

2016 REPORT:

# Austin Startup Diversity

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***"The reason we invest in women and minorities so broadly is because we believe other investors are being foolish."***  
***- Dave McLure, Founder, 500 Startups***

## Founders' Foreword:

A lively and flourishing center of innovation, technology, and entrepreneurship, Austin is well on its way to fulfilling its goals of becoming the nation's 'Silicon Hills'. As the city grows into a major national and global startup hub, it is also well-positioned to lead in another space critical to successful startup ecosystems: increasing diversity in the startup world.

This report critically examines the current diversity environment in the startup community, provides successful examples of programs and accelerators targeting diversity around the country, and ultimately demonstrates why Austin, Texas, is both well-placed to drive this movement, as well as why the city cannot afford to ignore it.

**Of note, for the purposes of this report, diversity in tech and the startup space is focused primarily on under-represented communities within the tech economy, among other industries, which include African American and Hispanic entrepreneurs and also explores and analyzes gender disparity.**

Our hope for this research is that it creates critical dialogue and adds to a growing, and extremely necessary, body of programs, policies and efforts to address and stimulate diversity across the startup landscape in Austin.



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## National Diversity in Tech and Startup Landscape

For many the pursuit of entrepreneurship is the embodiment of the American Dream, the ability to work hard, build something meaningful, and reap the financial rewards of your contributions. In fact, it was America's ripe capitalist market that helped to lay the foundation needed to birth companies whose commitment to innovation has helped shape the world.

Today, with the advent of technology, many barriers in business have been reduced, making the formation of new tech-enabled companies — or startups — less expensive, far quicker to form, and easier to bring to market and scale across a myriad of industries. These advancements have created a business climate that has moved the nation out of a corporate era and into a new age of entrepreneurship. The effect can be seen in the rise in the number of coworking spaces, accelerators, and incubators that support these entrepreneurs across the nation<sup>1</sup>.

Regardless of individual motivation, on the surface, entrepreneurship presents itself as an equitable meritocracy of sorts, where anyone willing to work hard can use their talent, networks, and capital to turn their passion into a successful business.

Unfortunately, the data tell a different story. While anyone can create an idea, when it comes to access to capital and resources to start and scale successful companies, communities of color remain disproportionately disconnected. This is due in part to a legacy of limited or nonexistent capital streams, isolated entrepreneurial corridors and communities, and inequitable educational opportunities.

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<sup>1</sup> SEO'Brien, "Evolve the Way You Work – The Role of Coworking Spaces, Incubators, and Accelerators," seobrien.com, November 19, 2013, <http://seobrien.com/evolve-way-work-role-coworking-spaces-incubators-accelerators>

This inequity is evidenced by statistics that show that when it comes to access to venture capital and startup funding, the number of women and non-white groups who receive backing is remarkably low, with research indicating women and underrepresented groups are 2.6% and 21.7% less likely to raise private equity funding — and 18.7% and 22.2% less likely to raise venture capital — than their white male counterparts.<sup>2</sup> The same trend is found in the startups selected for accelerators, with the top programs' class profiles composed of about 22-33% women, 5-10% Hispanic, and 8-15% African-American.<sup>3</sup>

Moreover, there is a general lack of representation of diverse groups within the startup community. ***This is evidenced by the by the fact that among 71% of the top venture capital (VC) firms, roughly 94% of investment team partners are male and 78% are white.***<sup>4</sup> Of venture funded startups, only 8% were women-led startups. And for African Americans, this figure was a dismal 1% for venture-funded founders.

As put by the successful investor, Troy Carter, founder of Atom Factory and investor, "Who said African American founders can't build a billion dollar company?"<sup>5</sup> Yet, these figures demonstrate significantly how disproportionate the funding gap remains. Part of the problem is "pattern matching," or the unconscious bias of investors looking for entrepreneurs and startups that are similar to prior successes.

The impact of pre-existing bias and a lack of understanding of the market that many diverse founders may build companies within, results in a massive void in capital investment in underrepresented founders. Working against these kind of biases further demonstrates the importance of why more diverse faces and minds are needed in the business, technology, and entrepreneurial worlds.

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<sup>2</sup> Timothy Hay, "Female-, Minority-Run Startups Have Tougher Fundraising Road, Study Says," *Wall Street Journal*, last modified October 30, 2014,

<http://blogs.wsj.com/venturecapital/2014/10/30/female-minority-run-startups-have-tougher-fundraising-road-study-says/>

<sup>3</sup> Salvador Rodriguez, "Tech Diversity: Accelerators Go After Women, Underrepresented Minorities For New Startup Ideas," *International Business Times*, November 10, 2015,

<http://www.ibtimes.com/tech-diversity-accelerators-go-after-women-underrepresented-minorities-new-startup-2177805>

<sup>4</sup> Salvador Rodriguez, "Tech Diversity," et al.

<sup>5</sup> Sara Ashley O'Brien, "Investor: Who said black founders can't build a billion dollar company," *CNN Money*, April 2, 2016, <http://money.cnn.com/2016/04/01/technology/troy-carter-diversity-in-tech/index.html?iid=RNM>

## Why Diversity Matters: The Economic Cost of Inequity

The consequences of lack of diversity are compelling. Impacts include a lack of innovation, limited talent pool, and slower job creation and economic growth.

