

URL: <https://stvp.stanford.edu/clips/choosing-a-funding-strategy>

Julia Collins, founder and CEO of Planet FWD, advises entrepreneurs to choose the right capital strategy for their business rather than being focused on venture capital. She explains the role values play in her fundraising approach, telling the story of the time she said no to an investor because their values didn't align.



Transcript

- You mentioned that there's a lot of money 00:00:03,810 going into climate tech right now.. So what was your experience raising capital for Planet Forward, and did you have any negotiables or non-negotiables as you were raising capital? - Yeah, so, you know, this really isn't my first rodeo, Mo, 00:00:17,160 I think you mentioned in the introduction that I'm sort of the first Black woman to have co-founded a unicorn company, which in and of itself isn't tremendously interesting.. I don't like value myself based on the valuation of any company that I've founded.. But it does mean that I have had quite a lot of experience being a founder who's raising capital.. So I will tell you that back in the days of Mexicue, the food truck business that I had in New York City, I did not have any access to venture capital or even bank debt.. We completely bootstrapped that business, and I'm talking about like three founders, not paying ourselves, crashing in an apartment, like using our credit cards to buy inventory and then selling through the inventory as fast as we could.. But that business is now 12 years old and thriving.. And I will say that that venture capital really wasn't the right funding instrument for that kind of business.. This is like a food truck to bricks and mortar.. And had we taken on venture capital, we wouldn't have been able to achieve the kind of return that those venture investors would've expected..

And so maybe my hard nos or the places where I set a hard line is for a business that I'm building, understanding what is the right capital strategy for that business.. We often talk about how can we raise money or how can we raise venture money? But I also do a lot of angel investing.. I've done, I think 26 deals in the last four years.. And for many investors, many startups who I don't wind up investing in, it is not because they don't have a great idea, it's because the business that they're creating, while it may be highly valuable, is not well suited to create the kind of four to 10x returns that are expected on a four to seven-year venture horizon.. So my first thing is understand what's, don't ask yourself how can I raise money? Or how can I raise venture capital? Ask yourself, what is the right capital strategy for my business? That could be a combination of grants and other awards.. It could be some ability to build an early solution that generates revenue.. I think two to 3% of all the businesses that you can build are actually appropriate for venture.. It's a very small slice, and it is, I think also I describe it as like a very narrow karma, to be a venture backed founder means that you operate in a pretty narrow lane.. Sometimes we think about founders just having like this, like these huge visions and these expansive ranges.. But actually when you have hundreds of millions of dollars behind you that needs to be returned, at four to 10x the investment in a very short horizon, you don't have a lot of amplitude..

Whereas if you were to take on a scrappier approach to raising money, you might find yourself having a bit more flexibility.. So that isn't to say that I don't support venture capital as a catalytic instrument for building businesses, I just think there's some caveats that are really important to think about.. - Sounds like that degree of control 00:03:15,014 that you would like to have to make decisions is really highly dependent on who you're getting funding from too.. - That's right.. 00:03:21,030 Because essentially your investors become your board and then you as the CEO, founder, go and work for the board.. So maybe the other thing that I'd say, and this is me at 44 years old, having had lots of chances at this, I've been up to bat lots of times.. My hard nos are really around the people behind the money.. And I have said no to investors who I didn't think I could align with from a values perspective.. You know, I remember at one point I was pregnant with my second son, and I was like, really pregnant.. Not that you can be really pregnant or not really pregnant, but I was just saying, I was really showing..

And I could see that the investor was just highly uncomfortable.. And he asked a lot of like risk mitigating questions around like how I was gonna handle being a founder and being a mom.. Mind you, I've already done this once and this was a very well-respected investor from a very big fund, and he could have written a large check to lead.. And although I felt like I successfully got him over his nervousness about me being a pregnant founder, I nonetheless remained really concerned about my ability to work with somebody who couldn't understand that we all have a big life and you're more than just a founder.. You can be a founder who's a parent or a founder who did these other things.. And so that's an example of me saying no to an investor because I didn't think the values were aligned.. I will tell you that when I was out raising 14 years ago, I probably didn't have that same confidence.. Frankly, I probably would've said yes to that investor.. And so that's just one of the things that I've learned over time is it's not just the size of the check or the fund that's writing it, it's really the person who's behind the investment and whether or not you feel like you wanna work with them...