MasterClass founder and CEO David Rogier stresses the importance of establishing clear principles for your venture. This can be particularly crucial, he finds, when it comes to choosing investors, and shares a story of turning down an attractive VC funding offer because of a values mismatch. Rogier also suggests that founders undertake careful back-channel references for potential funders, and particularly seek out references from founders whose companies struggled rather than thrived.

Transcript

- One of the things I encourage 00:00:03,950 all of you to do is to really think about Zoom forward ahead in your life and say, hey, if I’m on my death bed what do I have to do in my life to not regret anything? And for me that is, and that can change over your life.. But for me right now that's I don't want to be on my death bed and think I didn't try to make the world a bit better.. And there are times I think I’m living that life and there's times I’m not, right? And so then for me, from there I could stem some principles that I believe in.. And so one of the things we've tried with the company is anytime we have to make a big decision or something hard, we list out first our principles.. And that can change.. So when the pandemic struck, we came up with our list of our principles.. When there's a hard decision we're going to make on funding or expanding this area, we also do that.. And there was one case where we were doing, fundraising around and we got a approached for you know, a raise.. And we got to, you know, a bunch of, a bunch of investors wanted to invest.. And one of the investors who we saw, that we, and you know, thought was gonna be a really great fit..

We found out and back channeling them that they did not match and live our principles.. And even though the terms are great, they really didn't.. And I went to the board and I said, Hey, look, I know these are offering really fantastic terms but I don't- This isn't who we are and it's not who I want to work with.. And I was a little nervous about that because, you know, you can imagine a board being like tough luck, David.. You just choose the people that are gonna give you the best terms.. And the board, on my board was amazing about it and supportive about it and said, we have your back.. And I called up that investor in that fund and I told them, I'm not taking the money.. And I thought if I'm really going to live our principles and our values and I was pushing on this, you know, a close friend and, you know, our COO, who was like you know, if you're going to live your principles you've got to have the conversation with them.. And we had, I had the conversation about why I'm passing.. Because that was the only way I thought that actually might have some change in the world or impact..

Everybody's principles are gonna be different.. Right? And so, but for mine, you know, I picture, you know, who are people I want to be in the foxhole with? Who are people I want to work with? How do they treat other people? And you know, how do they treat other people that have less power than them? Before taking any money from an investor, when you get an investor on your board they are with you potentially for life.. It is easier to get, to end a relationship, to divorce somebody than it is to get rid of a board member.. So you gotta choose, this is somebody I'm okay to work with for the rest of my life, potentially.. So the, I think besides spending a whole bunch of time with them, the best way to do that is talk to other entrepreneurs that have worked with them.. And you want to talk to other entrepreneurs who, companies did not do well.. If the company did if the company has performed well usually like, everybody's happy, everybody’s good.. It’s like, you want to talk to an entrepreneur where this board member this potential investor you're thinking of was on their board and stuff went really bad.. And how did they act? (funky music)..