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Aligned capital for creative entrepreneurs

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Conventional investment approaches are a poor fit for creative entrepreneurs. A model that leads to steward-ownership is a better solution for enterprises with a purpose beyond shareholder value.

'What world are we creating if we're only creating companies that are profit-maximising?'
– Perry Chen, April 2019, Skoll World Forum

In the startup phase, creative entrepreneurs often struggle to find values-aligned capital that will support their mission, long-term vision and independence. When they are raising funding, these entrepreneurs typically encounter a generic, one-size-fits-all approach to venture capital, designed to produce unicorn businesses and home runs for

investors. These investments commonly force businesses on a track to fast growth or failure, and ultimately push founders towards an exit, either through a sale or an IPO. This approach to growth capital has been adopted by a lot of impact investors without extensive consideration of the long-term effect these funding structures and instruments have on a company's mission, values and impact.

These conventional investment forms are at odds with the ambitions of many creative entrepreneurs and their founding values and missions. Such founders are interested in more than growth for growth's sake. In the face of mounting social, political and environmental crises, they have deliberately chosen creative enterprise and entrepreneurship – rather than policy, non-profit or activism work – as their vehicle for social change. They want to create businesses that are social and sustainable. As a result, they often struggle with conventional, institutional venture capital terms, which can force them to dilute their founding missions to satisfy the needs of investors (exits, rapid growth, short term liquidity, etc.).

Socially motivated creative enterprises need investment and ownership structures that do not force founders to sell their companies or compromise their missions. At Purpose Ventures, we provide aligned growth capital to purpose-driven entrepreneurs and work with companies to transition to [steward-ownership](#). Steward-ownership is both a set of legal tools and a philosophy that companies should exist for a purpose beyond just driving shareholder value, and that it should be the people in a company or closely related to its mission who drive decision making.

Steward-ownership forms have been adopted by a handful of pioneering companies in the United States, including [OpenAi](#), [Organically Grown Company](#) and [Mozilla](#), and by dozens of mid-sized businesses across Europe as a whole, as well as more than a thousand companies in Denmark specifically. These models have been tested for over a century and these businesses are proven to act as socially responsible corporate entities that reduce the adverse impact of our economy on the planet. Steward-owned businesses not only often outperform traditional for-profit companies in profit margins, but they are also more likely to emerge from financial crises intact and offer significantly less volatile returns. Compared to conventionally owned companies, steward-owned companies also pay employees higher wages with better benefits, have lower employee attrition rates and are less likely to reduce staff during financial downturns.

In 2018, we invested in [Creative Action Network](#) (CAN), a community of artists and advocates making art with purpose and driving political change. We connected with CAN after their year-long hunt for a growth investment that aligned with their mission of combining political activism, creative crowdsourcing and supporting artists. We worked with them to develop a self-liquidating demand dividend investment structure,

which enables them to share the economic upside with their stakeholders (e.g. artists, political nonprofits) while providing us and other investors with a risk-adjusted return. Our investment has helped them scale their impact and create new creative, political campaigns. At the end of our term, CAN will be a 'self-owned' company, able to reinvest its profits back into its purpose and its community of artists to further scale its impact.

We are proud to have supported CAN in becoming a pioneering example of steward-ownership in the creative economy, and we are dedicated to supporting creative entrepreneurs in the future. We believe that to support these entrepreneurs to realise their mission and preserve creativity, we need to examine how we invest – not only what we invest in. We need to look at how an investment structure drives long-term impact or undermines it, and how these structures are supporting the Sustainable Development Goals and driving for a more inclusive, sustainable and equitable society.

The world needs creative leaders and solutions. It's our job to foster their creativity and preserve their impact through aligned investments.

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