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Bedy Yang
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Join Bedy Yang, managing partner at 500 Global, as she dives into the world of evaluating and investing in startups in the climate and sustainability space. Hear what she has to say about the scalability of ideas, the credibility of founders, and the importance of measuring impact. Hosted by Mike Lepech, professor of civil and environmental engineering at Stanford's School of Engineering.

Transcript

Bedy Yang:

For probably whatever you are pitching to us, it's something relevant. Sometimes founders come like, "Hey, I'm doing this to increase more consumption." You're like, "Oh, okay. I'm not sure that's super relevant or if it's needed." Where you come and tell us, "Yes, the world is ending. Especially thinking from a climate perspective, it's getting much warmer. These are the solution." I think you will click that bottom and check that box really quickly.

Michael Lepech:

Hi, and welcome to Move Fast And Fix The Planet. I'm your host, Michael Lepech, Professor of Civil and Environmental Engineering at Stanford. I'm also an Associate Faculty Director of STVP, the Stanford Engineering Entrepreneurship Center. Where we empower aspiring entrepreneurs to become global citizens who create and scale responsible innovations.

Of course, one of the biggest global challenges we face is climate change and the sustainability of our planet. In each episode of this podcast, we'll talk to a different expert about entrepreneurship in climate and sustainability and what's different about it, if anything, from entrepreneurship in other spaces.

Our guest today is Bedy Yang, managing partner at 500 Global, an early stage tech venture capital fund. Born in Brazil to Chinese parents, Bedy leverages her multicultural abilities to actively secure promising startups and investment partners with a particular focus on the Brazil, Latin American arm of 500 Global. She's experienced in initiating social business projects aimed at income generation. She founded Brazil Innovators, an initiative dedicated to accelerating entrepreneurship in Brazil. She holds a BA degree in business administration from Fundação Getulio Vargas, and a master's from the University of Pennsylvania with a certificate in East Asian Studies. Bedy has been featured in Bloomberg and Huffington Post, acknowledge for expanding the presence of 500 Global, and actively increasing the portfolio of investments in Brazil. Welcome, Bedy.

Bedy Yang:

Thank you. I'm excited to be here today.

Michael Lepech:

We're excited to have you. I want to start off by understanding a little bit of how you do your work at 500. You're a managing partner there, and you help to identify promising startups globally. When you think about evaluating and supporting startups, particularly in the climate and sustainability space, what are the unique factors that you consider in this specific sector?

Bedy Yang:

When we look at the very specific feature on what we're looking for to invest in the startup... Let me maybe start with a general framework and we can hone in specifically to climate and sustainability, and is that much different.

Michael Lepech:

That's actually a really important point of what we're wanting to discuss in this podcast, so I really appreciate you starting with the overall framework, and then saying how it's different for the climate and sustainability. That's really great.

Bedy Yang:

When we look at the general framework, the first thing that we look at really is the team. At 500 Global we do early stage investments. Very often we don't see even a product launch. The only data point that we have are the two, three people that are in front of us that have this vision to build something. The first thing is about a team, and the most important component here is the credibility of the team to build what they believe they can build. The second component that we really look at, is the opportunity and how big that problem is. What are you trying to solve? I think the beauty of thinking within the sustainability space into that is, for probably whatever you are pitching to us, it's something relevant.

Sometimes founders come like, "Hey, I'm doing this to increase more consumption." You're like, "Oh, okay. I'm not sure if that's super relevant or if it's needed." Where you come and tell us, "Yes, the world is ending. Especially thinking from a climate perspective, it's getting much warmer. These are the solution." I think you really click that button and check that box really quickly, because the problem is quite big and the very high level of market opportunity is really great. The third thing that we'll look at is, what does it mean from the market opportunity? Can you capture it? What is then your potential business model? How much are you going to be capture of that market opportunity? When we invest, that's one of the key factors, because you might not make money today, but we wanted to have a little bit of path to what economic outcome you might get to. I know you might be measuring additional sustainable or climate or carbon impact, but to be fund-able from a venture capital perspective, it's quite important for us to understand how you're going to make money and what's your specific addressable market.

