Barbara Clarke of The Impact Seat

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three Non-profit dedicated to the education of investors and startups for fundraising. Please consider donating $100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect They were here with Barbara Clarke, Angel investor and the president at The Impact Seat. the impact seat invest in ideas that solve the world's biggest problems, focusing on the most innovative, diverse early stage startups. Their approach combines advocacy, philanthropy and investment to build a new and more equitable economy. Barbara, thank you for joining us.

Speaker3: [00:01:04] Thanks for having me.

Speaker2: [00:01:06] So let's kick off with your background. What were you doing before you started investing in early stage companies?

Speaker3: [00:01:13] I think the through line for me has been ever since I left grad school, I've been looking at multinational companies and trying to understand like what makes them tick, what makes them profitable. So I did something which is called like international transfer pricing. But basically, I looked at intellectual property valuations for companies, and that's what I still do today. Like, what is the real secret sauce? What's the differentiator that a company has? It's going to make them profitable and successful.

Speaker2: [00:01:43] Right. And so what excites you right now?

Speaker3: [00:01:46] Lots of things excite me, I think one of the things that I'm really interested in is in some cases, it's connecting the. Demands of the consumer with the investment, so, for example, we know that women are the consumer of most things, they make the majority of purchases in so many areas, including some things you might be surprised of. Women buy most of the beer, they buy a lot of entertainment, but we haven't really seen those innovations like trickling down into, well, we haven't seen that consumer preference trickling into investments. We're seeing it now a lot on women's health, and that's something that I'm really excited about because there's lots of sort of unexplored, completely innovative ways that doctors have been approaching women's health for, unfortunately, sometimes decades, centuries. So that's pretty exciting. And then, of course, post-pandemic, if we're ever going to be post-pandemic, I think it's just a revolution in anything from telemedicine, at home, health care, collaborative tools so people don't have to be in the same room together. All of those things, I love all that stuff.

Speaker2: [00:02:57] Great. Well, tell us more about your angel network.

Speaker3: [00:03:00] So I started Angel investing almost 10 years ago through pipeline angels and that network of women who've come through that program. They're still some of my closest friends to this day. I then joined Ask the Angels. I'm still a member of the Angels, which is an angel group focused on investing in women led companies, and we're very committed to having our investor base be both men and women. And that's been really good because we're all motivated to try to reverse the numbers of poorly. Women get investment. And so there's that and then portfolio is another thing. That effort I'm very engaged in, which is creating micro funds to catalyze women's capital, get them to invest.

Speaker2: [00:03:50] Right, well, let's talk about the state of angel investing in general. How do you see the industry evolving for angel groups now that we're coming out of the pandemic?

Speaker3: [00:03:59] I think one thing that has really accelerated is the continuing professionalization of angel groups, where there's a more formal due diligence process, you might hire some staff. So we're seeing it still that professionalization accelerate. And I think that that presents both pros and cons. I think one of the unintended consequences is that angel groups tend to be looking at later stage deals as a result, when you get more professionalized, that's just naturally what happens. And then that means it's harder, the other thing I'm seeing is it's harder to get that first check for a lot of entrepreneurs. People who write first checks are few and far between.I agree it's staking harder, longer and more time to get funding for major groups because they're putting more diligence and process behind it, so it's great to see that specialism coming into it. But at the same time, how will people get that early stage check, which used to be the very first check, came from an angel group, but no longer, I guess.

So what you think is the biggest change we'll see coming up in, say, the next 12 to twenty four months?

Speaker3: [00:05:14] It's a really good question, and, you know, I was just saying to someone earlier today, I think I've proven that I don't really have a good crystal ball, but one of the things I think we'll continue to see companies that focused on the usual things like the telemedicine has been very successful. But you know, the other unintended consequence of COVID, I think, is CEO burnout. There were lots of companies who made it through the pandemic to this point, and they made it through, but they're exhausted and they're burnt out. And I think a lot of companies are going to be looking for exits. I know. I'm actually having the most exits this year that I've ever had. But I think that that's going to accelerate as people look for partnerships as ways to not have to go it alone or strength in numbers, as they say.

Speaker2: [00:06:04] And so as an angel group leader was the biggest challenge you face today.

Speaker3: [00:06:09] It's interesting, I think, you know, just lots of good deal flow, so that's is that a challenge or I mean, that's that's a benefit, I think. I mean, there's lots of there's lots of good deal flow. The biggest challenge I face is often what we call financing risk, where you may really like a company, but it's a challenging one to explain to other investors. You may see the opportunity but know that there's only a sliver of the investing population that will get it. And so it's hard to say yes to a company like that. If you think that there's going to be some financing risk that they won't be able to fill their round and particularly at the very earliest stage, because we know most of these entrepreneurs get that message Oh, come back when you have more traction. But you know, traction is in the eye of the beholder. So I think that that's been the most challenging is just trying to get, you know, to reduce that financing risk for some of these companies.

Speaker2: [00:07:06] Right? Well, let's talk about your investment thesis. What exactly is it and what's your criteria for funding a startup?

Speaker3: [00:07:13] And not because I'm a big baseball fan, I'm a fan of Moneyball. And so I, you know, investing in super early stage companies is really not a lot of data. So you can't really quantify your way into decisions, but you can sort of have a checklist. So, for example, I only invest in companies that have a gender diverse founding team doesn't have to be a woman and as a CEO, but has to be a gender diverse founding team, preferably a racially diverse founding team, because we know all the science says diverse teams are more innovative and they're more resilient. So that's one I like to have founding teams as opposed to solo founders. I will invest in solo founders with the understanding that they need to really build up their team. So that's another thing. Data shows that teams outperform solo solopreneurs. I'm geographic agnostic because we've shown that companies outside the major markets have a cost advantage. They might have a workforce advantage. And so that's another thing. So there's a there are a few other things I obviously like to have companies that have some sort of moat between themselves and their competition. But those are my that's a couple of my top checklist. One.

