SERIES 2

#TechFlattensTheCurve

Concept Note No. 2

Virtual Social Impact Accelerator Cooperative

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Synopsis

This virtual social impact accelerator cooperative remakes a process originally used only to accelerate for-profit tech ventures into a business development process that promotes the social and public sector use-case of tech IP in advancing UN SDGs 3, 6, 7, 9 and 11, especially in vulnerable regions.

Implementing Entity and Partners

A consortium of private, public, and social sector firms

Background

Low investment flow and poor investment readiness impede the participation of women-led startups, especially those advancing the 'science, technology, and innovation' (STI) framework for Sustainable Development Goal (SDG) implementation. If women are to contribute to a just transition to a low-carbon economy, we need to eliminate low investment flow and poor investment readiness as barriers.

Key Factors to Low Investment Flow

Only 2% of funded startups are women-led. Investment access and social equity are two interlocking issues that define the low investment flow problem among women-led early-stage impact enterprises. At least 83% of startups do not access bank loans or venture capital, approximately 65% rely on personal and family loans, and close to 10% use their personal credit cards.

Self-financing -- or bootstrapping -- serves as the principal financing approach for many startups; unfortunately, it is a viable option only for those already with the financial means, thereby contributing to a longer runway in building and providing real value to customers, limiting opportunities for traction. It also prevents founders from investing as much as they should in validating the product-market fit of a prototype and contributes to the emotional strain of building a startup.

As for the issue of social equity, gender and race intersect with placed-based matters to constrain investment flow to women-led enterprises. Capital markets tend to concentrate investment in certain places and communities (e.g., established financial centers in Boston, Chicago, Frankfurt, Hong Kong, London, New York, Paris, San Francisco, Shenzhen, Shanghai, Singapore, Tokyo, and Zurich), leading to ineffective discovery of the full spectrum of startups, especially those led by women.

Men dominate the startup ecosystem, often leading to experiences of bias, prejudice, and discrimination among women and cultural (e.g. LGBTQ) minorities that aggravate the stressors and emotional strain of building a business. Attesting to its scale and importance as a global issue, the UN Women and its Global Innovation Coalition for Change (GICC) are working to advance gender equality and create a set of innovation principles.

Key Factors to Poor Investment Readiness

Investment readiness is an issue for which best practices remain influx. It has three dimensions: equity aversion (i.e., founders equating equity investment to a 'loss of control' to investors); investability (i.e., founders not meeting investor requirements) and presentational failings (e.g., poorly considered and constructed business plan and pitch presentations); furthermore, three dominant reasons for poor investment readiness include weaknesses in the management team, flawed or incomplete marketing strategies, and flawed financial projections.

Recent research find that more than 90% of startups fail, and that approximately 49% of entrepreneurs report a mental health condition, and that poor mental health undermines founder performance, often contributing to substance abuse, team conflict, a toxic company culture, and poor decision-making, such that 65% of failed startups are due in part to the effects of poor mental health and less than 50% of startups make it past year five due to founder burnout. Some investors and founders take mental health seriously enough to support the Investors Pledge, while others include a line item in their P&L for wellness or self-care. There remains a need for a referral and case management program linking founders to mental health services for prevention and treatment.

Relevant UN Sustainable Development Goal(s)

1. SDG 3 (Good health and well-being)
2. SDG 6 (Clean water and sanitation)
3. SDG 7 (Affordable and clean energy)
4. SDG 9 (Industry, innovation, and infrastructure)
5. SDG 11 (Sustainable cities and communities)

Objective

To improve investment readiness and investment flow to ventures focused on the social and public sector use-case of tech IP in advancing UN SDGs 3, 6, 7, 9 and 11 at the local level, especially in vulnerable regions and populations.

Planned Accomplishments

1. By start of 2021, build a cooperative of approximately four (4) accelerators and incubators whose purpose is to aggregate resources and leverage TA capacity in maximizing the investment readiness of each cohort.

2. Every six months, starting January 2021, the accelerator will enroll a small cohort of tech ventures (N=8, maximum) resulting from the monthly VIDES to improve their investment readiness and investment flow using a collaborative model of accelerator service delivery and attracting impact investor interest.

3. By 2030, build an ecosystem of approximately 100 social and public sector use-cases for tech, especially for vulnerable regions, including SIDS and PICTs.

Key Performance Indicators

1.1 Organize approximately four existing accelerators and incubators into a co-operative.

1.2 Deliver virtual accelerator services through the cooperative.

2.1 Identify approximately five (5) ventures to enroll in a cohort every six months.

2.2 Enroll a cohort semi-annually.

3.1 Ensure in each venture the level of investment readiness required for investment flow.

3.2 Leverage and strengthen network effects by helping secure funding and a market for in-network ventures.

Main Activities and Timeline

1.1.1 By end of August 2020, have on file the members of the cooperative.

1.2.1 By end of December 2020, formalize the cooperative and establish budget and revenue-sharing framework.

2.1.1 By end of December 2020, have on file the members of the first cohort.

2.2.1 By end of January 2021, pilot the collaborative model for the virtual social impact accelerator and prepare the selection of Cohort 2 to be enrolled in July 2021.

3.1.1 By end of June 2021, secure commitments from impact investors to participate in a funding round for Cohort 1 and/or a funding collaborative.

3.2.1 By end of June 2021, measure program efficacy in ecosystem-building.

Cooperative Model for Accelerator Services

A collaborative model for service delivery will be used to maximize program effectiveness and resource mobilization efficiency. To facilitate this collaborative model a consortium of incubators and accelerators will cooperate in a non-competitive, mutually beneficial manner.

1. A process flowchart for assessment, TA service delivery, and support service delivery will guide the coordination of effort among participating incubators and accelerators. This flowchart is on file.

2. A framework for delivering business development services to ventures focused on or impacted by COVID-19 pandemic will guide the coordination of effort and a full Scope of Work (SOW) specifies accelerator activities to be coordinated by the collaborative model. Both business development framework and SOW are on file.

Target FY 2020-21 Budget

The budget is dependent on the terms agreed upon by the members of the cooperative to be built. It will be developed jointly with cooperative members.

Virtual Social Impact Accelerator Services Concept Note. Written and prepared by R. Bong Vergara, May 2020.

More info at https://www.young-moon.org/techflattensthecurve

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