibit 3: SE archetypes and stages

Scale Up



Venture Builder

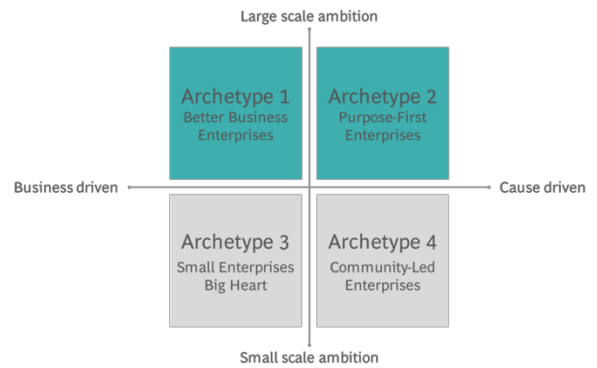
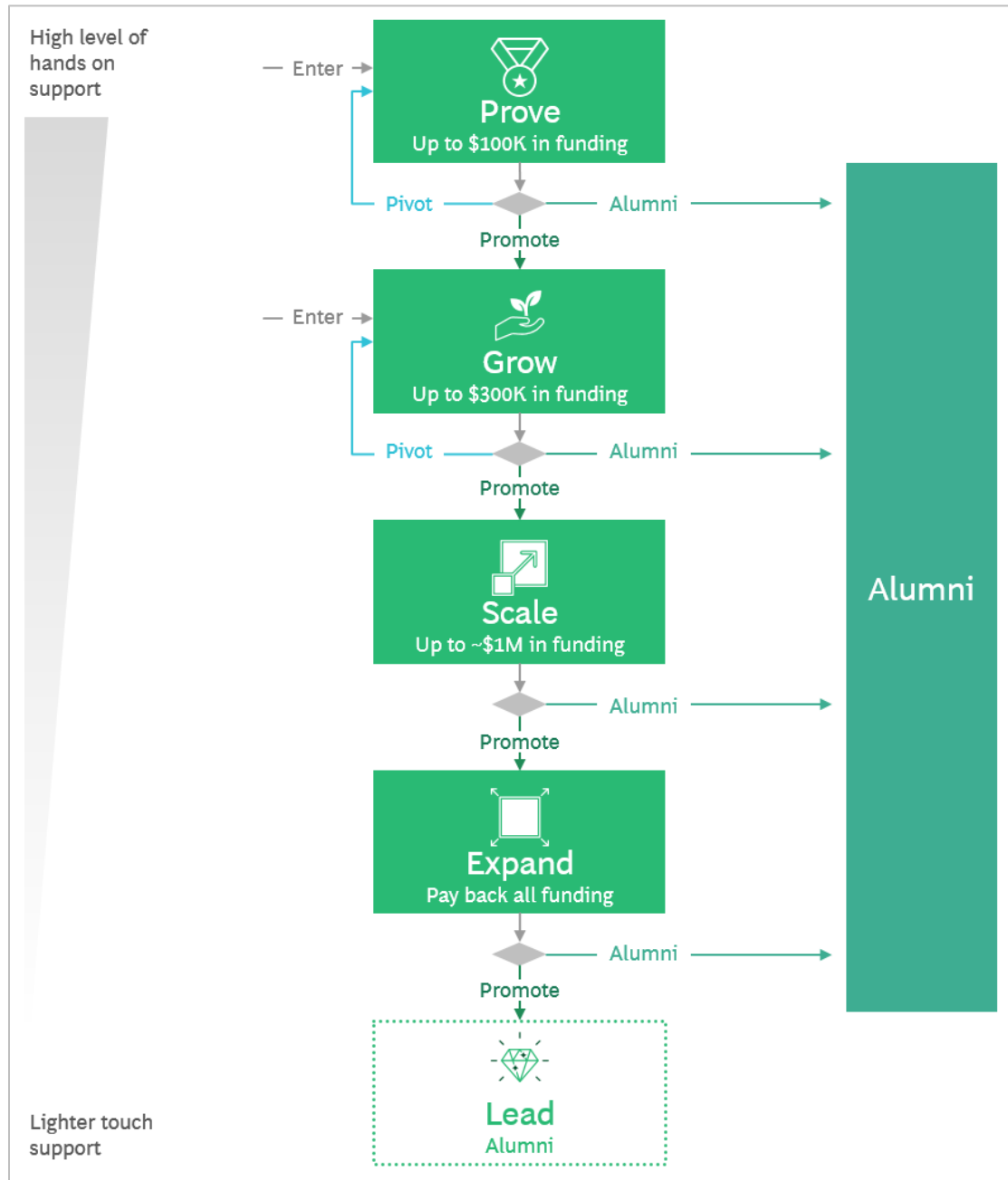


