

## Exclusive Voice interview

## BRIDGING THE GAP

Venture capital expert Paula Groves is helping to uncover hidden business gems with money-making potential by backing often-overlooked black and female entrepreneurs

By Vic Motune

**V**ENTURE CAPITALISTS – private investors who provide funding to start-up businesses that have huge growth potential – have been behind many of the companies that have helped transform the way we live over the past two decades.

Venture capital money has paved the way for a wave of innovative business models that enable companies to connect with their customers in radically new ways.

Google, Uber, WhatsApp, Groupon, Facebook, Shopify and Airbnb are just a few of the businesses that have been backed by venture capitalists and whose success has had far-reaching influence on society as a whole.

However, many ambitious minority ethnic business owners will tell you that venture capital investors – and the entrepreneurs they decide to invest in – seem to overlook the issue of diversity.

Minorities and women are significantly under-represented both in terms of those who have the power to provide funding and also those receiving it.

Indeed, statistics would seem to bear out often-repeated claims that the venture capital field is essentially an all-boys club with a mostly white workforce.

A recent survey by US-based site RateMyInvestor found that the typical founding team in a start-up that successfully receives venture capital funding is “all male”, “all white”, and “residing in Silicon Valley”.

British statistics also present a discouraging picture.

According to recent research by the Economic and Social Research Council, businesses run by black and minority ethnic (BAME) entrepreneurs were estimated to contribute between

£25 billion to £32 billion per year to the British economy.

Other figures, published in 2017 from the Global Entrepreneurship Monitor, highlighted the fact the Total Early Stage Entrepreneurial Activity rate among non-white Britons was 14.5 per cent, compared to 7.9 per cent for white Britons.

Yet despite growing levels of entrepreneurial activity in the BAME community, aspiring black business owners often struggle to get significant investment to help their businesses grow.

Statistics show that, overall, only one per cent of venture capital investments go to black-owned businesses.

## IMPACT

One woman was determined to do something about it.

Over the course of a long and distinguished career in venture capital investment and consulting, Stanford University and Harvard Business School graduate Paula Groves has built a strong reputation in the United States as a social impact investor, one who works with entrepreneurs from under-represented communities.

A central tenet of this type of investing is that when these businesses receive financial backing it can have a transformative effect, not just on the businesses, but the communities they spring from as well.

Groves won plaudits after co-founding the private equity firm Axxon Capital in 1999.

The company raised \$54 million from pension funds and high net worth individuals and then invested in technolo-

gy-oriented companies led by minority ethnic and female entrepreneurs.

At the time, there were very few venture capitalists or other types of investors in the United States investing in these groups.

As well as her role in founding Axxon, Groves has used her expertise to develop targeted investment funds for a number of other organisations.

She has created funds for the Oakland Chamber of Commerce and the US Small Business Administration that help entrepreneurs from under-represented communities gain access to capital.

In the process she helped clients secure more than \$11 million in debt and equity capital and increase their revenues by \$4 million.

Now the respected investor and consultant has turned her attentions to the UK.

Groves is one of the founding members of Impact X Capital, a £100 million investment fund created by a unique, diverse team of venture capitalists who are strategically targeting businesses from under-represented communities that also deliver a positive social impact.

One of the key issues that the team wants to address is the fact that the overwhelming majority of venture capital investments in the UK go to white, university-educated men.

For Groves and her team, this represents a huge gap in the venture capital market that offers real opportunities.

“With Impact X my thesis that there are hidden gems in the UK waiting to be invested in has proven to be true,” Groves says.



STUDENT DAYS:  
Paula at Stanford



“We’ve seen women with backgrounds that are outstanding. For example, we are looking at one female entrepreneur who has a neural science degree who is developing technology to transform the clinical trial process, which loses over \$44 billion every year because of the inefficiency of the process.

“We have another female entrepreneur who has a PhD and is developing technology to enhance the clarity of mobile phones. As you probably know, you often have to say to someone on the other end of your mobile phone call, ‘can you hear me?’

“The background and the intellectual capacity of these black females is outstanding and they are developing deep science companies and technologies that will transform our world.”

Groves began what she describes as her “lifelong romance with finance” early in life.

Growing up in Los Alamos,

New Mexico, she was often the only African American student in her classes.

But she excelled academically because education was a priority in her family.

“My father had a PhD in chemistry, my mother had a masters in biology and she was a teacher at the Los Alamos

“These black females will transform the world with their technology”

middle school where she taught biology and science,” she recalls.

“Succeeding in school and getting top grades in our class was a priority for me and my sister.”

However, Groves rebelled at the idea of following her par-

ents into science: “In my freshman year at Stanford I took an economics class and I felt like a lightbulb was switched on in my mind.

“I thought ‘this is how the world works’. It is driven by money and economics.”

She continues: “If you look at key issues like community empowerment and development, at the base of it all is the monetary system. Translating the monetary system into economic opportunity was such an inspiration for me and I thought to myself, ‘this is what I want to do.’

“I wanted to be involved in changing the world from a finance perspective and get more money and opportunity into communities of colour.”

A life-changing opportunity to work on Wall Street came while studying at Stanford through an organisation called Sponsors of Educational Opportunity (SEO).

“The mission of SEO was to get more women and people of



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