The fourth thing we look at is, okay, you have a team, what's your early discovery... Sometimes you might or might not have traction, sometimes you might or might not have a pilot that you're looking at. But ultimately, even if you don't have a product that has been launched, we really want to understand your ideal customer profile, and then are they willing to buy what you are offering them? Ultimately the understanding of the customer and that early discovery, potentially if you have traction, that would be ideal. Then the last point really is what's the price of your startup today? You can come and say, "Okay, it's amazing team, it's an amazing opportunity. You can make money out of it. You have good early discovery." But it's a hundred million dollar price tag for us to come in.

Then we might consider, "Okay, do I invest now or can I come in a little bit later?" If I'm deploying, which I think is really important as well, if I'm deploying 100,000, $200,000 check at a hundred million dollars valuation from an investor perspective, is that worth coming in at that price? Does that fit in, which is something interesting when you think about venture capital is that, does that fit into that fund investment thesis as well? These are the main factors and frameworks that really, when you break into each of them then you would have the sustainability component. Then the last one that we look at, but 500 Global is not specialized in it, is the metrics piece of the sustainable part that doesn't have the other factors that I mentioned.

Michael Lepech:

I want to dig a little bit deeper on a couple of these to better understand what sustainability means in those spaces. Let's start with the first one when it comes to the team. And you said, "What we're looking for is credibility." What does credibility mean to you in the climate and sustainability space? Is it a degree that has something related to sustainability in the title of the bachelor's or master's degree? Is it having worked as some kind of sustainability consultant? What does credibility mean in the climate and sustainability space?

Bedy Yang:

Yes. Answering your question is yes. There are several factors that could be in. One is your background, what did you study? It depends a little bit on the startup, a lot of startups has deep tech, has a lot of expertise and research went into it. I think in that case that's particularly important. Very often if you're working a lot with commercialization of it, being able to at least show, not that you have sold into those companies, but that you have that ability to build a team. Or you can do it, we normally recommend the founders in the first sale, or the sales to up to a million dollars for the founding team to be highly involved instead of, "Hey, I have this salesperson doing it."

It also could be very often when we think about the team credibility is, did they accomplish what they say they would within the time that they say they would? Let's say they say, "Hey, we're going to launch an MVP in the next six months." Or, "We wanted, at the beginning, to launch an MVP in six months," and it took them two years to launch. Very often we want to try to understand, something didn't hit the milestone they thought they wanted to hit, what happened? Does that hit the credibility component? Very often we start digging a little bit deeper on questions, like knowing your industry, knowing your metrics, knowing the answer, that is really important. I think there are a lot of ways to look at the credibility component, but for us for instance, it's not very important which school you went to. Especially because for context, 500 Global has invested in over 80 countries, and the founders come from all different backgrounds.

Michael Lepech:

Sure. What I'm hearing from you in this, is that the credibility piece is still very much about, do you have the appropriate background to address the technology, to address the space that you want to go into? That if you're going to do deep tech, you're probably going to see a more technical background. If you're going to go into a business innovation, it might be more of a marketing and business growth type of background. The sustainability piece is something that gets layered on top of that, rather than saying you want somebody with a full degree in sustainability and then moves into the space that they're looking at. That credibility still starts with, do you understand the problem you're attacking?

Bedy Yang:

For sure. Also, I think other sustainability layer, sometimes people bring advisors. They might or might not need to be independent. If it's a deep tech, I think you mentioned, and that's really the case. But I think outside of deep tech side, very often you can get advisory people that could be very essential. But I don't see it always needs to be someone who has a degree or who work in the specific sector before. If they have proven that they could implement something, could be at the corporate, could be in a different case component, but we can relate that it seems that they can execute their plan, then I think that becomes quite interesting for us to consider investing.

Michael Lepech:

Totally, totally. All right, now I want to move on to the next component that you had talked about, opportunity, and whether the opportunity is big enough. Now, as a founder I can come in and say, I want to tackle climate change, which of course is a big opportunity. But as we all know, a startup has to have focus. How do you balance the, I want to fix climate change against, you cannot boil the ocean, so to speak? How do you think a founder or an investor should ride that difficult chasm of, "Okay, I'm addressing this existential challenge of the world, but I've also got to actually build a business where I know what I'm doing and can operate." How do you connect those two things?

