

URL: <https://stvp.stanford.edu/clips/grading-the-venture-capital-industry>

Charles Hudson, founder and managing partner of Precursor Ventures, grades the venture capital industry at 25/100 for failing to fill its role in society of funding the most important innovations. Historically, he explains, founders with certain backgrounds and connections had an advantage, and others were left out due to their race, gender, location, or type of business.



Transcript

- And what's your assessment of venture as an industry? 00:00:04,200 Do you, you know, on a scale, if I had to have you give it a grade on a scale of zero to hundred, in terms fulfilling its role in society, of unlocking innovation, of being the source of allocating society's scarce resource of cash towards the innovations of tomorrow, how successful do you think venture capital is in doing that? - What's the lowest grade I could give it? 00:00:23,850 - Zero.. Zero to a hundred.. 00:00:25,710 Zero would be too harsh.. I'd probably say like, 25.. - 25.. 00:00:33,060 'cause I benefit from some of these.. Some of the things that give us a 25 are things I directly benefit.. So by virtue of being in this room, you all are far more statistically likely to raise venture capital for whatever venture you start, simply by dint of being Stanford students.. Because I can tell you as a venture capitalist, I love it when Stanford students pitch me.. I try not to have it in undue influence, but I have affinity for Stanford University and by extension I have affinity for everybody in this room..

So if you look at the stats, Stanford, Harvard, there's five or six schools that the alumni from those schools get a disproportionate amount of access to venture capital based on their numerical distribution in the population.. Now look, I think part of that's because Stanford students are special, and amazing, and bright, but there are also special, amazing bright people who are not in that small pool of schools.. And by and large, many of those people don't have the ability to find access to venture capitalists.. And until the last five or six years, most people said, "Hey, you know whose problem it is to get in front of me? It's not my problem to get in front of you and find you with a great idea.. It's your problem to figure out how to get to me.. It's your problem to do the homework, and traverse my network, and find somebody who will vouch for you, and make a warm intro.. And if you can't do that, I'm sorry, the door is closed to you." So I can't give our industry a very good grade when historically we've made it so difficult for all but a very small number of people to actually even get considered.. That's not even talking about who gets money, who even gets the opportunity to pitch and present.. And so there's people based on their race, gender, where they happen to live in the country, the kind of business they're working on.. And remember like, venture capitalists tend to fund businesses that we find interesting..

If you're working on a business that's a great business, that I don't find interesting, there's a decent chance I will say, "This is a great business, but it's not interesting to me.. It's not something I wanna spend time working on." That's a separate question from like, is that a business that's worthy of capital?..