

CORPORATE SOCIAL RESPONSIBILITY

We Shall Overcome: Addressing a History of Inaction on DEI in Tech Startups & Venture Capital

by Mike Grandinetti



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Tech and VC firms may finally be getting serious about Diversity, Equality & Inclusion.

✔ **INSIGHT** | OPINION 22 Nov 2021

The great Black essayist, novelist, and intellectual James Baldwin said: “Not everything that is faced can be changed. But nothing can be changed that is not faced.” It appears that US startups and VC funds are finally facing the truth about their collective apathy on Diversity, Equity and Inclusion (DEI).

In an earlier post in California Management Review, author Elle Mahdavi **lamented the lack of diversity in tech.**

After decades of half-hearted, short-lived efforts, there are strong indications that US tech startups and VC funds have begun to collectively move beyond lip service to aggressively and sustainably address its long-standing poor track record of achieving DEI in its ranks.

There are many market signals which combine to lead me to the conclusion that we are finally moving the needle. These signals include:

Expanding economic inclusion for diverse entrepreneurs

Things are also changing dramatically in the world of Venture Capital and Entrepreneurship to expand economic inclusion for entrepreneurs, regardless of background.

- Top-tier venture capital funds and tech companies are investing as LPs in new Diversity-focused VC funds. These include **Andreessen Horowitz, Insight Venture Partners, Google** and **PayPal**.
- Commercial banks including Bank of America and JP Morgan have committed significant capital to funding Diversity-focused VC funds. **BofA has set aside \$350M in capital** as an LP. One beneficiary is **Visible Hands**, a new Boston-based VC fund led by Black, Latina and Asian partners. They write \$25K seed stage checks and require their portfolio companies to attend a 14 week Fellowship academy to hone their skills and refine their business concept. After completing the program, promising founders can seek up to an additional \$150K. JP Morgan and Liberty

Mutual **each invested \$750K** to fund the Fellowship Academy.

Visible Hands reports that the **early results of their efforts are promising**: of 50 seed stage investments, 49% are Black entrepreneurs, 14% Latinx, 10% multi-racial & 10% white. 75% of the group are women. This is what is known as “flipping the script.”

The number of Black-led VC funds doubled from 2019 to 2020, according to the NVCA. New York City-based **Harlem Capital Partners** raised a \$130M fund. Los Angeles-based **Slauson and Company** targeted \$15M for its first-ever fund. It ultimately raised \$50M given demand by LPs.

- The number of VC investments 2020 in Black-led startups increased to over 300, doubling since 2016. The recent Series D raise of \$60M by **Squire Technologies in July 2021**, led by Tiger Global, now the world’s most active venture capitalist, demonstrates that these ventures are beginning to realize near unicorn level valuations, previously unheard of.
- Black and Latina female founders have seen a tripling of cumulative capital raised, to over \$3.1B since 2018. The number of \$1M funding rounds quadrupled to almost 100 in the same time frame. Black female-led VC funds including **Cake Ventures** in Silicon Valley and **Growth Warrior Capital** power this trend.
- Silicon Valley-based Y Combinator, widely regarded as the most prominent startup accelerator in the world, named Black entrepreneur and Twitch founder **Michael Siebel** as its Managing Director, replacing Sam Altman, who went on to run the OpenAI initiative.

Expanding the talent pipeline

Base 10 Partners, the largest Black-led VC fund in the US, has announced its groundbreaking ‘**Advancement Initiative**’ VC fund, led by partner Jamison Hill. This \$300M fund will donate fully half of its profits as portfolio companies become liquid.

Holdings include major portfolio company winners like unicorns Brex, Canva, etc. are certain to throw off major returns to fund scholarships to students of color looking to pursue STEM majors.

While there is much work to be done, there is light at the end of the tunnel

In total, these many signals indicate a positive step forward. That said, society has a long way to go to achieve the aspirations of our Founding Fathers and the landmark legislation known as the US Civil Rights Act of 1964. While things are far from ideal, there is some light at the end of the tunnel.

Ideal Outcomes

As the prevailing western system - democratic and capitalistic, market-driven, engages in an epic global battle for economic and technological superiority vs. the autocratic and heavily regulated Chinese system, the ability to harness the collective cognitive and creative power of each and every citizen becomes critical. Under-employment of a significant percentage of the US population is simply unacceptable when China already has a 4.4X population advantage, compared to the US, based on 2020 census data. China graduates 600K undergraduate engineers annually, while the US graduates 70K.

Talent is equally distributed, while opportunity is not. The opportunity to more equitably distribute opportunity to those with requisite talent is imperative.

Latinos comprise 18.5% of the US population, while Blacks comprise another 13.5% for a collective 32%. To under-utilize one third of our country's talents would be downright reckless.



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Mike Grandinetti teaches courses on entrepreneurship and innovation at Harvard and Brown and lectures in Berkeley's Engineering Leadership Professional Program. A former Silicon Valley engineer and McKinsey consultant, he's been a CxO for 8 VC-backed tech startups. Two went public on the NASDAQ.