Bedy Yang:

It's an excellent question. I think the worst interviews or IC calls we have, it's founders that comes in and they say, "I want to change the world." And then it's like, "How are you going to change the world?" And they say, "Oh, I want to create a lot of impact." I was like, "Okay, I understand. The problem is really big, how are you going to do it?" I think maybe answering this, how do you focus and when does it become relevant from a bottom up perspective? I think the founders not necessarily need to have what's eventually is going to scale, because very often they haven't launched the product yet, so a lot of it is in their assumption. But what we try to test there on the market opportunity, and then the addressable market, and then how they're going to get their first customer, is really their assumptions. Is it credible of the assumption that they have?

I'll give you an example. They can come in and then say, "Okay, we wanted to solve the climate issues." Are we going to launch an app that people are going to download, and then people are going to use it? It's going to be worth eventually to a million active users and then they're going to pay us a high amount of money because we find sustainable product for that. Let's say that's the very specific product that they can solve, then at least they have an assumption there. I think the biggest question then answering your question is, how do we assess if that's a good opportunity?

The main question that I'll ask, if you are starting this type of business, I'll ask the founders, "Okay, you have an assumption that everyone is dying to buy a product that it's sustainable. That's a pretty big assumption, so if you have that big assumption and say this is a big market, everyone wants to do it, everyone's going to jump in and download or buy or adopt, I need some sort of validation. Whether from a customer or whether from a few interviews that have done that is not your mother, not your father, interview to say, it seems that your hypothesis makes sense. I think how you build from top level opportunity to, can I build a potential product or addressable market, is getting some sort of hypothesis and validation of those hypothesis that what if those are true or prove true to be?

Michael Lepech:

Yeah, no, that makes a great deal of sense. And we know that these types of hypothesis driven startups that look to propose a hypothesis, test it and then move forward are really a good stable way to try to move forward. The other piece that I think is uniquely different in this space in which you mentioned, is metrics. The kind of metrics that you would expect a startup to be tracking in order to get some credibility once again, around whether or not you're actually a climate or sustainability focused firm. If possible, what are those metrics and how do you see those relating to LP's? Are LP's that are coming into the fund now, are they asking about climate and sustainability focused components of the portfolio? What kind of metrics are they asking for and how does that then I guess I'd say cascade down to the level of what you're telling your startups that they need to track?

Bedy Yang:

Yeah, that's an excellent question. When you think about venture capital, we serve our founders, but we also serve our investors. Maybe we'll start with the investors and then we can talk a little bit about the metrics that we require our founders. The first thing to consider here, and to answer your question, it's a little bit of everything is, it depends. Specifically for 500, we have not told our investors that we are a climate or sustainability or a social fund. When they invest in us, they invest in us because they believe in our investment thesis, being a global company, build a large portfolio, build a portfolio at [inaudible 00:16:57]. They believe in a certain thesis with that frame.

Michael Lepech:

And the only outcome connected with that thesis, at least for 500 at this point, is one of economic return to the LP.

Bedy Yang:

Exactly. That's exactly right. Although, because we are a global fund, we're first checked to the founders, a lot of people feel like we are creating a lot of economic development.

Michael Lepech:

Sure, there's externalities associated with the benefit, which is why they believe in the thesis, but it's not something you necessarily report on and promise that you're going to deliver as part of the LP agreement.

Bedy Yang:

That's exactly correct. But I think answering your question maybe is, for funds we raise current fund, and is there a sentiment of a capital wanting more climate, or would we raise more money if we have more deals in climate or is that the sentiment that we think is good? The data recently have shown more and more funds in climate funds have been able to raise funds, which wasn't the case, I want to say maybe three years ago. There was a gap where it was really hard to pitch LPs to say, "Hey, I'm going to do a climate fund." Now over the past three years, it feels like more and more funds and capital is interested in the space. Then some institutional investors are asking more on, "Okay, I don't know about every single data, but it would be interesting if you have for instance, the ESG framework." Then within the ESG framework, then you have the environmental, the social and the governance component.