Exhibit 4: Model concept evaluations

	Scale Up	Venture Builder
Creates social good	<p>★★★★★</p> <ul style="list-style-type: none"> Greater focus on impact, since model targets Archetype 2 (Purpose First Enterprise) 	<p>★★★★★</p> <ul style="list-style-type: none"> Makes corporate executives think about impact and generates excitement for SEs Corporate support changes narrative around SEs, which are traditionally seen as 'weaker investments'
Strategic fit for WE	<p>★★★</p> <ul style="list-style-type: none"> High synergy potential with the movement component of WE SEC Leverages ME to WE's experience as an Archetype 2 SE 	<p>★★★</p> <ul style="list-style-type: none"> Leverages WE's experience creating SEs to support charity Leverages WE's partnerships with corporations and charities With limited capabilities to date, WE would need to partner to build capacity for large-scale support
Targets unmet need	<p>★★★★★</p> <ul style="list-style-type: none"> Provides much needed customized support, which is limited in the market 	<p>★★★</p> <ul style="list-style-type: none"> Creates channel for purpose-first enterprise creation, supported and aligned with corporate assets Demand on corporate side not yet assessed
Financially sustainable	<p>★★★</p> <ul style="list-style-type: none"> Taking existing social enterprises lowers the risk of failure and allows WE SEC to make smarter selections that diligence both the founder and the business Revenue sharing and Archetype 2 target, which has a lower risk-return profile, lowers total risk Providing capital to SEs will be expensive Archetype 2 likely to result in more modest financial returns on investment 	<p>★★★★★</p> <ul style="list-style-type: none"> Leveraging existing corporate and charity assets should provide the best chance of success Corporations will fund this component of WE SEC Significant WE SEC involvement to ensure viable ideas put forward
Other considerations	<ul style="list-style-type: none"> Risk that there are not enough existing SEs to join Year 1 of program The low number of investments slows the build-up of institutional experience 	<ul style="list-style-type: none"> Complex to structure financials and ownership between SE, WE SEC, corporation / charity

For this report, we detailed ScaleUp. ScaleUp would have five stages: Prove, Grow, Scale, Expand, and Lead. (See Exhibit 5.) Social enterprises would enter at the Prove or Grow stages and be promoted from one stage to the next if they hit predetermined milestones. During selection, an investment thesis would be created, and each social enterprise would receive a tailored set of milestones, indicative timeline, and growth target with four dimensions: social impact, financial impact, leadership and team development, and product maturity. At each milestone, the social enterprise will either graduate to the next phase, pivot its go-to-market approach, or, if it is determined it has reached its full potential, become an alumnus of the centre.

Exhibit 5: ScaleUp overview



The resources offered to an SE at each stage would be based on its specific needs and support requirements. As a result, support in the first two stages would be much more hands-on: the ScaleUp team would help a social enterprise run the business. Support in later stages would be more focused on creating networks and opening doors.

Support at each stage would include:

- **Business support services**, such as product testing, setting up major initiatives, accounting, marketing, and hiring
- **Impact services** such as impact measurement, inclusion, and accessibility support
- **Training and development** for new founders and teams, such as hiring, leading growing teams, and executive involvement
- **WE SEC resources**, such as access to WE properties and co-working spaces and opportunities to leverage WE's direct sales channels
- **Opening doors and funding**, with more the C\$1 million available to SEs, which will be repaid via revenue share or equity, along with access to an extensive network of partners and investors

ScaleUp is designed for early stage enterprises with a proven concept and minimal revenue. The team would apply a search-fund approach, which involves looking for the best candidates in urban, rural, and remote areas. They would also source high potential social enterprises from programs in the Broad Movement, such as MentorMe. The ScaleUp team would conduct thorough due diligence to select high potential social enterprises on a rolling basis. To ensure success in early years, priority should be given to social enterprises in industries in which WE is uniquely positioned, such as youth-oriented solutions, nondurable consumer goods, educational products and services, and operations in countries where WE works. Given WE's emphasis on serving young people, ScaleUp would primarily serve entrepreneurs under 35 years old. To ensure equal access to the program for priority populations such as Indigenous, new Canadians, women-led enterprises etc., WE should market broadly to all applicant pools.

