

Promising Tech Startups Grounded by a Lack of Diversity in Funding

It's a shocking and disappointing statistic—in the tech industry, only about three percent of venture capital funding is going to women and less than one percent to people of color. This is not a supply side problem. Hundreds of software startups run by women, African-Americans and Hispanics are already online, in the queue and ready for lift-off. All these eager creators need is a timely final push from the venture capital side, but all too often that crucial financial assistance never materializes. Instead the money goes elsewhere, generally to the very same places it has always gone before.

Diversity is Gaining Traction

To some extent this selection bias is based on prejudice, but there is more to it than that. Stakes are high in venture capitalism and that tends to breed a culture where risk aversion dominates. This means endless iterations of the same-old, same-old while promising alternatives are allowed to fall through the cracks. Past relationships also play a pivotal role in the reproduction of sameness, as many investors prefer to funnel seed and early-stage funds to people they already know and trust.

Traditional patterns of venture capital disbursement run counter to the goals of tech industry diversification, and those patterns have proven highly resistant to change. But thankfully the truly talented no longer have to wait around to be discovered. In the software/apps biz startups and founders can gain cheap and immediate market access through virtual sources, giving them an opportunity to gain traction and make an impact with consumers even without the benefit of VC largesse.

Always preferring the real to the theoretical, a growing number of investors are tracking these developments and adjusting their funding allotment patterns accordingly—which could ultimately be a boon to underrepresented demographics. The evolving relationship between traction and venture capital flow is putting us on a path to a purer form of meritocracy, where authentic innovators backed by actual customer demand will be in a better position to obtain the capital they need to take flight.

Inspired by this exciting new trend, I've begun using technology to further the cause of organic diversification in the tech industry through my website VentureFund.io. The VentureFund platform facilitates real-time data-sharing and relationship-building between fledgling founders and investors looking for a broader pool of talent (and life experience, and perspective) to choose from.

Founders and app developers can use the site to forge one-to-one, personal connections with investors, selling their visions, products and ideas with live, up-to-the-minute growth data. Investors can chart traction as it builds and jump in whenever they're ready—or they can provide the seed money to help fantastic ideas and the dynamic personalities behind them escape from the shadows. This model is the antithesis of cronyism and will be especially useful for underrepresented groups looking for a way to smash those VC funding barriers.

A Fair Economy is a Robust Economy

Low levels of participation and a lack of support for women and people of color in the tech industry is a social justice issue, to be sure. But it's also a sign of economic underdevelopment, of a tech industry that's operating far below capacity. Successful startups expand consumer demand, stimulate tech sector growth and act as a springboard for more wide-ranging R&D expenditures—all of which creates more opportunity and profit for everyone.

Venture capital should continue to seek out potential winners. But they're found everywhere and the smartest and fairest course of action is to shine the spotlight on them all.