### Limits to Innovation

The premise behind innovation is developing strategies and solutions. By working solely with people who have similar experiences and backgrounds, investors and companies are limiting the idea-potential of their investment portfolios and their workforce. In reality, the more diverse the backgrounds, the more associations available, the more paths toward solving business and community problems, and thus bringing new products and services to market — or the process commonly known as innovation.<sup>6</sup>

This is particularly applicable in social entrepreneurship work: despite being aimed at addressing problems that are more likely to affect diverse and underserved communities, there is a lack of representation from those communities involved in creating solutions, which severely limits the ability to address the issues.<sup>7, 8</sup>

### Limits to the Tech Diversity Pipeline

It is also important to acknowledge the limitations in recruiting new talent. Hiring the best and brightest workers will occur the wider and more diverse the net is. Due to underrepresented groups having fewer connections to technology, education, and the right networks,

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<sup>6</sup> Scott E. Page, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies* (New Jersey: Princeton University Press, 2007): 371-375.

<sup>7</sup> Peter Holbrook, "The missing voices of social enterprise," *The Guardian*, January 10, 2014, <https://www.theguardian.com/social-enterprise-network/2014/jan/10/social-enterprise-women-business-diversity>

<sup>8</sup> Bobby Moore, et al, "Social entrepreneurs lack diversity in leadership teams," *The Baltimore Sun*, April 13, 2016, <http://www.baltimoresun.com/news/opinion/oped/bs-ed-entrepreneur-diversity-20160413-story.html>

this talent is more difficult to find, and both the job seeker and the hirer would benefit from a more expansive and diversity-targeted recruitment process.<sup>9</sup>

Nationally, the lack of representation in the technology sector — an industry of growing importance to Austin — has drawn great scrutiny, for its dismal diverse employment and engagement.

### National Diversity in Tech Employment Stats by Ethnicity<sup>10</sup>

Name	Black	Hispanic	White
LinkedIn**	2.1	4.3	51.1
Cisco	3.4	5	54.4
Intel	3.5	8.2	55.9
Facebook	1.5	3.9	57.1
eBay	7	5.4	60.5
Microsoft	3.4	5	60.7
Google	1.9	4.4	60.9
Airbnb**	2.8	6.1	66.2
HP	6.7	7.7	69.7

Figure 1: National Diversity in Tech Employment Stats (2015), Fortune Magazine

\*\* no Austin-based offices.

<sup>9</sup> Bowdeya Tweh and Fatima Hussein, “How can Cincinnati’s tech scene be more diverse?” *Cincinnati.com*, last modified February 21, 2016, <http://www.cincinnati.com/story/money/2016/02/19/how-can-cincinnati-tech-scene-more-diverse/80283234/>

<sup>10</sup> Stacy Jones and Jaclyn Trop, “See how the big tech companies compare on employee diversity,” *Fortune Magazine* July 30, 2015, <http://fortune.com/2015/07/30/tech-companies-diveristy/>



## National Diversity in Tech Employment Stats by Gender<sup>11</sup>

Name	Women	Men
Airbnb**	29.4	70.6
Facebook	23.1	76.9
eBay	23.1	76.9
HP	20.5	79.5
LinkedIn**	20.5	79.5
Cisco	19	81
Intel	16.8	83.2
Google	16	84
Microsoft	12.5	87.5

Figure 2: National Diversity in Tech Employment Stats (2015), Fortune Magazine

\*\* no Austin-based offices.

## Limits Potential of Diverse Entrepreneurs as Economic Catalysts and Employers

Perhaps most significant of all is the potential for businesses owned by women or people of color to grow the U.S. economy. The value proposition of diversity has been evidenced by countless reports that demonstrate a positive correlation between increased diversity and business revenues. Small businesses create the most jobs,<sup>12</sup> and in 2007 alone, those owned by African Americans and Hispanics/Latinos respectively created almost one million and two million jobs each. As historically poorly-supported segments of society, increasing business resources to these groups is an opportunity to address high

<sup>11</sup> Stacy Jones and Jaclyn Trop, "See how the big tech companies compare on employee diversity," *Fortune Magazine* July 30, 2015, <http://fortune.com/2015/07/30/tech-companies-diveristy/>

<sup>12</sup> David Neumark, Brandon Wall, and Junfu Zhang, "Do small businesses create more jobs? New evidence for the United States from the National Establishment Time Series," *Review of Economics and Statistics* 93, no. 1 (2011): 16–29, doi:10.1162/REST\_a\_00060

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employment rates of underserved communities and to have a huge, positive impact on the national economy overall.<sup>13</sup>

This is supported by research conducted by Center for Global Policy Initiatives<sup>14</sup> that found that institutionalized and unintended bias is costing an estimated 1.1 million businesses, 9 million jobs and roughly \$300 billion in lost national income from businesses created by diverse founders.

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<sup>13</sup> Thomas Boston, "Minority Report: Expanding Opportunity for All," *Democracy: A Journal of Ideas*, no. 21 (2011), <http://democracyjournal.org/magazine/21/minority-report-expanding-opportunity-for-all/>.

<sup>14</sup> Algernon Austin "The Color of Entrepreneurship: Why the Racial Gap Among Firms Costs the US Billions," *Center for Global Policy Solutions*, April 20, 2016, <http://globalpolicysolutions.org/report/color-entrepreneurship-racial-gap-among-firms-costs-u-s-billions/>



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## Austin's Diversity Landscape and Dilemma

It is no secret that Austin has consistently topped Forbes magazine's rankings of top cities in America for a number of areas including growth and business. Of additional opportunity to celebrate — and far less discussed — is Forbes' ranking of Austin among the top 10 cities where Hispanics<sup>15</sup> and blacks<sup>16</sup> are doing the best economically. Further, Austin was also ranked among the Top 25 Cities for Female Entrepreneurs by NerdWallet<sup>17</sup>. In developing its lists, Forbes assessed a number of factors including quality of life, economic prosperity, and entrepreneurship in its evaluation metrics.