Ingredients for success

We believe several factors are essential for success:

1. Capital and Support Network. A recurrent theme from interviews with social enterprises and accelerators is the importance of financing and robust mentorship networks at early stages. The growth of social enterprises depends on available capital even more than regular startups, given the lack of access to traditional funding. To provide financing support and set precedent for investments in SEs, WE will need to raise a philanthropic fund that will become self-sustainable in the long term.

2. ScaleUp Leadership:

- **Venture Mindset.** Recruiting a good Venture Capital Partner is crucial for the fund's success. The Venture Capital Partner will evaluate opportunities, perform due diligence, create an investment thesis, track progress of the sourced ventures, and make difficult decisions independently. The Partner's expertise in recruiting, relationship building, giving guidance, and course correcting will increase the fund's ability to support ventures and generate industry-leading social enterprises. The Partner should report directly to a board of advisors for the fund.
- **Entrepreneurial Experience.** Leadership with entrepreneurial experience and a scrappy and resourceful attitude are needed to relate to, mentor, and support the social entrepreneurs.
- **Expertise in Scaling Startup Social Enterprises.** To deliver value to SEs, leadership should display:
 - Startup business skill sets in finance, sales, technology, product design, human resources, marketing, and distribution
 - Social impact expertise in impact theory, impact measurement, sourcing and third-party certification, and employing populations with special needs.

- 3. Iterative Thinking.** Nimbleness is key to build industry-leading social enterprises and broad awareness. Given that no one model works best to support the growth of social enterprises, WE SEC will have to learn fast and iterate on next cohorts. The focus on scaling a few enterprises amplifies the need to be rigorous in selection but flexible with term sheets. Initial decision points for support and financing will be customized to the needs of the ventures selected for optimal development.
- 4. Support for Navigating the System.** Providing mentorship support and targeted expertise (such as social impact knowledge) and instilling confidence is vital for the success of the enterprises going through the program.
- 5. Physical Space.** Research shows that entrepreneurs benefit from space for in-person mentorship, exchange of ideas, meetings with investors, and work. Many early-stage entrepreneurs lack access to appropriate space early on. Creating collaborative spaces for enterprises to work both as independent teams and together with other enterprises at similar phases and stages can help further accelerate their growth.

WE Assets for ScaleUp

WE has several assets to help it achieve ScaleUp.

ME to WE, which has experience in launching social enterprises across various categories (consumer package goods, fashion, travel, technology), which employ more than 2,000 people globally and provide a stable revenue source for WE Charity. It has built up know-how in startup business skills, including finance, sales, technology, product design, human resources, marketing, and distribution. It has also built up expertise in social impact, including impact theory, impact measurement, sourcing and third-party certification, and employing populations with unique needs.

Its partnership network provides access to other critical skill sets, especially in sourcing, and evaluating and executing investments in venture capital stage opportunities. WE expects its network of corporate, academic, and nonprofit partners will be willing to help

in this venture. These partners include BCG, KPMG Impact Ventures, RBC Ventures, TPG's Rise Fund, UN Global Impact, TELUS, Microsoft, Ryerson University, B-Lab, Manitobah Mukluks, Globe & Mail, Bell Media, Mission Measurement, Rick Hansen Foundation Accessibility, University of British Columbia, Eagle Canada Human Rights Trust, Foxy, SMASH, Swob™, Enactus Canada, among many others.

WE has experience leveraging partnerships and in-kind support with technology companies (Microsoft, TELUS, SMART Technologies, Cisco etc.). We understand that these technology partners have committed resources to outfit a digital education and hosting centre for social enterprises, which would include flexible workstations, design labs and a maker's studio. The digital classrooms in the centre could support the Broad Movement by providing educational programming directly in schools, colleges, universities, and home computers, so mentors can connect with entrepreneurs across the country, including in remote regions.

Gauging the social impact of WE SEC

We are encouraged by the potential impact the successful implementation of these initiatives represent for Canada.

The Broad Movement alone has the potential to change the mindset of over two million younger people on social entrepreneurship (based on current WE reach).²⁴ This lays a foundation, so that the younger generation will launch, join, and broadly support SEs and their offerings.

