

Donna Harris of Builders + Backers

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, and many other investors for early stage and growth companies. I hope you enjoy this episode. The Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. 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 the Day. We're here with Donna Harris, founder and CEO at Builders and Backers. Donna, thank you for joining us.

Speaker2: [00:00:47] Oh, good to be here.

Speaker1: [00:00:49] So tell us more about your background before investing in early stage companies.

Speaker2: [00:00:53] Yeah, I am an entrepreneur turned investor, so have been in the seat of the entrepreneurs that are trying to raise capital and now have the benefit of being able to provide that capital for amazing entrepreneurs that we work with. So I love being an operator turned investor.

Speaker1: [00:01:10] Great. So what excites you right now?

Speaker2: [00:01:13] You know, it's really fascinating moment where we've got the opportunity for people to be creating businesses of all shapes and sizes. So certainly the venture capital landscape is on fire. We've got an unprecedented amount of capital going into companies. There's an enormous amount of focus on diversity of founders, diversity of ideas. I love what's going on in the creator entrepreneur space, everything around Web three. I think that it's a really fascinating opportunity to be trying a lot of different things. We aren't sure exactly how that space is going to play out, so it'll be fun to see exactly what takes root.

Speaker1: [00:01:49] Great. Well, you see a lot of startups and a lot of investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:01:58] Yeah. I mean, one of the biggest things I think is important is being able to write more than a check. So there's one thing that we've learned about investing and potential returns is doing it in a high velocity way, being able to have a diversified portfolio. We've all know angel investors that have said, I made an investment once. Right. What does that mean? If you happen to throw the dart in the dart board in the wrong place? Didn't pick a winner. You feel gun shy, you lose the money. So we want to make sure that you are freeing up enough capital that you can diversify the investments you're making. And then really think about this not through the lens of if I were running the company myself, but really being honest about the person who is in the driver's seat. Can I see this person building and scaling the company? Is this a team that I think is actually the one to put the bet on, not just the idea.

Speaker1: [00:02:53] Right. And then on the other side of that table, what's your advice for people running startups? What do you tell that founder to do before they go out to raise funding?

Speaker2: [00:03:01] I mean, some of the best founders that I know, I mean, they know their business inside and out. They know that problem space there have studied it upside down, inside out and backwards and being comfortable that the idea might morph. We invest at the seed stage, so, you know, we want founders to have conviction around the idea and what they think that they're trying to build. But we also want them to be malleable so that when they go out and they put that idea to market, if the data is showing you that you might be off base or that a pivot is necessary, that they're attuned to that and they're recognizing that data and those signals from the marketplace. So we want founders that are confident and our founders that we're having to sort of run around behind and catch up because they're just driving ahead with their business, but not so myopically focused that they're in love with the idea and they miss core signals in their space.

Speaker1: [00:03:55] Great. Let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker2: [00:04:01] Yeah. Such a crazy time. I mean, we've been seeing so much capital that's sloshing around in lots of places, and I've seen lots of deals get capital that I scratch my head and think I'm a little curious how that happened and how that happened to that valuation. So there's there's certainly the pessimistic view of this can't last and things will sort of quote unquote, get back to normal. I'm not actually of that mindset. I actually think that we're in a place where a lot of what we have tried to do over the last ten plus years is finally now doable with where technology is landing, with everything around blockchain, and with being able to do 3D printing in a number of different arenas. I think there's just an enormous number of technologies that have yet to barely make their way to market. We've barely scratch the surface the ways that they could be used, and those are all investable opportunities. So, you know, the stock market may be up or down, but at the end of the day, there's a ton of opportunity at this moment to be innovating and to be investing in awesome companies that are going to grow in scale.

Speaker1: [00:05:08] And so what do you think is the biggest change we'll see in, say, the next 1 to 2 years?

Speaker2: [00:05:13] You know, I think we're going to just continue to see more of what we've seen. We might see some rightsizing evaluations and some some numbers that sort of end up getting back in line. Although I think that there are a lot of investors like me that think we're in a moment where we're just seeing the beginning of this next wave of innovation. And we'll continue to see unprecedented opportunities around things like Web three and how do we deploy blockchain and how is that actually making its way into different segments of the economy? There's a lot around the fintech space that will see a ton of innovation around. So I just think that it's going to continue to be a lot of new ways to deploy some of these more, more promising, newer technologies.

Speaker1: [00:05:58] All. Well, let's talk about your investment thesis. What exactly is it and what's your criteria for making an investment?

