The Unicorn Puzzle

**Author:**Daria Davydova, Rüdiger Fahlenbrach, Leandro Sanz, René M. Stulz

From 2010 to 2021, 639 US VC-funded firms achieved unicorn status. We investigate why there are so many unicorns and why controlling shareholders give investors privileges to obtain unicorn status. We show that unicorns rely more than other VC-funded firms on organizational capital as well as network effects and the internet. Unicorn status enables startups to access new sources of capital. With this capital, they can invest more in organizational intangible assets with less expropriation risk than if they were public. As a result, they are more likely to capture the economies of scale that make their business model valuable.

**Url:**<https://www.nber.org/papers/w30604>