

AMA 2021-12-07 TEN Capital Presents Supporting and Partnering with Diverse Founders

This is the TEN Capital AMA show. I'm Hall T Martin, the host of the show in which we interview investors and founders on current topics.

Our guests are:

J.P. Keating of VU Venture Partners
Kim Folsom of Founders First Capital Partners
Diane Yoo of Parliament Ventures

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Hall Martin: Thanks, Shane, and thank you guys for joining us today. We have a great panel here to talk about how do we work with diverse founders and partnering with them. And to kick it off, let's go and have our panelists introduce themselves and tell us more about themselves. Diane, thank you for joining us, and looking forward to hearing more about Parliament Ventures and what you're doing there. Can you give us some background about yourself and your fund?

Diane Yoo: Hi everybody. Excited to be on here today. Thank you for inviting me. My name is Diane Yoo. I'm one of the founders to Parliament Ventures Fund. My previous background has been in venture capital as a huge proponent for women in diversity; and I have started probably several funds right now, the last one being a partnership with the largest medical center Innovation _____ Houston, Texas.

Hall Martin: Great, thanks. We also have joining us Kim Folsom of the Founders First Fund. Kim, can you tell us a bit about yourself and your fund and what you're doing these days?

Kim Folsom: Certainly. Well, I'm delighted to be here. So great to see you, Hall and JP. Nice to meet you, Diane. I wanted to share a little bit of background of how we got to the Founders First Capital Partners platform. I came to launch Founders First as my seventh venture after founding, growing, and funding six tech companies, fortunately enough with institutional capital; and so, for the last 25 years saw that there was just a significant lack of funding to diverse founders from the crazy dotcom days, and didn't see a whole lot of change over that period of time, and thought that I had a different point of view with going through and doing that, and so, launched Founders Fund, to be quite honest, inspired by a lot of the great tech combination of accelerators and funds that I had a chance to participate in, on my time on the other side of the table. So on one side, we are a growth focused accelerator, specifically focused on a very inclusive group with diverse founders, women, people of color, military veterans, LGBTQ, and those in low and moderate income areas; and then on the other side, we are an impact focus, revenue based platform and provide advisory support services to help increase the number of diverse founders running larger, small, and midmarket businesses that currently aren't in a lot of the pools of successful businesses, and that recognize those. So we're working with Founders First to build an inclusive economy that includes these diverse founders.

Hall Martin: Great. Thanks, Kim. And JP Keating is here from VU Venture Partners. JP, can you tell us a bit about yourself and your fund?

JP Keating: Sure Hall, thanks. Thanks again for having me. And Diane and Kim, it's always good to be in another conversation with you too. I think everybody's going to have a lot of fun with this one. So how I came to Venture, got affiliated with VU Venture Partners. Most of my career was primarily in corporate, and I had been leading supplier diversity programs, small business engagement programs, startup engagement programs for about the last 12-13 years. And so, I was primarily working with minority women, veteran, LGBT, disabled owned businesses, and I saw there was a huge gap across a number of things, funding being one of the most pronounced. And so, over those years have been working with a number of different organizations and investors and other types of organizations to figure out how to solve this funding problem. And so, my life ended up leading me into the early stage venture side of things, because I enjoyed that the most, and where I got to see the most companies and where I could really help early on, because most of the companies that I was engaging with all wanted to know how to sell to big corporations. Well, that was literally my job was the buyer for three Fortune 500 companies. And so, I got myself affiliated with VU, which is a multistage industry agnostic fund. We've done about 60 investments since 2017, and a little over half of our portfolio is diverse founders or diverse founding teams. So the general partners there were really focused on changing the face of venture, changing the way how funding was operating, and access four diverse founders as well as helping train diverse VCs as well.

So along with VU, I created another fund called proChain Ventures, and we're focused primarily on investing in supply chain, procurement, and logistics technology at the pre-seed/seed stage. So I'm putting my money where my mouth is, and focusing on looking at diverse companies that are solving these major supply chain problems. And along with all of that, we've wrapped in all of the DEI and ESG principles, because that was my background, and that was my focus, and I said, there's a lot more that we can do here through supply chain companies, let's go out and do some good in the world and solve some big problems. So lots of exciting things happening on my end.