Then that trickles down to, what does that mean? Let's say if my fund, and some of our funds have gotten in the compromise to do the ESG. The most important piece is not, what is the right metrics, the most important component is, are you measuring it and are you improving upon what you're measuring? I think that's really, really important. Because the biggest fallacy that on metrics we can do is, sometimes we look for perfection on metrics, but at the early stage it's really, really hard to be precise on... Sometimes you can, but then it's a small percentage that are really good and have time, or there are very good ways to capture the data. Because you might be creating good outcome from a non-financial piece, but are you measuring? You're worried about implementation, you're worried about building a team you're building, there's so many things to worry about. At 500, when we think about metrics, we try to not overcomplicate too much the metrics.

It could be something when we are measuring, it could be jobs created, it could be around gender. It could be, if you can, are there different components on carbon that you can measure? Sometimes we are really lucky to invest in a company that their core really has a direct correlation with sustainability. I'll give you an example. We invested in a company called Ethic. Then what Ethic does is, they are a platform for people interested in sustainable investing. Every single client they onboard, it means that they're increasing AUM for people investing in deals and instruments that are related to sustainable investing. That's very easy to measure, because it literally means that every time they onboard a new client, there are new capital allocated, they might not be there or might otherwise not be. But except for this rare occasion that we end up finding deals like this, it's a little bit of an indirect metric and we don't overstress, but we highly recommend founders started measuring, because you can't improve upon what you don't measure.

Michael Lepech:

Sure. Well, one of the things that I teach in my accounting classes, is that you have to balance the value of what you're measuring against the cost of measuring it. Every time you introduce a new metric of success, you have to pay to track it. Whether that is assigning that activity to some employee that takes up part of their workday and therefore a part of that full-time employees cost, or whether it's hiring an outside firm, some type of third party to measure and validate just the way we hire EY or KPMG from a financial standpoint.

Measuring more accurately always involves a cost burden. So the question is, what is the value of doing that? Particularly when it comes to time with a founding team?

Bedy Yang:

Sure.

Michael Lepech:

Therefore, what I'm hearing you saying is, yes, you ask founders to start doing it, but to not go too far down the road of, it has to be perfect. Because we know these numbers are not going to be perfect from the outset and we're not even sure that from your standpoint the LP is going to find them to be all that important to their decision making,

Bedy Yang:

At least our LP's are important.

Michael Lepech:

Sure.

Bedy Yang:

I think that's really important. From a founder perspective, from the listeners, it's really important to understand which capital you're trying to bring in and what value can they add. And how do you want to do the composition of the investors who are going to be part of your journey.

Michael Lepech:

One of the other things that we've talked with a couple of the other guests about is exits in this space, and whether or not there's a difference in the way we should think about liquidation events in climate and sustainability space.

A good number of them are focusing on, what are functionally commodity industries, whether that's food stuffs, whether that's energy, whether it's things like this. Of course commodity industries are not known for having super high gross margins. They're not known for having these huge equity bumps when they go to IPO or things like this. How are you thinking about potential exit strategies around investments in these kinds of firms? Because I know the folks at 500 have to think about down the road, what's the liquidation event going to be and is there an opportunity here? Do you think about that differently in this space or not yet at this point?

Bedy Yang:

Not yet at this point, because there's no... Exit is not something we control. It is controlled by externality. And externality can be interest from IPO market into certain companies, or interest from a company to acquire into a certain space. We have no control on the exit. We can say, "Oh, is the market maybe moving towards acquiring more sustainable or companies that creates impact?" I think today we don't look at companies differently. We'll say, "Oh, because this company has a climate or a sustainable component, therefore we would apply the lens of exit differently." But I do think that we try to understand, and very often we are pretty lucky at 500 that we actually talk to a lot of policy makers. Because a lot of policy makers are... We're in 80 countries and some of the countries we're in, we have a hundred, 200 deals. So we are transforming the economy in a lot of senses.

They're really trying to understand, what should I do for my economy to be pretty innovative? What I think at the policy level, because I think the structural change very often needs to come into the policy level. Is there a better liquid market for certain companies? The other partnership that could be done, maybe more at the private level from a collective corporate consciousness, to buy more of these companies. But I do think it requires more of a group effort than individual firms.

