

URL: <https://ecorner.stanford.edu/in-brief/funding-models-for-social-ventures/>

With a social venture, how do you decide whether to incorporate as a nonprofit or a for-profit? In the case of the prison education program The Last Mile, says co-founder Chris Redlitz, either might have worked. One drawback of the nonprofit model is that the funding commitments tend to be more short-term compared to venture capital. But he finds that the drawbacks of a nonprofit model are likely outweighed by the powerful corporate partnerships they're able to sustain as a nonprofit entity.



Transcript

- Coming from the venture side, when I look at companies, 00:00:06,800 I look at performance first, right? So once you invest, or when you're looking at a company, you have to see sort of performance metrics.. And so it was important for us to do that.. So we really created some performance metrics that we relied on, and we got funding.. We don't spend a lot of time fundraising.. We spend more time really focused on results.. Could this be a for-profit? Sure, it could be.. We really haven't considered that seriously, but you know, the challenge in nonprofits is that funding is fairly short-term.. Normally, your commitment's maybe two, maybe three years, but when you're venture funding, you're funding out for 10 years, right? Or at least five years.. So it allows you to plan and grow a little more realistically if you're a for-profit.. So the model could work..

We're sort of dedicated to the mission.. And I said before that the companies that are bringing us money are also bringing us a lot of effort, and it's very meaningful.. So if you went the for-profit route, you may lose that.. But the model would work there, potentially.. We just haven't gone down that route..