While it is important to acknowledge these achievements and more widely celebrate them, it is also critical to understand that they do not dissolve the need to continue to address the inequitable economic opportunities that remain for communities of color in employment and entrepreneurship. This, too, has been reported by Forbes in their consideration of Austin as the number one city in the country for economic inequality and segregation.<sup>18</sup>

In exploring this further, Austin diversity and equity data offers no less of a compelling call for action than other rising entrepreneurship hubs such as the Bay Area, Washington, DC, and Boston which have all made national headlines for their pervasive lack of diversity exacerbated by escalating costs of living and thereby the cost of doing business.

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<sup>15</sup> Joel Kotkin and Wendell Cox, "The U.S. Cities Where Hispanics Are Doing The Best Economically," *Forbes*, Jan 30, 2015, <http://www.forbes.com/sites/joelkotkin/2015/01/30/the-u-s-cities-where-hispanics-are-doing-the-best-economically/#36d353284bce>

<sup>16</sup> "The U.S. Cities Where Blacks Are Doing The Best Economically," *Forbes*, 2015. <http://www.forbes.com/pictures/femi45jlhh/no-1-atlanta-ga/#41465dc714c6>

<sup>17</sup> Jonathan Todd, "Best Places for Women Entrepreneurs, Small-Business Loans, Big Revenues," *NerdWallet*, October 26, 2016, <https://www.nerdwallet.com/blog/small-business/women-entrepreneurs-small-business-loans/>

<sup>18</sup> Nicole Raney, "Austin is the most economically segregated city in the country," *CultureMap Austin*, February 24, 2015, <http://austin.culturemap.com/news/city-life/02-24-15-economic-segregation-report-austin-income-education-occupation-disparity-martin-prosperity-institute/>

## Austin as a Majority-Minority City

To start, Austin is more diverse than the U.S. is as a whole and is a majority-minority city in that no one group makes up more than 50% of the demographic whole.<sup>19</sup>

### Austin (city) and National Demographics, 2010 Census Data (%)

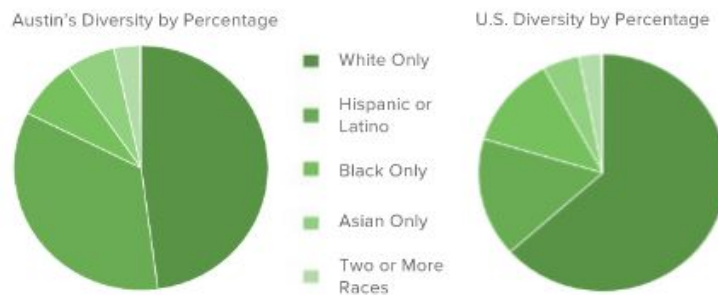


Figure 3: Austin vs. National Demographics

Collectively, Hispanic/Latino and Black groups compose 43.2% of Austin's population. Despite this fact, these two groups earn on average \$21,000 less per year than White and Asian counterparts, who make up 55% of the total population.<sup>20</sup>

<sup>19</sup> 2010 Census Data <https://www.census.gov/>

<sup>20</sup> Brian Kelsey, "2016 State of Small Business in Austin," *Civic Analytics, LLC*, April 29, 2016, <http://civicanalytics.com/2016-state-of-small-business-in-austin/>

## Average Annual Earnings and Maximum Affordable Monthly Housing Costs in Travis County for Workers Age 25+ by Educational Attainment and Race/Ethnicity (2014)



Figure 4: Image credit via Civic Analytics, LLC

## Austin's Diverse Business Climate

The status of diversity in Austin's business climate requires further analysis to shed light on both the challenges facing underrepresented communities and the opportunities that those communities present to drive Austin's economic development.

### Gender Diversity

According to research on women entrepreneurs:

**Findings from various research reports on entrepreneurship among Austin women show that:**

1. About 15% of Austin startups are founded by women<sup>21</sup>
2. Roughly 12% of women-led companies in Austin have been venture-backed on par with Atlanta, Palo Alto, and Sunnyvale but drastically lower than

<sup>21</sup> Brent Wistrom, "A Comprehensive List of Women-Led Startups in Austin," *Austin Inno*, September 9, 2015, <http://austininno.streetwise.co/2015/09/09/austins-woman-led-startups-these-female-founders-are-helping-diversify-austin/>

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surprising cities such as Las Vegas, Oakland, Pittsburgh, Portland — all of whom were between 26% and 23%<sup>22</sup>

3. Austin ranks #5 in the nation and #12 in the world for women entrepreneurs according to a Dell-commissioned study<sup>23</sup>

## **Ethnic/Racial Diversity**

Through unique partnerships, the City of Austin has championed and supported the formation of business associations and chambers of commerce that focus on the unique and niche needs of ethnic communities. These organizations also conduct research to aid in better understanding the business and entrepreneurial climate for Austin. Pertinent to this report are business findings from the Greater Austin Black Chamber of Commerce and the Greater Austin Hispanic Chamber of Commerce as released in separate reports in 2015 and 2014, respectively.

