

URL: <https://stvp.stanford.edu/clips/social-impact-is-good-for-business>

Social scientist and Kapor Capital partner Freada Kapor Klein describes how her own firm created an investment strategy around funding organizations that close gaps affecting low-income communities and communities of color. One key element of that strategy: She urges founders to build an employee mix that matches the customer base.



Transcript

- There's a prevailing view that social impact is separate from economic value and that investing in social enterprises means it's concessionary towards returns, that you're giving those up.. We actually don't think about that at Kapor Capital.. We think the other way to think about it is that the overlap of social impact and economic value, you can find that both are driven from the same source.. Here are our investment criteria.. We have about 130 companies in our portfolio.. We're going to be releasing our returns for the first time ever on May 8th.. We do seed stage tech startups, the core business, not the philanthropic effort, not the CSR, not a side effort, the core business closes gaps of access and/or opportunity and/or outcome for low-income communities and/or communities of color.. We have not found any problem with deal flow.. People were very worried about that.. We had more than 3.000 deals come across our desks last year..

We invest in somewhere between 10 and 15 a year.. In 2016, we became the first venture capital firm to implement a founders' commitment.. As of January 2016, we don't write a check unless the CEO makes a commitment to building a welcoming culture and a diverse team.. We are not prescriptive at all.. We say to our founders, depending on who your customers are, we think that your aspiration should be that your employee mix matches your customer base.. If you think about it, it sounds like a good business practice.. If you're selling into public schools in the U.S., K12, you're gonna have a very different demographic than if you are a fintech company and you are a B to B company and your clients are Wall Street.. All of this is on the website.. Those are some of our companies, you might recognize some names there.. When we ask them how to implement this, we ask them to look at four things and there's an acronym of G.I.V.E..

here.. Set goals, and again, they set their own goals.. We're not prescribing it, we're asking them to set goals that help them realize their business goals.. We ask them to invest in tools and resources and training that are gonna help them mitigate bias in their product development, in their hiring, that, again, is just gonna make them a better business.. We encourage them to volunteer with either underrepresented communities, encourage their employees to, or, especially, to figure out how their employees can volunteer with groups that are representative of their customers, of their customer base, part of basic customer development.. And then the final one is that educating oneself as a CEO, as a founder, as well as your workforce...