

Purpose Meets Profit: Insights from Emerging Social Entrepreneurs in Toronto

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Abstract

This report explores the motivations, challenges, and success factors shaping modern social entrepreneurship through interviews with four Toronto-based founders: Bruized, Kind Karma Company, Culcherd, and Biofect Innovations. It identifies two main catalysts for social ventures—personal experience with a social issue and transformative awareness—and finds that most founders rely on passion-driven, trial-and-error approaches rather than formal feasibility studies. Despite their diverse industries, these entrepreneurs share common obstacles: securing funding, achieving product–market fit, measuring impact, and scaling operations without compromising their mission. The analysis reveals that social entrepreneurs combine purpose with pragmatism, often using innovation to address environmental and societal challenges while maintaining financial viability. The paper concludes with recommendations on measuring impact, testing hypotheses, refining business models, and engaging impact investors to ensure sustainable growth and accountability.

Objectives

This report aims to develop a deeper understanding of social entrepreneurs' journey: their drivers, opportunities and challenges. It will define some common patterns characterizing social entrepreneurs, identify the typical difficulties they face, and propose recommendations to tackle these challenges.

Scope of the Study

Nowadays, several definitions of social entrepreneurship coexist. However, having a shared understanding of this sector is essential for this study to infer meaningful conclusions from the collected data.

In the context of this report, a **social entrepreneur** is an entrepreneur whose decisions are primarily driven towards effecting lasting, large-scale social benefits (Martin & Osberg, 2007). This definition covers a specific section of the social-business hybrid spectrum, including non-profit organizations that leverage business tools to achieve sustainability and pursue their social mission at scale. However, it excludes corporations practicing social responsibility.

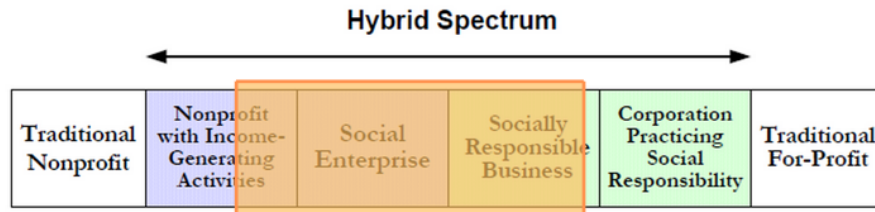


Figure 1: Kim Alter's hybrid spectrum (Alter, 2006) and this report's definition of social entrepreneurship (orange area).

This report relies on data collected through interviews with the following social enterprises.

Bruized is a Toronto-based company, founded by **Monique Chan**, aiming to combat food waste and raise awareness about this issue. They take imperfect products from farms, and local retail stores to process them into tasty and healthy snacks and beverages (Bruized, 2020).

Kind Karma Company "employs at-risk and transitioning homeless youth in Toronto to handcraft quality jewellery". In addition to receiving hourly wages, proceeds from all sales are also returned to employees to support the achievement of their individual goals and aspirations (Kind Karma Company, 2020). Kind Karma Company's founder is **Laurinda Lee-Retter**.

Biofect Innovations is a Toronto biotech start-up that genetically engineers yeast to produce cannabinoid compounds (THC, CBD) through natural fermentation. The company wants to remove the need for cultivating cannabis and reduce the related externalities, such as a significant carbon footprint. It also aims to combat the taboo related to the medical consumption of cannabis to the benefit of people suffering from chronic pain and potentially other diseases (Biofect Innovations, 2020). The organization's founder that took part in this study is **Ralph Christian Delos Santos**.

Culcherd is a Toronto-based company, founded by **Tim D**, whose vision is to

remove animals and plastics from the food chain through lines of tasty, healthy, and eco-friendly plant-based cheese and butter (Culcherd, 2020).

Analysis

Why did these individuals decide to become social entrepreneurs?

The data reveals that interviewees split into two groups:

- people who **experienced the problem they are trying to solve first-hand**; and
- others who went through an **eye-opening experience**.

In the former category, Laurinda got sick while working for a position she did not enjoy but could do little about it since she needed the job to make a living. She then decided to help people in vulnerable situations. Moreover, Tim was looking for a tasty and healthy cheese for himself and a relative that suffers from an auto-immune disease. In the latter category, Monique realized, while working at a restaurant, how restaurants and farmers were significantly wasting nourishment. Finally, Christian became sensitive to cannabis's carbon footprint during his studies and career.