### **Findings from Greater Austin Hispanic Chamber of Commerce:<sup>24</sup>**

1. Hispanic-owned businesses are projected to top 51,000 in number and contribute over \$12.8 billion in revenues to the region by 2020
2. Transportation and warehousing; information; administrative support; finance and insurance; and the professional and technical services industries saw the most growth over the last five years.
3. Employment by Hispanic-owned businesses in Central Texas is projected to grow from 48,793 in 2013 to 127,500 in 2020.
4. 65% of Hispanic businesses surveyed reported having an undergraduate degree or higher.

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<sup>22</sup> Gené Teare, Ned Desmond “Female Founders On An Upward Trend,” *Techcrunch*, May 26, 2015, <https://techcrunch.com/2015/05/26/female-founders-on-an-upward-trend-according-to-crunchbase/>

<sup>23</sup> Brent Wistrom, “Report: Austin Ranks No. 5 in the Nation and No. 12 in the World for Women Entrepreneurs,” *Austin Inno*, June 22, 2016, <http://austininno.streetwise.co/2016/06/22/women-entrepreneurs-austin-ranks-no-5-among-u-s-cities/>

<sup>24</sup> “New Research Illustrates Fast-Growing Hispanic Businesses in Greater Austin and Central Texas” *Greater Austin Hispanic Chamber of Commerce*, November 25, 2014, <http://www.gahcc.org/Hispanic-Business-Research-Study.hispanicbusinessresearchstudy.0.html>

## Findings from Greater Austin Black Chamber of Commerce (*Travis County*):<sup>25</sup>

1. Average receipts for Black firms in Travis County were at an all-time high at \$131,399 in comparison to Dallas, Harris, Bexar, Fort Bend, and Tarrant county which all fell below \$64,000
2. Higher average sales in retail trade sector, \$310,610 versus \$89,231 for the state of Texas and \$138,423 for U.S.
3. A higher concentration of firms in professional, scientific, and technical services with 12.8% versus 8.8% for Texas, 8.5% for U.S.
4. A higher percentage with paid employees with 7.8% versus 4.7% for Texas, 5.5% for U.S.

## Challenges for Diverse Businesses in Austin

Of specific relevance to business, Hispanic and Black-owned businesses had the lowest average sales of all groups surveyed in Austin, which demonstrates the disparity of economic development between two nearly equal portions of the city's population.

### Characteristics of Business Owners in Austin (city), 2012<sup>26</sup>

Name	Average Receipts	With Employees	Average Pay
Asian	\$398,063	29%	\$35,171
Male	\$673,168	23%	\$44,219
White	\$501,880	20%	\$42,141
Female	\$150,694	12%	\$31,600
Hispanic	\$103,386	8%	\$34,105
Black	\$111,324	7%	\$25,813
All Firms	\$456,346	19%	\$41,441

Figure 5: Characteristics of Business Owners in Austin (city), 2012

<sup>25</sup> "Austin Black-owned Businesses Outperform State Statistics, Data shows," *Greater Austin Black Chamber of Commerce*, July 17, 2015, <http://austinbcc.org/2015/07/17/gabc-hosts-state-of-black-business-in-central-texas/>

<sup>26</sup> Brian Kelsey, "2016 State of Small Business in Austin," *Civic Analytics, LLC*, April 29, 2016, <http://civicanalytics.com/2016-state-of-small-business-in-austin/>

As a result, diverse groups look elsewhere for opportunities. In a study done by The Institute for Urban Policy Research & Analysis at the University of Texas at Austin, a survey of the ten fastest growing major cities in the United States revealed that Austin was the only city that had a negative African-American population growth rate.<sup>27</sup>

### Ten Fastest Growing Major Cities in the U.S., 2000-2010 (%)

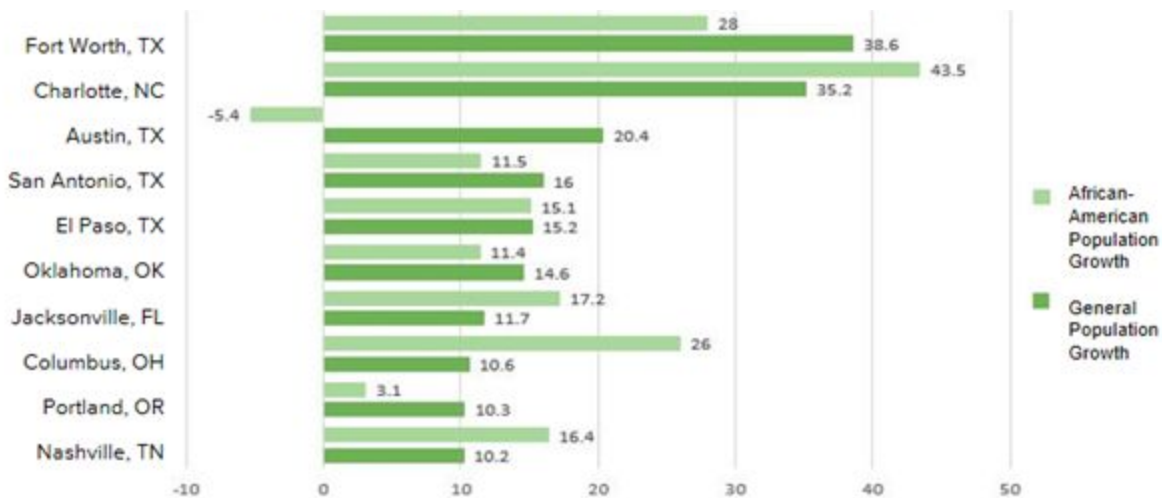


Figure 6: Austin's African-American population growth versus other major cities

<sup>27</sup> Eric Tang, "Outlier: The Case of Austin's Declining African-American Population," *The Institute for Urban Policy Studies and Analysis*, The University of Texas at Austin, May 8, 2014.