Right now from individual firms, a lot of firms are joining groups of ESG coalition, how do we best do things? I do think there's a lot of intention towards that direction, but I don't think it's actionable for us to say, "Okay, now I'm going to do this deal and I can go into an IC and feel confident. All right, I'll vouch for this. Because in addition to all, I know they don't hit the team, they don't hit the metrics, they don't hit the market, but we think because it's this sustainable it clicks one of the box of climate, therefore we're going to be doing this deal."

Michael Lepech:

No, there are myriad things that can happen between your investment committee meeting and liquidation that can go one way or the other. You just talked about 500 being active in 80 different countries, which is remarkable. As you think about identifying and supporting startups in each of those, maybe with a focus on environmental and social impact, do you see different trends in different areas around the globe, MENA versus LATAM, versus Asia, versus North America?

Bedy Yang:

We are in 80 countries and then we have almost 3000 companies in portfolio. It's a very broad portfolio that we have. We are really active today over 300 deals in Southeast Asia. We're very active in the US, Silicon Valley, we're very well known because of that. But also, the top three markets that I can cover a little bit more is Latin America, Asia, thinking a little bit from a Southeast Asia emerging market perspective, and then Middle East. Right now we're seeing, you think about trends, we see a lot of common thread of interest related to climate sub-sector, for instance in food system. Anything from production to getting to the final customers. Depending on the region, it might be a different format. Because for instance, very often for Southeast Asia, they are the producer. In Indonesia, one of the largest producer of aquaculture component, so invested in a very, very great deal called eFishery, which is a collective for improving the production of fish.

But that same business can of course never be transferred to the Middle East. The nuance really goes into, everyone's interested in food system, but what they can do to provide solutions is very different. In Middle East for instance, which is a market I've been extremely active, we see a lot of interest in food security. They would as a investor, invest in a deal, for instance, like a eFishery in Asia, but that type of deal wouldn't be started in the region. It's really interesting because of course Middle East, especially the Gulf countries are oil rich and there's a lot of effort to try to understand what are the opportunities or the real risk on the energy transition.

They navigate as the oil price continue to rise, so I don't have to do anything to, "Oh wait, a lot more Teslas and EVs are on the road, and if more of that is to happen, then is at least for that session of cars, do we still have a space for it?" It has a little bit of that component on what we've seen in climate in the Middle East. Then we see a lot of companies, and I've done some investment in companies, that try to do more around food and beverage supply chain optimization. That's a little bit more on Middle East.

Then going a little bit to Latin America. What I think has been quite interesting in Latin America has been around, they're also a big food producer exporter. I think there's also a lot of interesting companies in the space of, what are the alternative for some food or some meat. Then there are also interesting companies that tries to serve optimization within the farming, which I think are interesting business models. Definitely you see that difference. Then when you come to the US and you see a lot more deep tech. It's quite broad and different.

Michael Lepech:

It's interesting that what you're saying, and it's probably not surprising is, founders tend to work on problems that are real to them and they know, and investors tend to invest in founders who are working on problems that they feel comfortable with. In Southeast Asia where you're talking about aquaculture, you're talking about seafood, that's a big piece of food production in Southeast Asia.

When we shift to the Middle East, where there is of course heavy reliance in the past on fossil fuel production, they're trying to be innovative, both within the energy sector and that transition of it. Then if you go to LATAM like you said, that's where a lot of beef production still takes place. They're trying to understand how they can shift protein production away from beef to think about it in new and different ways. Then here in the US and in particular Silicon Valley, it's tech, tech, tech. I guess what you're saying fits with what is maybe the naive assumption that people work on what they know, that says it's maybe not so naive, it's actually true. That regionally you see specialization into trying to solve the problems that people know best.

Bedy Yang:

To add a layer, for sure they work on probably the best, but also they need to understand what is the economic opportunity on top of it. For instance, I saw a very interesting company in Saudi, and they have hardware actually, we normally [inaudible 00:32:15], but they have a hardware that tries to understand how much waste goes into the water consumption. That is a true problem because there's not a lot of water, so that's an innate problem to its geography. But then what we found out later is they wanted that to cost a hundred dollars and then asked, "Okay, but how much do people pay for the water bill?" And they're like, "Oh, that's actually subsidized. We paid $1." And I was like, "Okay, wait. Stop."