Speaker2: [00:08:33] Great. Can you mention one or two portfolio companies that fit that thesis?

Speaker3: [00:08:38] One of my companies that I invested in, one of the other pieces that I like to invest in, that's not just directly in companies, but I also invest in funds and some companies. I've invested in both the fund and the company. So today I have a company that just finished its series a called Founders First Capital Partners. So it's a financial services company that's focused on investing in underrepresented founders and mostly small and medium sized businesses, which is an area that has been overlooked by a lot of fintech companies and definitely overlooked by the banks. So that's a company that has an experienced founder, has a solid team. They're based outside Silicon Valley, has all of those things, and they're geographically diverse as well. Racially diverse, geographically diverse and led by a woman. So that's one. Another company I really like is Full Harvest, which is a marketplace that connects farmers, organic farmers and food manufacturers so that the farmer can have a full harvest and not leave produce in the field to rot because they haven't sold it, and they've got some great partnerships with large manufacturers. And again, same criteria. Although that one is sort of Silicon Valley based, it's a diverse team. It's a great company. Nice. You know all the things.

Speaker2: [00:10:08] Great. Well, you see a lot of startups out there and a lot of investors, what's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker3: [00:10:17] I think this is the best time to become an investor in early stage companies because the on ramps are so much easier. I'm a big fan of a lot of these small micro funds that have been cropping up, whether it's through portfolio or even angel groups launching their own funds because I sort of I would say like I'm I'm a former soccer player and the game is the greatest teacher. And so it's like if you put a small amount of money into some of these funds, you're in the game and you can watch it unfold. And at the end of maybe a year or two, you've got a portfolio of a dozen companies or something like that that you can watch and see how it how it goes. So that's so much easier than the old model in the olden times, where you'd have to go to a lunch and have somebody pitch. Maybe you're only going to see like one or two companies a month and you're emailing around due diligence. And it's just it's too it was too slow and it was too sort of niche. You weren't getting a broad exposure. So now's the golden time.

Speaker2: [00:11:25] Great. Then on the other side of that table, what's your advice for founders raising funding? What do you tell them to do before they go out and pitch that investor?

Speaker3: [00:11:34] I always tell entrepreneurs that what they should really do is identify an investor who is a subject matter expert in the area that they are working in. So it should be the person should be both of those things. They should really understand that industry and they should be an experienced investor because you'll be getting validation all along the way. So you don't approach them necessarily as investing right off the bat, but they can guide you because there's nothing you know, if you're not getting honest and accurate feedback from investors, then you can end up going down all of these unfulfilling paths, especially the ones where other investors are saying, Come back when you have more traction. Well, what does that even mean?

Speaker2: [00:12:22] It's a good point. Make sure they have that. Well, you see a lot of different applications and sectors out there. If you had to pick one or two that you think are good immediate opportunities for investors to pursue, what would you call out?

Speaker3: [00:12:34] I definitely think that women's health has been having a bit of a moment. But I always look ahead like again, I don't have a great crystal ball because I don't always know where the exits are going to be, you know who does. So I'm really interested in those kinds of innovations. I think that Enterprise SAS is continue to be one of those areas that people want to invest in, but it is going to be proving harder and harder to see success in it.

Speaker2: [00:13:06] Well, in the last minutes that we have here, well, should we cover that we haven't.

Speaker3: [00:13:11] I think it's really interesting how investors all around the country have been in the past, I would say angel investing was a very local game. You are only looking at companies. I guess the saying was that you could drive to in like two hours. And I think that that has really changed where people are interested in specific sectors, they're interested in certain types of. Founders, and so I think that's really changing. And I'm wondering if you're seeing that trend as well, that when you're talking to people, it isn't as local as it used to be.

Speaker2: [00:13:56] No, I agree. I think the pandemic put all the angel groups online, and then they discovered, well, once we're online, we're no longer limited geographically. Let's recruit members from outside our area. Let's find better deals from outside our area. And there's still a local component to it. People still want the networking, but there's now a more expansive view of what we can access the entire country. Why not? And so they're increasing membership and they're doing things to take advantage of that, which I think is a big step forward.

Speaker3: [00:14:26] Yeah, because I think some of my groups, Askia and portfolio, we've always done everything online because we've always been geographically dispersed, and so it's interesting to see if people who were resistant to that, they felt like they had to look the person. Sit across the table from, I think, reevaluating if that's even true anymore, because I've made many investments in companies that I have never met the person in real life, which is kind of crazy when some people think about it. If you had said that five years ago, people would have thought you were nuts.

Speaker2: [00:15:04] I agree. It seems like it's here, here and now. So how best for listeners? Get back in touch with you?

Speaker3: [00:15:11] I would love to be followed on Twitter. My Twitter is B Clarke. I would love that and come for the snark. Stay for the discussion of startups or whatever. So.

Speaker2: [00:15:25] Right. Well, we'll include that in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon? Great. Thank you. Investor Connect helps

Speaker1: [00:15:35] Investors interested in startup funding. In this podcast series, experience, investors share their experience and advice. You can learn more at Investor Connect. Talk to Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.