## Exploring Solutions

Lack of diversity is a well-reported problem, but the solutions and initiatives working to address this issue are correspondingly under-reported. Across the nation, among the hubs of entrepreneurial activity already rising are concurrent movements promoting diversity in the startup world. This section provides case studies and explores innovative and practical ways to address the diversity issues in the short and long-term.

### Access to Capital, Accelerators, and Support

Entrepreneurial funding has made the jump geographically, with startup capital expanding across the nation;<sup>28</sup> it has expanded into the social entrepreneurship scene, with a growing focus on impact investing;<sup>29</sup> and finally it is beginning to make its way to diversity-specific funds. Among the organizations making strides in this way are three key players located in Brooklyn, Portland, and New Orleans.

#### Examples of Economic Development, Diversity-Focused Accelerators & Funds

Name	City	Funding Provided
Neighborhood Start Fund	Brooklyn, NY	\$5,000 minimum each plus potential for up to additional \$25,000
Inclusive Startup Fund	Portland, OR	\$1.25 million raised with end goal of \$3 million
PowerMoves.NOLA Fellowship	New Orleans, LA	\$25,000 minimum each plus potential for up to additional \$50,000

<sup>28</sup> Ian Hathaway, "Early-stage venture capital: More regions get in on the action," *Brookings Institute*, last modified March 6, 2015, <http://www.brookings.edu/blogs/the-avenue/posts/2015/03/06-early-stage-venture-capital-hathaway>.

<sup>29</sup> Sir Ronald Cohen, William A. Sahlman, "Social Impact Investing Will Be the New Venture Capital," *Harvard Business Review*, last modified January 17, 2013, <https://hbr.org/2013/01/social-impact-investing-will-b/>.



# Case Study: Neighborhood Start Fund (Brooklyn)

Launched in the fall of 2015, this hyper-local accelerator comes out of the brains of Di-Ann Eisnor, Director of Waze/Google, and Lupe Fiasco, well-known rapper and producer.

**Overview:** Located in the Brooklyn's Brownsville neighborhood, this accelerator takes applications from local residents and allows them to pitch in a competition in order to win one of ten \$5,000 seed funds to turn their ideas into prototypes. The program then provides mentorship, workshops, and free technology development to develop the prototype with mentors such as Zappos CEO Tony Hsieh and the executives of method, Bronze Investments, and Google. To complete the program, there is a demo day for the prototypes, during which entrepreneurs are eligible for additional \$25,000 of investment from the Start Fund, plus the possibility of funding from other investors in attendance.

**Community & Diversity Focus:** Notable about this accelerator is its commitment to very local economic impact. All applicants must be residents of the area, which resulted in almost a 100% pool of black entrepreneurs. The program is also committed that half of any returns of every successful Start Fund business will be reinvested into other Brownsville start-ups. Additionally, the accelerator chose to partner with a pre-existing non-profit of the area, Dream Big Foundation, which provides food and entrepreneurship training programs to residents, further embedding itself in the community to ensure the program positively impacts the neighborhood. The overall vision is to complete this program in multiple neighborhoods across the United States, and contribute sustainable impact while retaining community ownership to underserved, inner-city economies nationwide.

**Support:** Funding for the accelerator is entirely private. Pro bono services are provided by praytell, The Aspen Institute, Fenwick & West LLP, younoodle, Dream Big Foundation, and folio3.

**Website:** <http://www.start.fund/>

# Inclusive Startup Fund (Portland)

Announced in May 2015, the Portland Development Commission is preparing to launch a \$3 million startup fund in the summer of 2016 for women and underrepresented entrepreneurs.

**Overview:** The fund will focus on Portland-based businesses with women and diverse founders to provide early-stage investment capital, as well as mentorship to prepare the companies for their first round of venture capital investing. The fund is not focused on any one industry, and could span from apparel to food to biotechnology. Currently, initial seed fund amounts are not available.

**Diversity Focus:** Even though the population of Portland is 76% white, the Portland Development Commission (PDC) still felt the importance of creating a fund exclusively for underrepresented groups of color and women. In a study conducted by the PDC, it came to light that in the past two years 96% of Portland's 114 venture capital deals involved companies founded or led by at least one white male, spurring the desire to address the lack of diversity. As a currently budding startup community, the city is taking steps to ensure it has a diverse and inclusive entrepreneurial environment early on, increasing its competitive edge and ensuring a stronger Portland economy in the future.

**Support:** With \$1.25 million raised and a funding goal of \$1.75 million to go, the type of support is liable to change. Currently, all funding is public including \$500,000 each from the city of Portland and Multnomah County and \$250,000 from the state of Oregon. The fund will be managed by Elevate Capital, a Venture Capital firm based in Portland and run by a team of diverse entrepreneurs.

