

URL: <https://stvp.stanford.edu/clips/infusing-values-into-corporate-forms>

Obvious Ventures co-founder and managing director James Joaquin explains how alternative corporate forms like the Delaware Public Benefit Corporation can empower founders to embed values and principles into their ventures. Structuring companies in this way, he observes, can also protect purpose-driven founders from future lawsuits.



Transcript

- Around the earliest stages of setting up a startup, 00:00:06,850 there's something called the corporate form, which is just the corporate entity.. And I would say 99% of startups have been formed as what's called a Delaware C-Corp.. That's the gold standard.. You don't have to know what that means if you're watching, it's just, you know, Delaware C-Corps are kind of the scaffolding that you build a company around, here in the U S.. And when we started Obvious, one of our earliest investments was in a company called Olly.. They're a consumer products company.. They make gummy vitamins.. They've since been acquired by Unilever.. But in the early days of Olly, the founder, Eric Ryan, who's now a two-time CEO in the Obvious portfolio, he said to his investors, he said, "Listen, I wanna make this company a Delaware Public Benefit Corp." or PBC, which is a new kind of corporate form.. And back in 2014, it was relatively new and not very well understood..

And, you know, no offense to any lawyers that are watching, but a lot of the corporate lawyers that startups would work with in 2014 were saying, "Don't do that." There's no case law.. All they would do is point out the risks without necessarily pointing out the benefits.. And, Eric took the risk and we took the risk and it was a very, very successful journey.. And the benefit of a Public Benefit Corp or a PBC is that the founders get to actually file their mission into the charter, into the Delaware charter of their company, so their mission, their purpose, their reason for wanting to care for all stakeholders, not just shareholders.. And the selfish reason founders should want that, is it protects them from a future shareholder lawsuit.. So if a shareholder says, "Well, you spent extra money on renewable energy and your data center, and you cost me a 10th of a penny earnings per share.. I'm gonna sue you." If you're a Public Benefit Corp, you have more protection to say, "You actually are not because that's in our charter.. We said from day one, that we're caring for all stakeholders, and we think that the environment and the communities that we and our employees live and work are part of the stakeholder community and we want to care for them by not polluting that environment." Things like that, you get more protection with a PBC.. And we've now seen over the last seven years, that influenced subsequent portfolio companies, where more and more of our investments are choosing to become a Delaware PBC as opposed to a Delaware C Corp.. And having those early case studies and success stories trickled down, it paid it forward and influenced the portfolio...