However, all founders share the **same frustration with the status quo**. Laurinda could not accept stereotypes around vulnerable youth in Toronto; Monique and Christian were surprised about the general disinterest of the industry; and Tim was disappointed to see that dairy alternatives were not always tasty, healthy or even eco-friendly.

In terms of background, the study showed diversity among the interviewees. Indeed, one pursued his journey in the scientific world, another pivoted his career entirely from the media to the food industry, and the last two other founders were in-between jobs.

How did they become interested in this opportunity?

For three out of the four social entrepreneurs, the idea for the specific opportunity they explored came from their **hobbies or activities**. Laurinda learnt how to make jewellery when she was younger and missed being creative in her previous jobs, Monique always enjoyed cooking and conceived her idea for a group project during a social entrepreneurship course, and Christian decided to use his passion and knowledge of molecular biology to reduce cannabis's carbon footprint. Otherwise, Tim used his **personal experience** to choose his venture (he was looking for a tasty dairy-free product).

Furthermore, most of the founders decided to **develop a new process** to create products that already existed. Indeed, Monique sources otherwise-wasted products to make snacks and beverages, Tim's production chain ensures his dairy-free products contain no plastic residues, preservatives nor fillers, and Christian has designed an innovative technology to produce specific molecules from yeast. Laurinda, on the other hand, **utilizes a new source of labour**

by leveraging the creativity of young artisans to manufacture fashionable pieces of jewellery.

How did they assess their opportunity's feasibility?

None of the interviewees performed a formal opportunity assessment. They made assumptions and used trial-and-error processes to test their opportunities.

Opportunity's potential

The table below illustrates the main assumptions that the four social entrepreneurs made to evaluate their opportunity's potential. However, it does not intend to assess their validity.

Entrepreneur	Criterion	Assumption
Monique	Social need	Preventing waste is essential for society
Monique	Venture capacity	She already had the equipment required to start producing
Monique	Venture capability	She is sufficiently skilled in cooking
Laurinda	Community support	Customers will prefer buying her jewellery because of her social purpose
Laurinda	Venture capability	She is sufficiently skilled in jewellery manufacturing
Christian	Social need	The cannabis industry will generate an unsustainable carbon footprint
Christian	Window of opportunity	Soon, all states and provinces in North America will have legalized cannabis. It is the perfect time to introduce his products as a plausible cannabis alternative
Christian	Market size	The demand for cannabis will grow massively in the following years

Entrepreneur	Criterion	Assumption
Christian	Venture capability	He has the skill set required to pursue the opportunity
Christian	Barriers to entry	His technology has unique value
Tim	Mission alignment	His products are healthy and tasty
Tim	Venture capacity	He already had the required equipment to start producing

Feasibility's validation

Two founders have already received some **partial validations** of their opportunities' feasibility. The other two have not reached this stage yet. However, they all have encounter hurdles that forced them to **evolve** in their approach.

Monique realized that selling her products only on some farmer's markets was not sustainable. Indeed, it is time-consuming, and sales can vary significantly depending on competing events, the weather, or other unpredictable variables. She is now looking for alternative distribution channels, while still planning to attend farmers' markets to keep a direct connection with her customers.

Laurinda broke-even since the first year, but her company's purpose yielded various difficulties, which could impede her ability to succeed:

- Her employees' difficult situations were overwhelming, and she spent "100% of her time in crisis mode". She learnt to create boundaries and redirect her employees to relevant social services to help them concretely while preserving her mental health.
- She experienced high turnover among her staff. She developed a program where young people are encouraged to build a healthy lifestyle. She set goals with them, and each time they achieve these goals, they earn points that translate into additional income.

As a scientist, Christian tended to overlook his endeavour's business side to concentrate on product development. Now, he is shifting his focus to create a minimum viable product (MVP) and find buyers to test the product's potential adoption.

Tim gave away some equity to venture capitals, which partially validated the market's potential. He wants to perform a feasibility study and market research before scaling- up and investing more in the business. Culcherd does not break-even yet, but Tim indicated that he knew "where [they] have to be to be profitable".

What are the biggest challenges the social entrepreneurs faced or are facing?

The data shows that the **main challenges** faced by the founders during their start-up process are **similar**, regardless of their industry. Most of them are common to all entrepreneurs, while the last one is specific to social entrepreneurship.

Time management and personal involvement

During the start-up phase, some founders struggled to **manage their time** correctly. Laurinda explained that she learned to let go of the non-essential, take time off and sleep more to ensure good mental health. Monique also witnessed that the personal investment required for entrepreneurship can lead to burn-out.

Finding their product-market fit

While Bruized and Biofect's contexts are different, they have not both found their **product-market fit** yet.