Website: <http://www.pdc.us/inclusive-startup-fund.aspx>

# Case Study: PowerMoves.NOLA Fellowship (New Orleans)

A national initiative grown out of local New Orleans roots and committed to equity and diversity as a growth strategy, PowerMoves.NOLA is an umbrella organization that houses pitch competitions, a boot camp, and a fellowship program, the latter of which acts as an accelerator for diverse entrepreneurs.

**Overview:** The Fellowship Program, one of many initiatives offered by PowerMoves.NOLA, takes startups led by diverse teams to success by connecting them to executive networks, startup capital, and high level technical assistance, in areas such as marketing, legal, and business strategy. The program requires the companies to be based in New Orleans, and for the founders to be people of color. While all fellows receive \$25,000 in investment capital, 1 fellow will receive an additional \$50,000 investment. While the average fellow class may vary, there are five in the current class.

**Diversity & Local Focus:** PowerMoves.NOLA began in New Orleans in order to recognize the legacy and history of black ownership and business in the area, and the fellowship program requires 25% or more of the full-time employees to have been living in New Orleans for at least a year prior to the program. Post-Katrina rebuilding provided many opportunities for local entrepreneurs to create businesses, find empowerment, and foster hope out of devastation, as evidenced by the 56% startups per capita in New Orleans (the highest density in the nation), and PowerMoves.NOLA supports that organic growth and entrepreneurial spirit further.

**Support:** Funding is a mix from the public and private sector. PowerMoves.NOLA is an initiative of the New Orleans Startup Fund (NOSF) (a partially public venture fund), sponsored by Chevron, and in a promotional partnership with ESSENCE Festival™ presented by Coca-Cola®. Additional sponsors include Morgan Stanley, Entergy, and Liberty Bank.

**Website:** <http://www.powermovesnola.org/about-fellowship/>

## Beyond Accelerators & Funds

PowerMoves.NOLA, Inclusive Startup Fund, and Neighborhood Start Fund are all examples of accelerators and funds that actively address the diversity gap in startups and technology. Additional companies on their way to addressing the diversity gap in ways that are not only fund-based but unique and tailored to their individuals organizations are worth noting as well, and provide an example for other organizations who are committed to taking action where they will have the most value added for their capabilities.

### Examples of Fund-based + Innovative Diversity Initiatives

Name	Based	Type of Organization
500 Startups	Silicon Valley	Accelerator, Investment Firm
Techstars	Global	Accelerator, Incubator
Kapor Capital	Oakland, CA	Investment Firm

Though known for the intensity of its accelerator, **500 Startups** is also a network of alumni and investors which extends globally and has committed to an aggressive and diverse expansion plan in 2016.<sup>1</sup> It is significant in that its portfolio bridges continents as well as gender, sexuality, and color, and it embraces diversity not to achieve a social agenda but rather as business strategy. Further, the company recently appointed its first African-American venture partner, acknowledging

<sup>1</sup> Jonathan Shieber, "As 500 Startups Eyes Aggressive Expansion In 2016, Diversity Tops The Agenda," *Techcrunch*, December 24, 2015, <https://techcrunch.com/2015/12/24/as-500-startups-eyes-aggressive-expansion-in-2016-diversity-tops-the-agenda/>

and adjusting to the need for more diversity in leadership and investor roles as a solution to the diversity gap.<sup>2</sup>

The global reach of **Techstars** leaves it well-positioned to take a leadership role on diversity initiatives, which the organization takes seriously. It emphasizes the importance of incorporating inclusion and cultivating it into the company culture from the beginning.<sup>3</sup> Further, they employ more than one method to become leaders in the community, one key way being through their *Risingstars* program focused on the mentorship of diverse entrepreneurs.<sup>4</sup>

**Kapor Capital** focuses on funding seed-stage companies started by underrepresented entrepreneurs. Further, it works toward diversity benchmarks by helping the companies within its portfolio achieve a four-point action plan that requires them to:

- 1) Create specific inclusion goals and report on their progress;
- 2) Invest in resources to mitigate bias in recruitment;
- 3) Volunteer with underrepresented communities; and
- 4) Participate in diversity and inclusion sessions.<sup>5</sup>

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<sup>2</sup> Jessica Guynn, "Monique Woodard joins 500 Startups as first black partner," *USA Today*, February 8, 2016, <http://www.usatoday.com/story/tech/news/2016/02/08/monique-woodard-black-founders-500-startups-dave-mcclure-diversity-silicon-valley/79845266/>

<sup>3</sup> "Diversity & Inclusion," *Techstars.com*, last accessed July 20, 2016, <http://www.techstars.com/content/diversity-inclusive-entrepreneurship/>

<sup>4</sup> "Techstars Risingstars Program," *F6S.com*, last accessed July 20, 2016, <https://www.f6s.com/techstarsrisingstars/about>

<sup>5</sup> "The Kapor Capital Founders' Commitment," *kaporcapital.com*, last accessed July 20, 2016, <http://www.kaporcapital.com/founders-commitment/>

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## Addressing Austin's Startup Diversity Gap: Local Recommendations

Austin has no lack of coworking spaces, accelerators, or entrepreneurial spirit. Combined with South by Southwest, some of the nation's best universities, and the continual migration of tech companies to the area, Austin has plenty of talent, opportunity, and networks to tap into.