Hall Martin: Great. Thanks JP, and thank you guys for joining us today and introducing yourselves. So let's just dive right into it. Let's talk about what's the current status of diverse founders in the VC industry today – Diane, maybe you can kick that off and give us your take on where are we with this at this point with diverse founders.

Diane Yoo: You know, there's a huge uptick, I think, in the past two years, especially during COVID, with a push for diversity and women. I think even in my articles alone, I've had over a 100 reposts and over a 100 publications of my articles in the past few months. So there's a huge uptick for women diversity fund founders. We're seeing that across the board. We're seeing billions of dollars as a way of everyday being doled out and allocated for diverse fund founders.

Hall Martin: Great. And Kim, how far we've come with this, where are we today with diverse founders in the VC space?

Kim Folsom: It's as Diane mentioned, there's more promotion and publicity, but there's still a delay in actual transfer of funds to diverse founders. The unfortunate standpoint is the same systemic issues that caused this to happen are delaying that transference from happening. For most diverse founder funds, there's a track record challenge that they have to overcome in order to make that transference happen. And every day, I get a chance to coach or recommend or refer them, so there is progress, but there's still a long, you know, still work to be to be done.

Hall Martin: Great. JP, what would you like to add to that?

JP Keating: Yeah, I'd agree with both of them, wholeheartedly. However, I would say that there's a lot of really good stories happening right now. And the spotlight is on a lot of these companies that weren't seen before. And so, it's exciting for me right now, because there's so many companies in so many different verticals that are popping up now. Because now, there is some additional access, there's a lot more resources, and, like I said, I've been doing this for over a decade, and I've never seen this much activity that I've seen in the last 24 months; and it is exponentially larger than what has happened in the past. And some of the some of the really interesting stories out there that not a lot of folks realize is the diverse founders out there that nobody knows about. So we're on Zoom today, that was a diverse founder, and it's now a public company, but that was a Chinese American founder. You look at Calendly, African American founder.

Everybody's using Calendly right now. And so, you start digging into these enabling technologies that have been making a lot of our economy work, for the last 20 plus months, there's a number of largest impactful diverse suppliers in there. So if you work for a major corporation or even a midsized company right now, and you have been getting all of your equipment delivered to your house so that you can work all your technology equipment, it's likely going to be provided by three value added resellers that are all the largest in the country, and are all diverse. So you've got two major, well, the largest African American company in the United States is World Wide Technology, and they supply probably half the Fortune 500 – and if you bought – and that's who provides computer's hardware, Cisco equipment, all that kind of stuff that's enabling all of this. And so, they've supported a lot of my peer companies out there in the corporate space, as well as two other major ones out there I won't mention them. So I challenge everybody out there when they say, oh we don't see it, we don't know where it is. Well, you're just not looking, because there are some really great stories out there and some fantastic founders, and it's nice to see that this issue is getting a lot of attention now, more so than has existed in most of my time in this space.

Hall Martin: Great. And so, my next question is, what trends do you guys see happening out there, Kim, let's start with you. What do you think is happening at this point – we saw good movement during COVID, but where do you think is going from here?

Kim Folsom: I agree with JP that when you look at, on the tech side, there has been, as a serial tech entrepreneur, there's been transformational recognition, and all the way through the cycle, because it's not just they started the business, they grew the business, they got funded, and they got customers. So thinking that through the whole value chain of not just they got funding, but they got the clients and they got great Fortune 500 clients that are the sustainable businesses; and the other key thing, as both Diane and JP mentioned, they're getting the recognition, because for every one of the World Wide Technologies and Zooms, they are inspiring so many other generations of entrepreneurs to know that not only can you dream big, but you can get to that point. And that's the other part of the wheel. I think that there's more that can be done to spotlight those two companies, as those are, I mean, _____ thought about how I got into tech in the early 90s was I was so inspired about what Bill Gates was doing. I'm sorry to share my age, but it takes that inspiration to say, oh man, I want to do what that guy is doing. So hearing those stories about those folks, I think it's Dave Steward, and I'm sorry, I'm dropping on the name of the founder of Zoom, that they got to this point. And, I mean, Zoom has become the Xerox of this, you know. So this is just fantastic to see that, you know, to get there. But the other side of the coin is that for every great tech founder, there's like a thousand non-tech ones that are wanting to aspire and do the same thing. And it's really being able to lift up and make that that possible. But that's an opportunity, and that's why the rest of us are here to be able to lift up and make that happen.

