

Majority Black venture capital firm announces \$103 million fund to invest in entrepreneurs of color

March 25 2021, by Jessica Guynn and Terry Collins



Credit: CC0 Public Domain

A majority Black venture capital firm, helmed by a technology veteran, a Hollywood producer, and a former mayor of Washington D.C., is leading a new \$103 million fund to seed young companies started by people of color.

MaC Venture Capital, based in Los Angeles and Silicon Valley, is the result of a 2019 merger between Cross Culture Ventures, founded by Marlon Nichols, and M Ventures, co-founded by Adrian Fenty, Michael Palank and Charles D. King, who was the first Black partner at a major Hollywood talent agency. It has already invested in 25 companies.

The firm's philosophy: Women and people of color should be represented in the business and cultural life of the nation, particularly in the tech industry that drives so much innovation and so much of the economy.

"We want to get as close to a crystal ball as possible," Nichols told U.S. TODAY in an interview. "If [human behavior](#) is driving everything, then we should look at which of these emerging trends will be the new social norm."

MaC Venture Capital belongs to a new wave of [venture](#) capital firms and a new generation of venture capitalists shaking up the status quo.

These investors don't invest exclusively in entrepreneurs of color but make sure entrepreneurs from [diverse backgrounds](#) who've been largely overlooked by venture capitalists get an equal shot at Silicon Valley success.

Among those championing a more diverse set of entrepreneurs are Plexo Capital's Lo Toney, Backstage Capital's Arlan Hamilton, Equal Ventures' Richard Kerby and Precursor Ventures' Charles Hudson.

With the new fund, MaC Venture Capital says it will make 40 investments, with an average investment of \$1 million. Limited partners include Foot Locker, Goldman Sachs, Bank of America, and Howard University.

"It's important to approach the investing game without bias," Nichols said.

The vast majority of entrepreneurs who land venture capital funding are white men, much like the financiers who hand it out. Venture capitalists tend to place their bets on people who've already succeeded or who remind them of the people who have.

Black and Hispanic entrepreneurs face significant hurdles—insular networks, negative stereotypes, and racial discrimination. A tiny fraction of start-ups led by people of color attract venture dollars.

For example, despite gains, Black women and Latinas combined make up less than 1% of all venture capital investment, a recent study by digitalundivided, a nonprofit that supports female entrepreneurs of color, found.

The small number of Black founders who receive venture financing mirrors the number of Black decision makers in venture capital, Nichols said.

According to a National Venture Capital Association and Deloitte survey, Black employees comprised 4% of the overall workforce, 4% of investment professionals and 7% of junior-level investment positions. The percentage of investment partner positions held by Black employees was 3%.

Black employees comprised 3% of investment professionals who originate deals, 3% of those who represent the firm on the boards of portfolio companies, 3% of firm investment committee members, and 3% of management company owners, the survey found.

"To solve this issue, more Black venture capital fund managers have to

start receiving funding at similar levels to our white counterparts," Nichols said. "Diverse fund managers have proven to be more inclined to invest in Black founders, and in many cases, are able to quickly recognize the value in what they are building."

To increase the odds of success, these investors get involved at the formative stages of a company when even small bets on big ideas can make the difference between failure and becoming the next Facebook.

It's a strategy that has become all the more critical with the business world's focus on racial inequity following last year's police killing of George Floyd in Minneapolis.

"The seed stage and series A is the best place to put our skills to work as we want to be on the front end of a company's success," said Fenty, the former D.C. mayor.

The long-term play is to level the playing field and gradually shift the gender and racial make-up of the technology industry, which remains mostly white and male.

"We feel like the ecosystem still has a long way to go," Fenty said. "But change is coming."

(c)2021 U.S. Today

Distributed by Tribune Content Agency, LLC.

Citation: Majority Black venture capital firm announces \$103 million fund to invest in entrepreneurs of color (2021, March 25) retrieved 19 April 2024 from <https://techxplore.com/news/2021-03-majority-black-venture-capital-firm.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.