Speaker2: [00:06:05] We focus on what we call startups that disrupt to democratize. So that means for us. We believe very much in the power of technology to connect us directly to one

another. And that means that we can just get rid of the middlemen. We can sort of disintermediate markets. We don't need some of the players in the marketplace that have been there and have been consuming pieces of that marketplace. You and I can connect and transact and do business directly with one another, and that presents a lot of opportunity fintech, education, health care. And we think about the ability for somebody with skills to bring it directly to the people who want to learn those skills. We don't necessarily need some of the institutions that we've had in the past. So we think that this is a moment where we can really rethink major sectors of the economy in ways that you and I connect directly to one another. And we believe in doing that in a way that is empowering for more of us, the democratizing force of technology. And so you're seeing that in a lot of the sort of neobanks and fintech space, a lot of plays that you're seeing in the education space where experts are bringing their skills directly to people who want to learn them, even seeing it in the health care space where all kinds of new models are coming to marketplace, where providers are connecting directly to patients and consumers without necessarily having to go through the old constructs of medical practices and the like. So we're very much focused on seed stage companies and a stage companies that fit those those thesis.

Speaker1: [00:07:32] Great. Can you mention one or two startups that fit that thesis, perhaps a portfolio?

Speaker2: [00:07:36] Sure our portfolio is actually all on the website. So in the sort of infrastructure for the digital economy space for investors in a company called ID Me in the education space, we've got a company called Guild Education in our portfolio. And keep in mind that I'm invested across two vehicles. So builders and backers in 1776, all of which sort of fit that thesis and then a lot in sort of the blockchain space. So everything from linen to a crypto exchange in the Middle East called Bit Oasis.

Speaker1: [00:08:11] Great. Well, there are a lot of challenges in the startup space. What do you find is the main challenge your startups face when they run their business today?

Speaker2: [00:08:20] I mean, I think part of the challenge is that we are very, very focused on venture capital across the country where we've sort of grabbed hold of this idea that high growth startups create jobs, which is true, but we've turned that into venture capital is the way

to build your business. And that leaves, I think, a lot of really promising companies behind. Right. If you sort of think of it like a baseball game, it's as if we only care about the home runs. And we've stopped caring so much about the singles, doubles and triples, which are super important to a winning game as well. So I think it's a challenge that a lot of entrepreneurs feel like they have to go down that pathway and they do it without necessarily understanding what that means for the terms that they're taking the deal structure. What does that mean if you're the founder of the company and what does that mean to aim the company towards an exit and toward a return? And it's really important that entrepreneurs educate themselves before they go down pathways of taking capital from outside investors, whether it's venture or otherwise.

Speaker1: [00:09:21] What do you think is the main challenge that the investor faces in today's market?

Speaker2: [00:09:25] I think right now the fuzziness is really at an all time high. It's a lot of noise in the market and deals are moving super fast. I'm stunned at the deals that are getting done without proper due diligence happening. Lots of pressure to cut the check by Friday. You're going to lose the deal. There's a lot of fear of missing out. And I think that that's that's causing a lot of investors to miss the fundamentals. So I think it's it's important to fight against some of that urge. I know that's hard in this moment, but I think it's that that you need to be in the hot deal in order to raise the fund and to continue to raise your future funds. And that presents all kinds of challenges if you're really trying to run a firm based on solid fundamentals.

Speaker1: [00:10:12] Great. Well, there are a lot of sectors and applications out there in the startup world. If you had to pick one or two that are really good opportunities to pursue today, what would you call out?

Speaker2: [00:10:22] Well, I'm a big fan of the laggard markets. If you think about how much our lives have changed as consumers, whether it's retail music or any of those arenas, if we take the trends that have happened in those spaces and look at the laggard markets, things like education and health care, there's an enormous amount of opportunity for innovation in those spaces. And in many cases, they can. You can innovate by looking at models from some of those leading edge markets. What has happened in retail. Odds are some of those very same things happen are going to happen in the laggard markets as well. So big fan of some of these spaces.

Agriculture is another one as well. Lots of opportunity to bring modern day technology into those arenas.

Speaker1: [00:11:03] Right. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:11:08] Yeah. I mean, I think I think the last thing I would say is this is a really fantastic moment for anybody with an idea to put that idea into action. I think that there's never been sort of more capital sloshing around and more opportunity to bring some of these new tools to the table to innovate and markets that are stuck in 1965 or 1975, in some cases, lots of opportunity to innovate. So if ever there was a good moment to be an entrepreneur, now, is it? And there's never been more resources available to help teach you and to guide you through the journey of being, you know, this podcast, for example, these things didn't exist five and ten years ago for entrepreneurs and people who wanted to bring their idea to the table.

Speaker1: [00:11:48] Great. So how best for listeners to get back in touch with you?

Speaker2: [00:11:52] Best Way to reach me. Our website is Builders and Backers. And get me on Twitter at RD Harrison DC.

Speaker1: [00:11:59] Great will include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:12:04] Thanks. Good talking with you.

Speaker1: [00:12:08] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect dot org. Hall Tim Martin is the director of Investor Connect, which is a 500 1c3 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.