Hall Martin: Great. And Diane, what trends do you see happening here these days?

Diane Yoo: Yeah, the lack of diversity in venture capital is really staggering. It's actually much more worse than the numbers would suggest. Right? So diversity is not just nice to have, it's actually a very strategic imperative when you consider the US demographics, and where we're heading in the next generation, next 50 years, where Caucasians, for example, maybe even the minority, and so, there's going to be a lot of accelerating trends of diversity. And I believe that really what it is, is, the stats today is there's less than 3% that are venture funded, whether it be people of color, Latino, black fund founders, and also even on the investor side, there's less than 81% of all VC firms that are even black VC. And so, I'm very passionate about what's going to put more Asian, more minority, more people of color at the top executive decision making levels; and so, that's what I really am trying to push forward with my mission as well. But these are the trends we're seeing in diversity and there truly is a lack. One of the other things that I'm seeing during COVID that has been incredible is how fundraising has turned digital as all these events are virtual now. Anyone can pick up a media channel and create events and start really being strategic about growing through network virtually.

Hall Martin: Great. And JP, what trends are you seeing happening out there going forward?

JP Keating: Yeah, I'm going to start talking a little bit more about funding and the different types of funding that are now available that haven't really been available in the past to speak of. I mean, Kim is representing one of those companies right now, which is why what I think she's doing is fantastic. But for the longest time, we basically had two ways of funding, bank funding or venture funding or you figured out something in between with your friends and family and network, and neither one of them worked very well for emerging businesses. And so, what I'm seeing now, which I think is really good is not so much a focus on the typical definition of venture, if you will, which is very niche, has extremely high expectations, but these kind of first check funds out there that our friends, like community friends and family, if you will. So they're able to go and get \$10,000 non-equity grants, through different organizations, a lot of community organizations – these have existed for a little while, but the model has changed somewhat too. And so, there's been so many more organizations popping up now that are doing this, that are doing small checks for, I'd say, not necessarily tech companies that are going to be more CPG or more food, more something associated with that, so there's new funding available out there, and through different kinds of organizations. So I work with a few different groups in Chicago and St. Louis that are very focused on the community aspect of this. So like a P33 in Chicago has created a new TechRise Fund, which is focused on tech enabled companies more so than just tech companies. And they're providing \$10,000 checks out to that, because they want to be the friends and family round in Chicago. There's another great group up there called Fifth Star Funds, which is a venture philanthropy group. So companies are able to, or, individuals able to invest into Fifth Star's funds as a charitable donation, and then they go off and invest it into emerging companies, and then the thought is it turns into an evergreen fund. So that's great for a certain type of business. And then, like in St. Louis, you've got Arch Grants, which they're providing non-equity grants for \$50,000 to a dozen or more

companies a year, that are focused on job creation in St. Louis. And so, there are tech companies, and there are CPG companies and enterprise companies, it's all over the board. So these kinds of things are really nice for the companies that don't have the networks and the knowledge really to go out and try and get traditional venture money, but also don't have the types of assets needed for banking relationships to go off and get loans. And so, there's so many organizations out there helping with this now. Women's Business Development Center in Chicago was one I was talking to this morning. They're creating a new mechanism. They're also able to provide micro loans to women and minority and veteran owned companies, something that we didn't see several years ago. So I'm really excited about all these new funding mechanisms and capital facilities that exist now and that folks are willing to invest in and willing to use.

Hall Martin: we heard some success stories about Zoom and Calendly and so forth, but where are we finding success out there with diverse founders in general – is there any particular sectors or areas where we think we're seeing a lot more traction than others? The world seems to be a little bit unevenly divided on this a little bit, but JP, what would you think you're seeing success so far with this?

