

URL: <https://stvp.stanford.edu/clips/mission-matters-more-than-control>

Invitae's Sean George recalls the startup days of his genetic-testing company, when he and his team had to decide whether to be acquired by a larger company or go the more daunting route of raising enough capital to make a big impact on their own. He explains how it's sometimes necessary to relinquish control in order to accomplish a mission.



## Transcript

I am running this shop, I hand selected the team, we are making progress and then at some point, again the market starts shifting, everything moves, we knock off the technology risk, we prove it can be done, externalities seem to be going in our favor, FDA basically goes away for a while at the change of the administrations, the gene patent thicket that was pretty much assumed to be something that would block our kind of model forever showed signs for cracking, the first case started popping up through the federal court, through the district courts, that was challenging patents, subject matter patentability for gene sequences itself and in that period of time a lot of people started getting interested in the space, a lot of people started getting interested in us, it became clear to us it was turning into an execution play and at that point then you've got these industry veterans around the table, you are looking at, in our kind of business model what matters when it starts turning into an execution play, essentially it turns into a foot race and you start coming to realization that you need a lot more capital than you thought you did.. Again, if you really want to go for what it is we wanted to do, if we really wanted to go after all of the families that are currently not able to get this information for their kids, for themselves, we were going to have to spend a lot more money and so that started going into decision making mode where there were a couple of companies that we had been kind of partnering with that then all of a sudden threw over acquisition offers.. In that you're kind of making the decision, well gosh we could probably raise maybe another \$10 million round on our own, but really if we want this to happen, we want it to happen at scale, maybe we should tuck into a larger company and just see this through.. That's trying as in, you've spent the last - you've basically sacrificed the last two and half years of your life getting to that point and now the best options in front of you seem to be the ones that remove your control, it's not why you started the company but again, if for us, it was very much look, what matters most is that, what we're doing sees the light of day and has impact on the market.. And so we seriously entertained a lot of that, for a while we entertained those bids, did the diligence, had the conversations, soul searching times to be sure and then what happened then Randy who was on our board, again I think got so excited about it all, he kind of said, okay, yes we could raise a small round and kind of go it alone but we're just not going to make it, it's just, he amongst most knows you need a lot of capital to make changes in these spaces.. The acquisition offers well, yes, that's probably - barring our internal round the best way is to go ahead and be acquired, make it happen but even then, then you run the risk that you just get subsumed by a big company and everything that you've tried to build doesn't actually - get out there.. And so he suggested, hey, how about this instead, I'll lead the C round, I'll bring in a bunch of investors and we'll fund this thing and we'll do it right.. We'll go for the long shot, we'll go for the big win, we'll go all the way and this is going to take \$300 million and so let's do that.. And you know, turns out, that's the way we went, that was certainly the right call, for his pains, of course he was going to be CEO instead of me and that's where it all came in, it's like okay, which door do you go through, what are your personal incentives, it all kind of came back to again, if you wanted to - if I wanted to get this done, this team who had joined me wanted to get this done, this was definitely the best way to do it.. It meant taking a smaller piece of a bigger pie..

It meant giving up control of the company.. It meant a lot of things that you at the time were tough.. But honestly, I mean looking back there was no other way to do this, there was no other way to do this; that was the right way to go.. And I think that's where on that point in particular, today I talk to a lot of entrepreneurs that are in that tweener phase of the company, they've got some funding, they're getting going, they're making the decisions, and they know they need the money but that means losing control, they know they need a partner but it means partnering - I would say that is a key point, if you're going to start a company that is going to be a key challenge as you start to succeed.. Again if you want my advice, the best thing to do is do what's right for the mission.. Remove yourself from the equation, that's the best way to succeed.. I've seen people get

all tied up in what their percent ownership it is, it's my vision, my company, we're going to do it my way, that's a tough path to continue.. For everything that we read about in the public media how that's the - obviously the one or two of those, the unicorns that make it out and that's the case, that's all we ever read about but I can assure you the thousands of other companies, most of which die on the vine that is not the way it works.. You've got to be willing to sacrifice your own personal ambitions and desires for the mission at hand...