But Austin also suffers from the same issues as other cities' startup hubs in the U.S.: an absence of diversity and significant initiatives to address it. With a population that is 35.1% Hispanic, 8.1% Black, and 6.3% Asian, that is 49.5% of the population that has a potential — when empowered and targeted — to contribute majorly to economic growth, job creation, and unprecedented social and technological innovation in Austin.<sup>6</sup>

### Engaging Existing Austin Assets Committed to the Cause of Inclusivity

Despite the need for a more comprehensive and cohesive initiative supported by the city, corporate, and philanthropic communities, there is a network of dedicated individuals and their organizations that are working to address the diversity issue in the technology, entrepreneurial, and startup worlds on a daily basis in Austin.

Below is a list of some organizations that strive to bridge the gaps that exist and which represent the opportunity that exists for growth in Austin's community.

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<sup>6</sup> 2010 Census Data <https://www.census.gov/>

## Existing Organizations that Build Diverse Startup Ecosystems in Austin

Name of Organization	Description
Austin Free Net	Envisions a world without digital barriers and exists to provide technology training and access to the community.
Austin Hispanic Hackers Meetup Group	A group for software and hardware engineers of Hispanic ethnicity to showcase their knowledge and experience and to build their professional network.
Black Technology Council	Located within the Greater Austin Black Chamber of Commerce, BTC's vision is to help Austin realize its potential as a 'Mecca' for Blacks within the technology sector.
CODE2040	The CODE2040 Residency, powered by Google for Entrepreneurs, is designed to empower Black and Latina/o entrepreneurs to take their companies to the next level while cultivating diversity in their own communities.
Code Orange	An organization dedicated to enabling UT students to make a positive, lasting impact in the lives of children in underserved communities here in Austin through technical education, mentorship, and outreach.
Doing Development	Focused on implementing programs that provide insight and solutions to the underserved in both local communities and the developing world.
E4 Youth	E4 Youth partners with Austin area schools and educators to help bridge the gap between underserved youth and creative commercial arts careers through training, mentoring, and internships.
Economic Growth	EGBI embraces Austin's spirit for small business by



Business Incubator (EGBI)	bringing historically under-served individuals support to help make them successful business owners and extend Austin's entrepreneurial opportunity throughout the community.
GirlConnect Codes (GENAustin)	Part of the Girl Empowerment Network in Austin, this program engages high school girls in interactive curriculum that introduces them to web development basics and mentors from the Austin technology community.
Girlstart	Girlstart's mission is to increase girls' interest and engagement in STEM through innovative, nationally-recognized informal STEM education programs that inspire girls to transform our world.
Latinitas	A non-profit organization that enables young Latinas to achieve personal and academic success through media and technology outreach thereby addressing the critical state of Latina girls today.
Multi-Ethnic Chamber Alliance (MECA)	MECA comprises of the Austin Asian, Hispanic, Black, and Gay & Lesbian Chambers of Commerce as a way to encourage joint program development, greater dialogue, and economies of scale.
Texas Diversity Fund	Enables a new, diverse generation of business owners to generate wealth and increase the common good by helping women, LGBT, and minority-led businesses get financing.
TechStars	A global ecosystem that helps entrepreneurs build great businesses, including working to be a leader in inclusive entrepreneurship by improving opportunities for women and underrepresented minorities.
Women@Austin	A mission-driven community focused on mentoring, networks, and access to capital by women founders and leaders to promote connection and innovation.

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## **Policy Recommendations**

While through the noble work of the aforementioned organizations and many more there is an effort to address Austin's diversity challenge, there still remains a need for more involvement and a more cohesive approach to addressing diversity amongst partners who have a primary and specific focus on the hyper-growth of the startup and technology scene.

In light of the strong evidence demonstrating diversity as a competitive business strategy, as well as beneficial to the economy overall, the following recommendations have been outlined and are applicable to government, non-profit, university, and the corporate community in Austin:

### **Recommendation #1:**

Support the growth of diversity-focused funds, community development financial institutions (CDFIs), and small business loan programs for minority business owners in order to increase access to seed loan or grant capital for entrepreneurs from underrepresented communities.

### **Recommendation # 2:**

Establish a diversity accelerator that attracts diverse talent from across the nation to Austin and connects entrepreneurs from underrepresented communities to mentors, funders, and other business resources.

**Recommendation #3:**

Provide educational opportunities for youth and adults in underserved communities, particularly around entrepreneurship and STEM education, to support talent development and job readiness.

**Recommendation #4:**

Connect existing diverse educational assets, such as community colleges and historically black universities, to programs and efforts focused on entrepreneurship.

**Recommendation #5:**

Track and report diversity in entrepreneurship data in order to better understand baseline trends, manage performance of existing programs, create accountability for corporate leaders, and inform future policy-making.

**Recommendation #6:**

Conduct diversity in entrepreneurship and startup ecosystem best practice outreach and city visits to best understand areas of growth and opportunity for the Austin's business and civic leadership community.

**Recommendation #7:**

Encourage continued diversity dialogues and place importance on the incorporation of diverse voices in existing business and entrepreneurship discussions. This is particularly important in that it both creates space for growth and understanding as well as ensures that diverse voices are a part of important conversations thereby increasing the potential for more meaningful and comprehensive panels/programs and learning experiences.

## The Role of Urban Co-Lab

Urban Co-Lab is a coworking space that exists to build community for people who are looking to create scalable social impact in urban environments. Located in the heart of East Austin's historically black district, we are missioned by our belief that innovation can stem from anywhere, committed to fostering collaboration within our local community, and dedicated to creating space for diversity in the entrepreneurship scene.

