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Bootstrapping vs. Venture Capital

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Canvas Ventures Partner Rebecca Lynn discusses the pros and cons of entrepreneurs who raise their own funds for a startup, versus seeking venture capital. She explains how only some startups can meet the scaling expectations that come with venture-capital investment, which also impose an “exit event” that founders will have to eventually face.

Transcript

There have been a lot of people that I said, god why would you raise venture money? It's just going to screw it all up. Right? I've had a lot of people come in that have interesting businesses. Right? And they're profitable. But they think they want to raise venture. And I look at this and I'm, like, wow. That's going to throw off some pretty significant cash pretty quickly. But it's not going to be venture scalable. And if you sign up for venture money, there's a different expectation for you. Right? There is an expectation. And instead of growing like this, you're going to grow like this at some point in time.

And there is an exit event as well. One of my favorite companies in the world is Epic. How many of you guys know-- health care? Epic is amazing. And I think recently they've taken some money. But that company is like 80% owned by one person. Right? And that's a pretty phenomenal company. So there are other ways besides venture. But really venture is where you see there is an opportunity and you need the capital to realize it and to scale fast enough to get there.