Michael Lepech:

You're going to charge people a hundred dollars in order to save three, that doesn't work.

Bedy Yang:

It's not even saving three. You pay a dollar, so you might be saving 10 cents. I was like, "Stop." I know. I think what's really interesting, is that layer of economic potential to capture that opportunity. I think it really goes into what I was talking before, there's a big problem, but what is the solution that you're trying to [inaudible 00:33:18] and can you capture the opportunity economically of course? Then with that, for instance, on the metrics for how much water I save, that's pretty straightforward. Your normal consumption is this, now your consumption is that, that's the water you saving. It's great, because from a sustainability metric perspective, it's amazing. Except, I can't invest in the company that costs a hundred dollars with pre-production to make that math work.

Michael Lepech:

What you're telling me, is that if a founder is looking to go into the climate and sustainability space, their unit economics still have to make sense without the added benefit of water savings, material savings, energy savings, CO2 reductions. It's a great story you're bringing up that hammers home a point that we have heard again and again and again on this podcast, your unit economics still have to work because that is the business of business.

Bedy Yang:

For sure.

Michael Lepech:

I'd like to transition into another part of your background, because beyond traditional VC, you have experience in starting social business initiatives. How do you see the role of social entrepreneurship in driving climate and sustainability initiatives? And how do you think that startups can blend unit economics and profitability with these ideas of social entrepreneurship, social impact? Because we're starting to get to a lot of different outcomes that we want to see from each entity. As you add more desirable outcomes, social, environmental, profitability, they're not always aligned and it gets harder and harder. First off, what do you see the role of social entrepreneurship being going forward, and then what's the best way that people can balance all this?

Bedy Yang:

Maybe that's a personal opinion, not backed by institution, not backed by anything else. My general approach, and that's a very personal... I think when you're interviewing founders, understanding their vision. What I try to measure when we're investing is the founding team. What think very often people go into, is their obsession to be perfect at everything. That's the most difficult part to do, and then that will stop us.

I'll give you an example, and that brings from my social entrepreneur background. When we had a business that was helping different communities in the Amazon to build their economic prosperity, they were collecting products from the ground that were native to there. It was the Brazil nut. Brazil nut has the case outside of the Brazil nut and people would throw that away. They took those nut and then they were producing really nice products and that was really popular. They would only take those products from the ground, so they wouldn't like, "Hey, I don't eat this. I'm going to try to throw out the nuts." They would fall on the floor, they would go around, they would collect, they would use it, and then... It has a beautiful story, behind it has a beautiful product.

Michael Lepech:

But it was truly a waste product.

Bedy Yang:

It was [inaudible 00:36:51]-

Michael Lepech:

Rather than just a diversion of some of the production towards something else.

Bedy Yang:

Exactly. Then they were selling really well, and then there was a lot of demand on it. There was an inflection point where the demand was so high that they actually don't have that product anymore. They were trying to hit, there's the social component because you were empowering a tribe. There was also the sustainable component and then the economic component. But sometimes the economic component is so big that you undermine after that scalability on those two. There are a lot of unintended consequences in some of the metrics that we try to do. The best approach is to approach with the best intention. I think sometimes you don't want to say, "Okay, I don't care about this. I'm manufacturing a data," or anything like that.

Come in with the best intention to say, "These are the three things we try to do. There's the profit, there's the purpose, there's also the people, and then there's a climate component." Let's try to work around that. Let's be flexible trying to understand how do we improve those. But if you start with saying, "I want to do everything at the," let's say zero to 10, "Everything at 10 points," I think it stop us to pull forward. A lot of it is finding ways to capture the data on each of it, but also trying to understand a little bit on, it's okay to be a two and have a group discussions like, how do we improve from each of those items from two to three?

Very often I think when you're getting money from investors, investors don't expect you to be perfect because we're investing in startup with so much risk. A lot of it is, what do you expect to accomplish? And then communicate to, "These are the things that we need to pivot. We thought it would be like this, but we're not perfect in this sort of sense." A lot of it is around communication. A lot of it is around, how do you find a little bit of that balance, but ultimately starts with the intention. I think if the intention is there, then everything is possible.