JP Keating: Yeah. It's kind of all over the board. I wish I had better metrics and better data to really speak to it, I don't. But I would say right now, if we're talking more on the venture startup side of things, the last stat I saw was somewhere in the neighborhood of about 80% of CPG startups are started by women and minorities. So there's a very heavy focus on food retail related type of products that I've had experience with in the past. The ones that I'm really excited about now though is more on the supply chain and logistics side of stuff. So I've already, I just recently invested in a – it's a procurement technology firm that was diverse, founded diverse founding team, black CIO. It's really, really a neat company. The other one is another Hispanic owned, supply chain management company that I've known for years. And so, I'm starting to see some interesting founders come out of that space, but also on the electric vehicle space and the mobility space. So I work with the founder of a company called SparkCharge, the founder's name is Josh Aviv, and he is providing a battery charger for electric vehicles for roadside assistance companies. So your Tesla runs out of juice, he's got a battery that gives it a 15-minute charge to be able to get to a proper charging station. But he won one of the Shark Tank investments, and so, really kind of a neat company there. So I'm seeing some unique ones in different spots. I don't know where the biggest focus really is in a vertical, but the other folks might have some more information on that one.

Hall Martin: Great. Diane, what's your take is, what are we seeing success so far, and you have any examples, what would you put forth?

Diane Yoo: Yeah, so we actually invested in med tech and device companies during COVID, which has been an incredible spike with the timing, unfortunately. And so, that has been very successful in my investments. I have over 40 investments I've done in my career, but those are some of my latest investments as well as anything ecommerce or online fintech related that has been going through the roof. One of the success stories, I

also know of another colleague that was just, she's Asian woman also, funded by entries and was the number one dress retailer in the marketplace. And so, again, anything ecommerce, anything that's at user ease at home has been going through the roof.

Hall Martin: Great. Kim, where do you see success coming so far?

Kim Folsom: So many of our investments are, as we say, we're putting the sexy into tech enabled service businesses, which you may not see on Shark Tank, nor some of those traditional VC companies, but they are across the board; many of them are servicing the Fortune 500 companies, we're the first institutional six-figure check investment in these companies, but they – they are generally B2B service based businesses that have some solutions, either Ed tech, educational market, health marketplace. We have some that are certified solution providers to the midmarket and small businesses as well. So that's really where we're writing our checks and making investments into.

Hall Martin: Great. So my next question to the panel is: what do you see actually drives change? What is a good formula, or, what is productive in this space that you've seen so far? I'll start with you, Diane. What have you seen out there that seems to be working in some way or in some areas so far?

Diane Yoo: I see a lot more money being sent to a lot of black venture funds and being qualified for that. There's a lot of allocation for that. And unfortunately, with the George Floyd that happened, it really lit a fire under Silicon Valley, and there's really a push for more investment in diversity and also transparency. And so, I think, actually, in past year alone, there has been – it's quadrupled the amount of investments in black companies, and I think, what's driving the change for that is actually there's more opportunity for huge institutions to be pouring into other people of color funds, and also investors themselves are coming out starting their own people of color or diversity funds as well.

Hall Martin: great. And Kim, what have you seen that's working so far, what's driving successful change so far?

Kim Folsom: I would agree that, with what Diane mentioned, is that the unfortunate issue related to George Floyd and the elevation of the Black Lives Matter has increased the awareness about the gap in economic equity for diverse businesses, and the inclusive economy, which, prior to that, unfortunately, was the invisible economy. But the challenge is that it's got to be a connected solution, so yes, while there's more capital, it's still very small in comparison to everything else. But it will take some connection with some of the things that JP mentioned about connecting those newly funded companies to the suppliers that – the suppliers supply purchasers that need those newly funded companies as customers, one. And secondly, it's going to take the commitment of those companies that got these newly founded funds to perform, and get the knowhow, connections, and those things. So Allyship is really important to help guide and support these companies, so they have a successful outcome. So the people who did fund them have the funds to be able to do the follow-on rounds, because it's

not just the first check that helps these companies get successful, it's the second, third, and fourth ones. So those are the things that are important to help those businesses be more successful.

Hall Martin: Great. JP, what have you seen drive successful change in this space so far?