The growing number of social enterprises provides several major benefits for Canada. Each SE offers the prospect of positive societal impact through its core operations, business practices, environmental impact, job creation, and the charitable donations of a portion of its revenue.²⁵

²⁴ 2018, WE Act Report, WE Charity

²⁵ *Total Societal Impact: A New Lens for Strategy*, BCG Report, October 2017 (<https://www.bcg.com/en-ca/publications/2017/total-societal-impact-new-lens-strategy.aspx>)

How to precisely measure the impact of an SE is a hard question, and one that many industry leaders, including BCG, are focused on.²⁶ This is even more challenging for a portfolio of future SEs of varying sizes, sectors, and business models. So for this report, BCG estimated the potential impact using Canadian market data and studies on the overall economic impact of philanthropy, with a focus on quantifying the outputs and outcomes.

Our analysis shows that WE SEC's successful launch and implementation of Broad Movement and ScaleUp has the potential of:

- Creating more than **5,000 incremental SEs over the next 15 years**, if WE SEC can gradually increase the penetration of SEs as a share of all new business starts by ~50% (from ~2% to ~3%).²⁷ This is in line with the type of growth seen in other movements dedicated to behavioural change.
- Adding **15,000+ new jobs**, assuming SEs employ an average of three full-time employees, similar to the median Canadian SME,²⁸ which is conservative compared with average SE sizes from reported data sources²⁹

²⁶ 2019, Calculating the Value of Impact Investing, Harvard Business Review (<https://hbr.org/2019/01/calculating-the-value-of-impact-investing>)

²⁷ As a point of comparison, ~9% of new businesses in the UK are social enterprises (2017, Social Enterprise: Market Trends 2017, Department for Business, Energy and Industrial Strategy & Department for Digital, Culture, Media and Sport)

²⁸ 2018, 10 Things you didn't know about Canadian SMEs, BDC (<https://www.bdc.ca/en/articles-tools/business-strategy-planning/manage-business/pages/10-things-didnt-know-canadian-sme.aspx>)

²⁹ 2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN (<https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/2015-se-survey-ontario-report-enterprising-change.pdf>)

- Leading to **employment of approximately 5% of the hard-to-hire segment** of Canadian youth (assuming 33% of new jobs go to First Nations Indigenous peoples, those with disabilities, or refugees and protected currently unemployed)³⁰
- Creating **C\$700 million to C\$1 billion-plus of societal impact**, if an accepted industry multiplier is applied to the estimated future cost base of the new SEs³¹

Conclusion

We believe investment in social enterprises is a very good tool for driving sustainable change in society. The gaps in the support and resources for social entrepreneurs identified in our project are significant. We believe the models recommended will leverage WE's assets and competencies, help build broader stakeholder support, and ultimately allow WE SEC to address these gaps. Implementation will require focus, but if executed well these models can generate material impact for Canada.

We are excited to see WE refining and building on these recommendations as its leadership continues to reflect on how to launch the centre in the next two years.

³⁰ ~25% of new SEs are focused on employment.

2015, Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario, CCEDN (<https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/2015-se-survey-ontario-report-enterprising-change.pdf>)

2016, Aboriginal peoples in Canada: 2016 Census, Statistics Canada (<https://www150.statcan.gc.ca/n1/daily-quotidien/171025/dq171025a-eng.htm>)

2018, Labour force characteristics by sex and detailed age group, Statistics Canada (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410001801&pickMembers%5B0%5D=1.1&pickMembers%5B1%5D=2.8>)

2018, Labour force survey, Statistics Canada (<https://www150.statcan.gc.ca/n1/daily-quotidien/190104/dq190104a-eng.htm>)

2018, Annual report on immigration, Government of Canada (<https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/annual-report-parliament-immigration-2018/report.html>)

2012, Labour force status for adults with disabilities, Statistics Canada (<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1310034801>)

³¹ Assumes SEs have ~C\$150K in revenue (similar to the average Canadian SME) and that 90% of this is the cost base. Apply charitable multiplier range of 1.7 to 2.8. Assume 3,000 of the 5,000 SEs created survive longer term.

2010, Economic Impacts of 2010 Foundation Grantmaking on the U.S. Economy, The Philanthropy Collaborative (<http://www.philanthropycollaborative.org/economicimpacts/economicreport.pdf>)

2014, Civil society impact, Victoria Foundation (<https://victoriafoundation.bc.ca/wp-content/uploads/2018/11/21204-Charity-Impact-Report-FINAL-Low-res2.pdf>)

2016, Financial performance by industry, Government of Canada (<https://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>)

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