Michael Lepech:

Yeah. You bring up a very interesting point as it relates to ventures of this type when it comes to scalability. We always ask questions around demand scalability, meaning is the market big enough to grow into a huge number of customers? The question is, does the demand scale to a magnitude that makes this a $100 million annual recurring revenue type venture? One of the things that we don't often think about, is scalability on the supply side.

Bedy Yang:

For sure.

Michael Lepech:

So in the example you just gave, there just simply weren't enough waste nutshells to meet all the market demand and there has to of course be a balance. Because if all of a sudden they're buying nuts and cracking them and throwing away one piece and just using this other, that doesn't actually meet the goals of this sustainability focused venture. It creates a much more difficult assessment when it comes to scalability of a market size.

I'd love to hear your viewpoint on this. I think this also comes into some policy questions in that, if certain types of ventures are receiving a significant tax subsidy or government subsidy in order to make their business model work, if they scale to significant sizes, the government is not going to want to continually offer more and more subsidy to support that growing business. At some point the government will simply say, "Look, this is costing us too much. You have to do this." How should we think about trying to balance both the demand side opportunity assessment with the supply side opportunity assessment?

Bedy Yang:

I think the venture normally worry about the demand side until the supply becomes an issue, because they can't control on all levels. Very often, normally we try to avoid investing in deals that requires policy, because you never know what the policymakers are going to do.

Michael Lepech:

That is not an uncommon response on this podcast. Almost everyone has said, "We try to invest in things that will be successful in the absence of a policy existing and are only better because the policy exists for now." I think it goes the same way even, when you think about social enterprises that are trying to an employment benefit for a specific group of people. When all of a sudden you've employed everyone that's possible out of that demographic and you can't scale anymore. If it's a tribal type enterprise that's in say the Amazon example that you just gave.

Bedy Yang:

Yeah. Also, I think particularly we talked about the social piece. There are a lot of ways to make money. That's also part of the reason I ended up transitioning doing something else at the time. Because I was really passionate, we're empowering two, 300 communities. But if you go and ask those people that were getting the money from, the [inaudible 00:42:17], you ask them, "What would you like to do?" They wouldn't say, "Oh, I would like to sell a lot of this product." They would say, "I would like to have a job where I have security and then I know tomorrow I have the money and I have money for education and healthcare for my family." That's what they want. Sometimes you have this instrument that looks really amazing, whichever instrument could be, it could be a microfinance. They look really amazing, but ultimately it's a little bit of a painkiller to an innate problem.

What make me think about on the social business component, I know we could measure the economic output or increase from what they have. Maybe they don't have anything else better to create that generation of income, but ultimately I also thought, but if they have access to education and have access to the workforce, they'll be a lot happier. Then I took a step back and said, "Is there a better instrument to do something I wanted to do with that outcome in place?" If the outcome in place is climate, if the outcome in place is social, are you working on something that you truly believe that is the instrument that you feel like is the platform that you want to be driving?

Michael Lepech:

Yeah. I think you'd agree with the point, that venture is not the ideal financing mechanism for all of these types of enterprises. Given that sometimes other stakeholder metrics supersede financial outcomes in certain places, therefore a VC model of financing isn't ideal. Then you shift over to other things, whether it's grants, or some other type of funding.

Bedy Yang:

For sure. VC is definitely not for everyone.

Michael Lepech:

Yeah, without a doubt. All right, Bedy, it has been fascinating to chat with you, but before I let you go, I have a series of questions that I'm asking to all of our guests. We call it Four To Fix The Planet, and it's a chance for you to try to spotlight on some things that are important to you and might be helpful to others. You ready?

Bedy Yang:

I am ready.

Michael Lepech:

All right. What's on your bookshelf, playlist or feed right now?

Bedy Yang:

I like on podcasts, one podcast I really like, it's The TED Talk, but they also have one that's a TED Tech. Because the TED talk is about ideas worth spreading, but there's about everything and everything. I like the TED Tech because it gives the changing the world for better a little bit with the tech components. Sometimes they're very interesting things in that podcast that I like.