JP Keating: Yeah, for me, it comes down to one thing, and that was leadership. It's senior leadership, executive leadership with whoever's leading that organization to make that decision that they're going to do something different, that we're going to embrace inclusion, impact, innovation. And in order to do that, we have to have diversity in everything that we're working on, be it racial, gender, geography, education, whatever, we need to start addressing that. And so, I've seen the biggest successes in this really in the corporate side, where CEO said, we're going to do this and put up the money, put up the resources, and did it. One of the examples that we've got was one of the companies I worked for, we did a bond issuance, and when we did it, the CEO specifically said we're doing it with diverse investment banks, and he picked them along with the CFO, helped develop them a little bit, they were all sophisticated firms, but just never had the opportunity to do something this big, and so, took the group of them, I can't recall the exact, I think it was nine companies that we did to do the bond offering. Nobody had ever done that before. And so, we just, you know, the CEO of a Fortune 100 company just did that. And so, now the rest of the corporate CEOs kind of woke up and said, oh, well, this company is willing to do it, they're a leader in the industry, we should be doing this. And so, this is where I've been seeing so much more engagement on the corporate side as well as the VC side where, even though VC firms are small, you've only got a few people in most of them, there's only so much you can do from a buying standpoint or anything for that matter, but they're starting to put terms into a lot of the documentation. They're asking those portfolio companies to start acting like good corporate citizens out there and requiring these kinds of efforts as well. So it's all going in the right direction, but it's really entirely driven by the leadership of the organizations to make it happen.

Hall Martin: Great. And then, to shine a light on the other side of the table, what should diverse founders do to enable more funding? What do you see as best practices there – Diane, what would you coach a diverse founder to do to go after that funding, and what leverage do they have?

Diane Yoo: Yeah, absolutely. You know, really, it comes down to what – you can really leverage diversity in your early stages of funding, when you're talking to investors. I would bring on diverse leadership very early, and tell them that there is a proven link between diversity and profits. Woman, for example, have increased the rate of ROI actually to 34%. So really, at an early stage, a company can position itself, when you're talking to those investors on how to leverage diversity. And this is really, at the end of the day, diversity is going to lead to better ideas.

Hall Martin: Great. Kim, what's your coaching there to diverse founders?

Kim Folsom: So I would say, there's a couple. One is to JP's point is, there are some strong leaders that are going through and saying they're willing to do more to help amplify and provide that support, like happened with a bond issuance. So being able to really do the homework and finding out those people that are doing more than talking about it. And then, the second thing is to make certain that you're ready for those opportunities, these funding opportunities, getting your financial house in order is really critical. Because unlike many times before, there are many newer funding opportunities than there have been in the past, and this is a really great opportunity to take advantage of those. So finding out those right partners that you can out be aligned with, and also looking at those paths that you can use to connect with them. And then the other is making certain your paperwork is all ready to go, so you can get that check.

Hall Martin: Great. JP, what you're coaching diverse founders, what do you tell them to do to be more successful at this?

Kim Folsom: Yeah, I said, leverage the networks, like, this is the best time in history to get access to every support organization in the US, and I'm going to – I'm just speaking from the US standpoint right now. There's so many support organizations out there that can help you with everything from the National Minority Supplier Development Council to Women's Business Enterprise National Council, the National Gay & Lesbian Chamber of Commerce, you've got the National Association of Veteran Business Owners; and then you've got endless chambers of commerce across all of your state cities that are, you know, you've got the US Pan Asian Chamber of Commerce, you got the US Hispanic Chamber of Commerce, they all have local chapters of some sort. Plus, you have all of these different diversity related business organizations that exist in certain areas of the country, the focused funds, you've got the non-equity grant organizations, and all of it can be easily found. So it's going out and building the relationships with those organizations and asking them for help, because that's what they're there for. So there's not a shortage of help in any community in the United States, especially now that everything is online, if you want to figure out a way to work in New York, you can reach out to the New York & New Jersey Minority Supplier Development Council. They're all over the place. So I would say just work the network like crazy, and keep working until something sticks. But you'll find all the help you need across multiple stages of your business. So it's all there. You just need to go out and look for it, and it's easily found these days.