Stanford eCorner

Mission-Driven Fundraising

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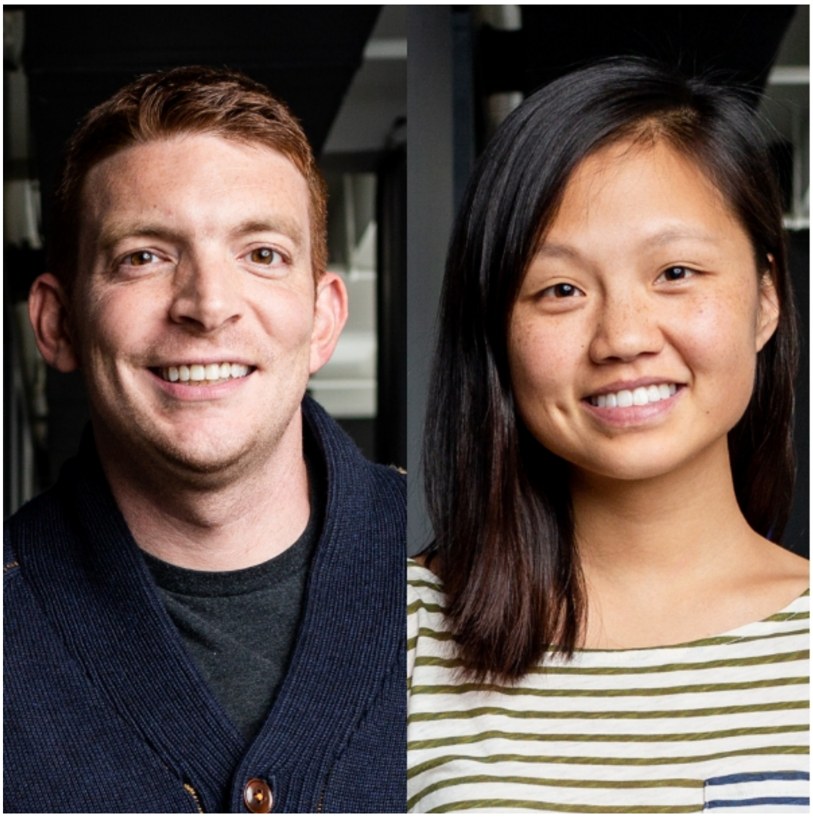
Jenny Xia Spradling, co-founder and co-CEO of FreeWill, explains how her startup decided to become a public benefit corporation and pursue venture capital investors. She encourages founders to put thought into their funding sources, considering what they value as entrepreneurs and what best fits their company's mission.



Transcript

- When we were deciding how to raise 00:00:04,890 our first institutional capital, there were two real questions we were grappling with.. The first one is, do we be a public benefit corporation or do we go out as C-corp? And the second one is, do we raise from traditional VCs, or do we raise from impact investors or even other folks? I mean, being a nonprofit was on the table for us.. So how do we make those decisions? In terms of incorporation, I think Patrick and I are both really passionate about the idea of a public benefit corporation which is, an entity which in its by-laws says, what is a social mission that we're gonna solve? Meaning the very first legal contract you draft up as a company, it is written there.. And the reason why we wanted to do that, is because a public benefit corporation, unlike a B Corp stamp or something like that has a unique quality, that if at the end of the day for example, you wanna sell and there's a big offer from a for-profit company that has nothing to do with your mission, and there's a lower price option from another company that will be a better steward of your mission, you have the ability and the fiduciary duty to your stakeholders, to be able to take that lower offer for someone who cares about your mission.. And that's an amazing amount of protection to have as a company, in order to really build that legacy of a company that's pursuing a particular thing that's not just profitability.. So we decided to do that even though, the day before we went out for fundraising someone from Greylock said, "Absolutely don't.. You'll never raise money." It turns out no one even asked us in the seed process.. They were like, "Ah, I see your metrics.. They're good.. Can I give you money?" And so that was a much easier process than we were warned against..

And then the second thing around who to take money from, it's something that I really encourage folks to put thought into.. We said that we wanted to go after traditional VC and the reason for that, is because we said we want folks who are going to push us as hard on the financial metrics, which is an area we wanna be really strong and healthy in, in the early days as much as possible.. And we believe that because we have this public benefit corporation protection, that.... A lot of these folks live in VC land and aren't just impact investors.. So we wanted to open up scope to both of those sets of folks.. But you know, every company is different and not every company is a good fit for traditional VC.. They have a very particular model which is, very boomer best.. They want one out of like 20 portfolio companies to work and all the others go to zero and that's fine for them.. That might not be what you want for yourself as an entrepreneur, and it might not be what your mission needs in order to be successful as a company either...