Michael Lepech:

Very cool. What's keeping you up at night? What's something in this space that you think needs more attention?

Bedy Yang:

People. I think we are so smart as humankind. As humans we're so smart, and if we really put the effort to solve something, it doesn't matter what it is, we'll solve it. I just feel like we are not... People don't care enough. I feel like it's a lot of convincing needed in the social component, the climate component. What keeps me at night is people who are not... Even sometimes people are in the industry, in the space, I feel like a lot of it's ego, a lot of it's other factors that drives them in.

Michael Lepech:

Totally. What gives you hope? Something that's exciting or promising that you've seen in this space?

Bedy Yang:

I really like the tech component. I think climate and social can be driven in so many layers and so many ways to do it, but the tech has reached a point where it accumulates on the knowledge and accumulates on things that we can do. It gives me hope that if people can work towards the same direction, tech would be what accelerates. But if they don't know how to do that correctly, we are going into a destruction very quickly too. That also keeps me up at night.

Michael Lepech:

Sure. That's why we named the podcast Move Fast and Fix the Planet-

Bedy Yang:

I love that.

Michael Lepech:

... as a difference between the whole move fast and break things.

Bedy Yang:

No more breaking things.

Michael Lepech:

No more breaking thing.

Bedy Yang:

We can't afford with how quickly things sort of escalate.

Michael Lepech:

Finally, what's your favorite sustainability hack? Something our subscribers could add to their day-to-day lives that you think would be helpful?

Bedy Yang:

I think everything is often around habits. When I think about sustainability hacks, it's about habit. I'm really proud, really, really proud, I have two small kids and they both use cloth diapers. A lot of people ask, "In this generation, why don't you use disposable diaper?" And what's the hack to it, right? What's the sustainable of a hack for diaper? I think the hack to it is when you approach a new habit, and I mentioned that I think five times in the podcast already, don't think that you will be a full-time person doing that. If everyone use the disposable diaper, if I use one time a cloth diaper, I'm happy. If I use during the day but not at night, I'm happy. If I use it when I'm at home, not travel, I'm happy. But eventually sometimes you would have it and then you get started and you're like, "Oh, it's actually not that bad. I can do it at night as well. I can do it when I travel." Then you really adjust your lifestyle around using certain sustainable practice.

I think the hack is, have something like you think, "Oh, that's something I really want to implement in my life." It doesn't matter, what I want to implement in my business. I think sustainability is really important. I want to implement it in my business. I'm not going to be a full-time, really busy managing partner and changing cloth diapers, but you get to do it after you start, you make it work. I think it all starts with... I think it's Atomic Habits from James Clear, he said, "For you to do yoga every day, the first thing you have to do is put the yoga mat out." I think it's just very simple. Creating good habits starts with, have the intention and then start small, and then maybe after two kids you can use the same diaper and wash it and put all the shit out.

Michael Lepech:

That's amazing. Well, finally, before we go, I just want to let all of our listeners know that you and I co-teach a really exciting program every summer here on the Stanford campus called VC Unlocked: Silicon Valley. It's a chance for us to educate the emerging VC investors and angel investors on the fundamental mechanics of how venture capital works. For those that have enjoyed learning from Bedy in this podcast, I'd certainly encourage you to think about checking out our course, all about all of these types of topics as they relate to venture capital. Well Bedy, thank you very much for your time today. It's been a pleasure.

Bedy Yang:

Thank you. Bye.

Michael Lepech:

Today's guest has been Bedy Yang of 500 global. If you enjoyed this show, be sure to subscribe to Move Fast and Fix The Planet wherever you get your podcasts and help others find it by rating, reviewing, and sharing it. Learn more about this podcast and related work at stvp.stanford.edu/sustainability. Move Fast and Fix The Planet is hosted by me, Mike Lepech, and produced by STVP, the Stanford Entrepreneurship Center. This episode is supported by Stanford Entrepreneurship Programs. Our producers are Holly McCall and Anthony Ruth. Editing is by Stanford Video. For more podcasts, interviews, and articles, please visit stvp.stanford.edu/ecorner.