

URL: <https://stvp.stanford.edu/clips/creating-culture-in-venture-capital>

Charles Hudson, founder and managing partner of Precursor Ventures, observes that starting his own venture capital firm has allowed him to create his own culture. One aspect of that is ensuring his portfolio looks different from the norm. Another aspect is setting high ethical standards. He gives an example of a time he chose not to fund a company because of an ethical conflict.



Transcript

- So I think one of the best things about starting your own 00:00:04,290 venture fund or startup, whatever, is you get to create your own culture.. You get to create your own rules.. So we think about a couple things.. I said if we have this philosophy where we're gonna find these people that are difficult for other people to underwrite, then our portfolio should look different than other people's in terms of who ends up in the mix.. So there's been some surprising things.. I think 7 of our 10 most valuable companies have a female founder and CEO.. And it's like, I think it's like 4 of the 5 most valuable ones we've invested in.. They're all working on what I would consider very important digital health or financial issues that are making the lives of people better.. So we do care.. I care a lot about impact..

So I wouldn't describe Precursor as an impact fund, but I tell my investors, every investment we have has an impact one way or another.. There's a bunch of categories we've just decided we're not going to invest in.. Cuz I don't think they make the world a better place.. And there's enough things we can do that are neutral, to world positive, to invest in that we don't have to go into things that I think are dangerous.. And I think ethics are a big deal.. And I think adventure lately, there have been a lot of things ethically that I find a little problematic.. I think who you choose to fund is a vote of confidence support in that person's mission, vision, and values.. And if you're gonna put money behind people, you're really also putting your endorsement and reputation behind them.. And so we're picky.. There've been some, I dunno, I'd call them maybe problematic people we've met in the course of running Precursor..

I was like, I don't want our firm's name associated with that individual based on what I know about the way they do business.. - Can you share, so I know, 00:01:43,620 because the danger with ethics is that it, it stays abstract.. - Yeah.. 00:01:46,860 - And the reality is, 00:01:49,863 is that ethics shows up in details.. And so to whatever extent you're able to, can I invite you to share some situation where there was an ethical conflict and how you navigated through it? - Oh.. 00:02:00,886 - Or something that you've seen that you can share.. 00:02:02,160 - I can give you a couple.. I met a company.. 00:02:03,630 - At whatever level of detail you can.. 00:02:04,860 - Sure..

I don't wanna like out the company.. 00:02:05,693 - Yeah.. 00:02:07,180 - I met a company that was doing 00:02:10,290 they claimed it was legal.. I had some questions about off-label use of psychedelic medicine for PTSD.. And he was like, well, it's legal.. I was like, is it really? And I was like, ok well, we'll put the legal aside.. What consumer safeguards and protections

are you putting in place to make sure that these very powerful drugs don't end up in the hands of people who should not have them? And I found this person's commitment to safety utterly disturbing.. Like they just, they were committed to doing the bare minimum they were legally required to do.. And I'm like, well if this goes wrong, these are really powerful, dangerous drugs.. And you put them in the wrong hands of the wrong people, you could really do a lot of harm..

And if I'm gonna make this investment, even if I can get comfortable with the legal piece, I have to know that your compass is more oriented towards safety than maximum distribution.. This person's compass was, is even I've come to learn even more oriented towards maximum distribution and growth than I had realized.. And I was like, I couldn't sleep well at night knowing that the capital we had given this person was effectively being used to create an online psychedelic pill mill.. I was like, that's not something I want to be a part of.. I don't think, to me that's no gray area at all.. - Okay.. 00:03:28,523 - Like, that's not something I wanna be a part of..