

THIS VENTURE-CAPITAL FIRM WANTS TO HEAR FROM YOU

With a goal of investing in 1,000 minority and women entrepreneurs in the next 20 years, Harlem Capital Partners is taking aim at the exclusive world of startup funding



The co-founders of New York venture-capital firm Harlem Capital Partners, from left to right: Jarrod Tingle, Brandon Bryant, Henri Pierre-Jacques and John Henry. PHOTO: JEFFREY MATOS



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For entrepreneurs raising money, the world of venture capital can feel insular and opaque, more about who you know than what you're building. One early-stage venture-capital firm is taking a different approach, aiming to fund a wider group of founders.

Harlem Capital Partners opened its doors in 2015 with an ambitious goal: to raise \$1 billion to fund 1,000 minority and women founders over the next 20 years. The funding gap is wide. According to the firm's estimates, only 3% of venture-capital funds go to startups founded by

women and minorities. Companies with at least one female founder were involved in 15% of venture-capital deals in the U.S. in 2018, according to PitchBook Data Inc. Similar data on race is not available.

The New York-based firm, founded by managing partners Henri Pierre-Jacques and Jarrod Tingle, alongside venture partners John Henry and Brandon Bryant, says it is throwing open the ideas-sourcing process, a radical departure from the norm, where most deals come from referrals and introductions. By contrast, Messrs. Tingle and Pierre-Jacques publish their email addresses on the company website. About half of the 950 companies that have pitched them did so without a previous introduction, resulting in two of the firm's 12 deals. Their portfolio includes a menstrual-products company, a media platform for black millennials and a cardiac rehabilitation program.

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The firm is seeking to raise \$25 million for its first fund but won't disclose how much it has raised. Private-equity firm TPG Capital announced a minority stake in Harlem Capital last month and became a limited partner in its first pooled fund. KKR & Co. also announced a partnership with the firm in May aimed at giving the private-equity firm access to a more diverse talent pool.

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Mr. Pierre-Jacques, 27, and Mr. Tingle, 28, are both 2019 graduates of Harvard Business School. They met in 2011 as undergraduate students—Mr. Pierre-Jacques at Northwestern University and Mr. Tingle at the University of Pennsylvania's Wharton School—participating in Management Leadership for Tomorrow, a college and career prep program for high-achieving young African-American, Latino and Native-American professionals. They started an early version of the firm in 2015 while both were working in private equity and went full-time this year.

Their relative youth has made it more difficult to fundraise and make client introductions for portfolio companies, Mr. Tingle said, but it has also given them the freedom to work outside the "givens" of venture capital. "It wasn't ever in the plan to start our own fund, but the opportunity was so strong," he said.

They recently spoke with The Future of Everything about how they're investing in a rising generation of founders.

What issues do women and founders of color face in accessing capital?

Mr. Tingle: The structure of venture capital, where a few companies generate all your returns, makes you more likely to pattern-match for people that look like you and like folks that have been successful before: the late-20s, early-30s white guy who went to Stanford or Harvard and lives in Silicon Valley. One of the reasons this pattern exists is the fact that there are not a lot of women or minorities in VC roles, and there's no natural way for them to get [those roles]. These organizations are small and don't turn over much in terms of headcount.

Second, early-phase investments are very subjective, with only so many metrics that you can attest to. Usually it comes down to liking the founder, the team and the market opportunity, and then seeing this company as being high-potential. As a result, more bias comes into play. Fundraising for women and people of color can take longer, and they can receive lower valuations.

Why should investors be focused on addressing this gap?

Mr. Tingle: It makes good business sense. Innovation has been slowing on several metrics, and you're looking for the next wave of innovation. If you think about women and minorities, they have different problems, they have a different toolkit that they can use to start companies, and they also serve under-penetrated, underserved markets. If you think about how to drive growth, it's a really interesting way to go forward.

How did you convince traditional investment firms like TPG to pay attention and put actual dollars down on this proposition?

Mr. Tingle: Part of it is that we were at the right place at the right time. We sat down with their head of business development in November, who said, "Hey, we're actually thinking about backing emerging managers as a strategy."

And we were well-prepared. By the time we met them, we had already made six investments of our own personal money and started a moderately-sized fund to execute on our strategy while we were still in business school, which is not traditional.

We had also built a following on social media. John [Henry] had a TV show on Viceland called “Hustle.” And I think we just connected with them personally. Especially the senior folks at these firms—the ones that were pioneers, that took risks when they were younger—I think they saw themselves in us.

You’re a minority- and women-focused firm run by four men. Are you planning on hiring any women on the investment team?

Mr. Pierre-Jacques: We are hiring a woman senior associate, something that’s top of mind for us. Half of our advisers and interns are women. We’re conscious of our [limited partner] base being women-centered. So we’re very aware of it and know what we need to do as we go forward for fund two.



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What has the return on investment been like for your portfolio so far?

Mr. Pierre-Jacques: Our portfolio has tripled in revenue over the last 3½ years, and that includes some of our angel investments. Some of our better companies are growing 30% to 40% month over month. We’re looking to be a top decile fund.

What’s been an unexpected challenge?

Mr. Pierre-Jacques: The fundraising piece. Even though we’re not an impact fund [a fund focused on positive social or environmental outcomes as well as financial returns], people bucket us as an impact fund. Also, I think people have proven there’s enough women-led startups, but, “Are there enough people of color?” is a question that still exists in the market. We haven’t found that to be a problem. We have more deals than we can invest in.

What advice do you have for investors who want more diverse portfolios?

Mr. Tingle: Expand your networks. Go to different types of events to look for founders, put your email [address] on your site, or be on social media instead of making it tough to contact you. Hire more diverse investors on your team. There are many qualified potential women and minority investors. Rethink what criteria you put forth for the job versus what's actually needed to do it.

When will we see minority-led companies get the same access to funding as other startups?

Mr. Tingle: If Harlem Capital and other like-minded funds are successful and getting the support they need from limited partners or investors, I think we could see parity by 2040.

This interview has been condensed and edited.

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