Monique is looking for new sales and distribution channels. She is also looking for guidance to understand the market better and build a consistent brand.

Christian has doubts about the dynamic between sales and marketing and product development: "Is the product dictated by the market or vice-versa?". He is on the verge of releasing his MVP but concerned that he waited too long to study the market.

Laurinda and Tim did not report specific issues on this matter, but they indicated that they needed to perform market research before projecting forward.

Scaling

Three out of four social entrepreneurs explicitly said **scaling** was a challenge they are currently facing.

For Bruized and Culcherd, it appears to be useful to make economies of scale through industrial facilities and equipment, as well as optimized processes. Tim noticed a "threshold effect" that prevents him from expanding linearly. Indeed, he must purchase industrial equipment, hire staff or even build a new facility - and assume the associated investments. According to Tim, another challenge is food safety at scale: each geographic area has different requirements regarding food safety and traceability.

Laurinda also wants to scale but not at the expense of her social purpose. She insisted on building solid foundations to ensure that each of her employees continues to receive the care they need. However, Laurinda shared ideas on how growing could reinforce her company's social reach (for instance, by opening a space in Toronto for youth to stay, play games and perform creative activities). She hired a coach to help her convey both agendas through a clear strategy.

Christian has scale-up plans but did not express it as a problem.

Funding

Funding is a challenge shared by all the interviewees. They generally agree that bootstrapping has limits and navigating the grant's landscape is hard but have contrasted opinions about investors:

- Monique and Laurinda are concerned about giving away equity to someone to whom they should be accountable.
- Christian is discussing with investors but wonders, “how do you know it is a good deal?”
- At the other end of the spectrum, Tim has already brought investors in his company and is looking to contract a loan to avoid losing more equity.

Measuring social impact

Monique has determined that her company saved more than 1,800 pounds of food so far. However, this **metric** is the only one she has managed to monitor. Indeed, others, such as carbon emission reduction, are not as straightforward.

Moreover, given the human factor of social entrepreneurship is qualitative by nature, Monique and Laurinda struggle to define relevant metrics - let alone measure them.



Figure 2: Ranking of the most common challenges among social entrepreneurs.

Conclusions - Inferring a social entrepreneur profile

Despite the various industries and companies' maturity involved in the study, the number of qualities the interviewees share is an order of magnitude higher than their differences. It is, therefore, possible to paint a social entrepreneur profile from the analysis above.

First, it is interesting to highlight the variety in terms of gender, ethnicity, level of education and previous work experience among social entrepreneurs. They have all developed a social fibre through experiences that have changed their understanding of the world. This evolution led them to solve problems they witnessed or suffered themselves, usually by leveraging their passions or previous knowledge.

Social entrepreneurs are powerfully action-oriented and lean towards a trial-and-error approach to problem-solving. They may rush into a specific implementation of their idea without testing it because they are uncomfortable with the status quo and feel the urgency to break it. Their sense of purpose makes social entrepreneurs potentially even more prone to adopt this behaviour than "regular" entrepreneurs.

However, interviewees are "down-to-earth" and want to effect social impact while generating benefits for themselves as well. These benefits can even take a cathartic form: by preventing others from suffering, the entrepreneur is relieving their pain.

The study also underlined that the founders are resilient and believe they have (or can find) the skills to tackle the obstacles standing in their path. This observation might be an instance of survivorship bias. Indeed, pessimistic people would have probably given up during the very early stages of the journey. Nevertheless, being overly optimistic is sometimes the only path to success - as Mark Twain put it, "they did not know it was impossible, so they did it".

Despite their optimism and urge to act, social entrepreneurs are not risk-takers. They started their venture with small investments (Christian's university is providing him with free equipment to conduct his research), and a home-made 'do it yourself' approach. Interviews revealed that this risk aversion generates challenges when comes the time to advance to a higher-stake stage.

Finally, Interviewees were always particularly open to new ideas and insights. Nonetheless, this inference may be biased since it comes only from people willing to talk.

Recommendations

Identifying social impacts

Social entrepreneurs should focus on identifying the specific effects they have on society. The insights they would gain from this endeavour would help them define relevant metrics tailored to their context. Appendix 1 presents tools to implement this recommendation.

Expected benefits:

- Gaining a holistic understanding of the company's social impact
- Setting goals and measuring progress
- Communicating concrete metrics
- Applying for grants, loans and investments

Testing hypothesis

Although rushing into action may be understandable, founders should take the time to identify and test their assumptions beforehand through a bias-free approach. Customer discovery, detailed in Appendix 2, is a powerful tool to evaluate a hypothesis' validity.