Urban Co-Lab has already made significant strides toward this mission. Through partnerships out of our space, connections within the local Austin community, and collaborations from around the nation, Urban Co-Lab:

- Organizes an ongoing series of programs that give entrepreneurs the opportunity to connect with and learn from various industry experts and one another;
- Promotes diversity in tech through efforts such as hosting Snapchat's SXSW diversity recruitment initiative, Blacks in Tech meetups, and Shark Tank's casting call for diverse entrepreneurs, as well as by partnering with local media outlet Austin Inno to form and release a "Diverse Entrepreneurs to Watch in Austin" list; and
- Provides space and community to local Austin organizations and businesses focused on social entrepreneurship, local impact, and community development.

Having already supported a number of social impact and diversity initiatives in the local entrepreneurial community, we are well-placed to continue to promote these initiatives by hosting the first diversity-focused accelerator of Austin. Recognizing that we belong to

a broader entrepreneurial ecosystem, we are also excited to partner with other accelerators, incubators, funders, and coworking spaces to achieve our common goals.

## Concluding Thoughts

Entrepreneurship, and particularly social entrepreneurship, is an innovative approach to addressing the long-standing issue of lack of opportunities for communities of colors and women. It is a mechanism of empowerment as well as socially and economically beneficial. But in order to fully capitalize on the benefits of entrepreneurship, we must address the problem of diversity, and given the recent conversation surrounding diversity in tech as well as the initiatives emerging to address it, now is the most opportune moment to address it.

The Austin community is an ideal location to lead this charge and Urban Co-Lab is placed to reach diverse, underserved, and local communities. Austin is already a leader in entrepreneurship and innovation, and Urban Co-Lab is a leader within the city promoting diversity and social impact. With the addition of a diversity-focused accelerator in Austin, there is no uncertainty of the positive economic and social impacts that will emerge.

This report strives to be a beginning point of bringing together information, resources, and programming to support the unique needs and opportunities presented by supporting Austin's diverse startup community.

## Appendices

### Appendix A: Key Terms

Private Equity Money invested in firms which have not 'gone public' and therefore are not listed on any stock exchange. Generally about taking an existing company and streamlining it into a profitable enterprise.

Venture Capital Startup or growth equity capital or loan capital provided by private investors (the venture capitalists) or specialized financial institutions (development finance houses or venture capital firms). Also called risk capital.

Entrepreneurship The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

Social Entrepreneurship A definition that is still in progress, at its core is entrepreneurship which focuses on creating positive social impact rather than solely increasing profit.

Innovation The process of translating an idea or invention into a good or service that creates value or for which customers will pay.

Social Innovation Like social entrepreneurship a definition that is often fluid, this is innovation that focuses on translating ideas focused on addressing societal problems into real-world solutions.

### Appendix B: Entrepreneurial Community Profile

Behind every entrepreneurial community, there are a number of important players that create the space. Each will have a slightly different composition, but it will consist of two categories: where the entrepreneurship happens and the supporters who make it possible.

Entrepreneurship Centers:

- Accelerators A program that offers startups low-cost space, business services, talented employees, and contacts who can help find customers and partners in exchange for a small stake.

- Incubators An organization that supports startups and fledgling companies by providing a variety of resources and services meant to accelerate their development.
- Pre-Accelerators A program that caters to people with ideas who are gearing up to join a 'proper' startup accelerator such as Y Combinator or Techstars, or for an early product launch but still require more training and preparation.
- Coworking Spaces Membership-based space where groups of freelancers, remote workers, and other independent professionals work together in a shared, communal setting.

#### Entrepreneurs and Supporters:

- Foundations A foundation is a non-governmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes. Other common terms: non-profit, NGO.
  - Private Derives its money from a family, an individual, or a corporation.
  - Public Charities Derives support from diverse sources which may include foundation, individuals, and government agencies. The recipient of funding themselves, they are less active in providing support to other groups.
- Corporations An independent legal entity owned by shareholders; more complex than an average business and generally suggest for larger, established companies with multiple employees.
- Angel Investors Professionals such as doctors or lawyers, former business associates, or seasoned entrepreneurs interested in helping out the next generation. They are wealthy individuals willing to invest hundreds of thousands of dollars in your business in return for a piece of the action. They will at times form networks or form partnerships with accelerators.
- Government Appearing at all levels – municipal, state, federal – this type of support can take many forms – initiatives, councils, offices – and can look like grants, counseling, monitoring, and raising awareness.



# 2016 Inaugural Diverse Start-up Founders to Watch List in Partnership with Austin Inno

To raise awareness of diverse start-up founders in Austin, Urban Co-Lab partnered with Austin Inno a local media company to recognize and profile successful African American and Hispanic founders in the Austin region.

Below is a listing of the inaugural "***Diverse Start-up Founders to Watch***" List.

- Vthreat
- Sandbox Commerce
- PrimpII
- ThinkandZoom
- Localeaur
- Kandid.ly
- Student Loan Genius
- Laflaka
- Pointerapp.co
- Akumal Shop
- BLNDED Media
- AlibiX
- Weathervize
- JamKazam
- Dashingfoot
- Vulk
- Tasqr
- youroam
- Revealix
- PenPal Schools

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## Advisory Board

- Dr. Jeff Wilson, Founder & CEO, Kasita
- Gregory Pogue, IC<sup>2</sup> Deputy Director, University of Texas at Austin
- John Sibley Butler, Director of the Herb Kelleher Center for Entrepreneurship, The University of Texas at Austin
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