Expected benefits:

- Removing biases from the decision-making process
- Eliminating erroneous assumptions as soon as possible
- Avoiding sunk-cost fallacy

Developing a business model

Entrepreneurs should articulate a coherent business model before projecting forward. The idea is to build a hypothesis on the value proposition, potential customers and acquisition channels, and refine this hypothesis through experiments (see the section above). The business model canvas (see Appendix 3) is a useful tool to build a sound business model.

Expected benefits:

- Evaluating an opportunity's feasibility
- Finding product-market fit
- Preparing for scale-up
- Uncovering flaws in the entrepreneur's assumptions
- Defining the required amount of funding
- Facilitating communication with customers, investors and grant issuers

Considering impact investors

Impact investors are companies that provide capital to social enterprises. Social entrepreneurs should consider turning to these investors if their business plan

revealed the need for funding.

Moreover, founders would leverage these opportunities more effectively if they identified their social impact beforehand. Appendix 4 contains a list of Canadian impact investment organizations.

Expected benefits:

- Gaining funds
- Ensuring investors align with the company's purpose
- Partially validating the opportunity's potential
- Receiving advice and mentorship from social venture specialists

Appendices

1. Defining social impact

Sustainable Development Goals (SDG)

The Sustainable Development Goals are a set of goals adopted by the United Nations in 2015 to end poverty, “in all its forms,” by 2030. They include 169 targets divided into 17 goals (United Nations, 2015). A social enterprise would benefit from identifying the SDG it covers to develop awareness about the context in which it evolves.

Impact measurement framework

The Impact Management Project defined a framework to gain a systemic understanding of an organization’s impact (Impact Management Project, 2019). This framework provides insights into the company’s effects, classified into the following categories:

- May cause harm
- Does cause harm
- Act to avoid harm (A)
- Benefit stakeholders (B)
- Contribute to solutions (C)

Social Return on Investment (SROI)

Social Return on Investment (SROI) is a simple and straightforward tool to assess and communicate a social enterprise’s impact (New Economics Foundation, 2009).

In a nutshell, the SROI measures the opportunity cost of doing nothing. The idea is to divide the current cost of a given problem for society by the cost of fixing this issue. The result is a ratio (ROI) representing how much a dollar invested in the company would save for society.

2. Customer discovery

Customer discovery is a process to test an entrepreneur’s assumptions and help them build the right product for their customers.

The process follows a scientific approach and includes the following steps:

1. Formulate a specific and detailed hypothesis.
2. Identify the assumptions embedded in the hypothesis.
3. Identify potential customers.
4. Meet people matching the customer profile and chat with them.
5. Evaluate their responses and potentially go to 1.

In the fourth step, the most effective approach is to ask open questions to potential customers without revealing the hypothesis. Indeed, people naturally

want to help and may answer based on what they think the entrepreneur wants.

During the conversation, the tone of the customer's voice is a clear indicator of their interest (or lack thereof) in the matter. The entrepreneur should discard the hypothesis if the interlocutors do not express interest in the subject or if their answers diverge from the assumptions and restart the process with a refined hypothesis.

3. Business model canvas

The business model canvas is a structured visual tool to help a company build or change its business model (BMI, 2019).

The steps to utilize a business model canvas are:

1. Fill the sections of the canvas.
 - Customers and value proposition - *who is the company serving and why does it matter to them?*
 - Channels and customer relationships - *how does the company acquire customers, keep them and interact with them?*
 - Key resources, activities and partners - *what are the operational components of the company?*
 - Cost structure and revenue streams - *what is the expected company's bottom line?*
2. Connect items from several dimensions (e.g. all expenses must contribute to the value proposition) to identify overlooked resources and activities as well as useless expenses.
3. Identify the assumptions made during the process and test them (see customer discovery above).
4. Until testing is conclusive for all assumptions, go back to 1.

4. Canadian impact investment organizations

- **SVX** (<https://www.svx.ca/>) is a platform that aims to connect social ventures and investors through crowdfunding. Entrepreneurs can list their companies, manage fundraising targets and communicate directly with their investors. The platform leverages a 2016 regulation that allows any individual to invest in a private company.
- **OpenImpact** (<https://www.openimpact.ca/>) is a Canadian database of impact investing opportunities, similar to SVX.
- **MaRS** (<https://impactinvesting.marsdd.com/>) is the organization behind SVX. It also provides entrepreneurs with mentorship services, network opportunities and other resources.

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