

Ramona Schindelheim, WorkingNation editor-in-chief:

You are listening to Work in Progress. I'm Ramona Schindelheim, editor-in-chief of Working Nation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges. Joining me on the Work in Progress podcast is Dr. Mariela Salas, the executive director of SomosVC. The organization's mission is to increase the representation of Latinos and Latinas in venture capital, through career development, including mentorships. Mariela, welcome to the podcast.

Dr. Mariela Salas, SomosVC executive director:

Thank you so much for having me.

Ramona Schindelheim, WorkingNation editor-in-chief:

The US venture capital industry invested nearly \$171 billion in startups and small businesses last year. And despite making up more than 19 and a half percent of the US population, less than 2% of all VC professionals are Latino. That seems like a very big gap.

Dr. Mariela Salas, SomosVC executive director:

Huge gap, huge gap. And it's one that we have been working to move the needle on. We really want to see a VC ecosystem that is more representative of the US demographics. So we have been working hard at it.

Ramona Schindelheim, WorkingNation editor-in-chief:

So why don't we start with the definition of what the venture capital industry is, because I think I would love our audience to understand it, so they can get a sense of what the opportunities are there for not only people who want a career in it, but what it means to the Latino population altogether. So let's start with a simple explanation of what the VC industry is.

Dr. Mariela Salas, SomosVC executive director:

Sure. So venture capital itself is a form of private equity and type of financing for startup companies and small businesses with very high, long-term growth potential. So that is venture capital itself. But then when we think about the venture capital ecosystem, so we're working across the ecosystem, but mostly on the investor side, we also think about the network of people that we interact with. So we're thinking about the various stakeholders that are involved within the venture capital in financing, so that could also include obviously the venture capital firms, but we also think about academia, government, and other participants in the innovation process, so to speak.

Ramona Schindelheim, WorkingNation editor-in-chief:

Why do you think there is such a small percentage of the Latino population in this industry?

Dr. Mariela Salas, SomosVC executive director:

I think there are a couple of reasons. I think there are cultural barriers. A lot of my research definitely showed that. There's cultural barriers, socioeconomic barriers, lack of access, lack of opportunity, and I think there's this big myth, especially for Latinos, that we do not, or have not been creating high growth companies. So I think that there's various factors that are leading to us being underrepresented within the ecosystem.

Ramona Schindelheim, WorkingNation editor-in-chief:

If you want to get into this field, I've read that a lot of the people in the field may have started as research analysts, etc. And so I'm assuming that is also a hard field to get into.

Dr. Mariela Salas, SomosVC executive director:

It is definitely a hard field to get into. I think typically a venture capitalist will come from your typical blue chip background. So you think Ivy League schools like Stanford, Harvard, and they go on to do some investment banking for a little while, or consulting, and then after that they decide to make the transition into VC. In addition to wanting to change or diversify the folks who are able to break into the industry, we're also thinking about how do we diversify geographically, and how do we diversify in thought? Meaning how do we diversify and bring folks into the industry who didn't necessarily go to one of these Ivy League schools?

Ramona Schindelheim, WorkingNation editor-in-chief:

So what is SomosVC doing to change that percentage of Latinos and Latinas in the industry?

Dr. Mariela Salas, SomosVC executive director:

So we're really thinking about, how do we change the ecosystem? We're approaching it from three pillars. So first is community. So how do we build a community within the Latinos and how do we support each other? Latinos and allies. You don't have to be a Latino to be part of SomosVC. Then secondly, we also think about opportunities. So if we're thinking about... Well, one thing that we might get into a little bit later is that Latinos, we tend to skew a little bit higher on the emerging manager side, meaning that we all go out and build a bunch of funds. We think about opportunity that way, we think about mentorship in that way. So our goal there is to really pair an existing pre-partner level venture capitalist with a higher level venture capitalist to help them navigate their career within the ecosystem or as investors. And then lastly, we think about education. For education, we have a Breaking into VC fellowship that's for early career professionals, and then we also provide our data report every year.

Ramona Schindelheim, WorkingNation editor-in-chief:

So how do you find the people to get them into the program? How is it that you are out there recruiting people and say, "Hey, this might be a good career for you"?

Dr. Mariela Salas, SomosVC executive director:

Yeah, well, we have been very fortunate in that... Until now, we were actually about to launch our fifth cohort at the end of this month, we'll open the application, but we've been very fortunate in that because, at the time at least, there were so few fellowships that were open for Latinos by Latinos, actually, I think it's the only one that's for Latinos by Latinos. But at the time, there were just so many and there were so many fellowships that were so competitive that when this one opened up, we had a very competitive round. I think increasingly as our fellowship brand... Or the caliber of our fellowship is so good, in that we don't necessarily have to go out and recruit folks. We, cohort over cohort, have gotten at least a 10% increase in our applications, and it's gotten a little bit more competitive, but also I think it's amazing for our community, because we're seeing people come out of the woodworks and say, "Hey, actually I'm really interested in venture capital. I want to learn more."

Internally, while we do want to provide access, we also want to keep our cohorts very small because we want to be able to give our aspiring VCs one-on-one time, but it's gotten pretty competitive. We had

two PhDs in our last one, and I don't even know how we'll be able to top that, but it's been very exciting and we've been able to help people get placed in a whole bunch of different firms at a huge range of organizations. And so we're really excited about all of our past fellows, all of our future fellows, and the impact that they'll be able to make as a result of the fellowship that they've completed through our program.

Ramona Schindelheim, WorkingNation editor-in-chief:

What would that look like for me? If I wanted to explore this, dip my toe in that water, what would that look like? What would I be learning?

Dr. Mariela Salas, SomosVC executive director:

So this is an eight-week course that takes the learner from everything from a day in the life of VC. We actually have hands-on practicums that need to be done. So we do actual case studies that need to be done, and then you need to present it as though you are presenting to an investment committee at your firm. We also have one specific class that is dedicated to building a thesis, because again, we do have a lot of folks who end up just wanting to start their own funds. So it varies, but we do try to be very comprehensive. And then the expectation is that our fellows will be meeting with their peers in their cohort once or twice throughout the week to make sure that whenever we do have our two-hour session, that we make the best use of our time.

Ramona Schindelheim, WorkingNation editor-in-chief:

So part of getting more representation for the Latino or Latina in the VC industry is to expose people to good-paying jobs, right? Economic mobility. And as you said, a lot of VCs come out of some of the Ivy League schools. Are you digging down deeper? You mentioned going into different regions to find different people that might want to be a part of this.

Dr. Mariela Salas, SomosVC executive director:

Yeah. Well, we do try to work in different key cities, so to speak. Obviously we want to make sure that we are present in areas where the venture capital ecosystem is already growing. So if you're thinking about the coasts, so San Francisco, LA, Miami, New York are our key cities. Chicago is a growing city, because I'm in Texas, I really want to make sure that Texas is represented, and so I go to Austin as much as possible. But then when you think about the middle of the country, we try really, really hard to show up, whether it's me or somebody from our community to just speak to being a Latino within the ecosystem, or to speak to the growing opportunity there.

Last year, I did an event in El Paso, which is not necessarily something that you would think of when you think about venture capital, but it's growing. Tulsa is growing. I mentioned Austin. There are a lot of little other hotspots that are growing, and I think that the best part about venture capital too is that you don't necessarily... Yes, you have to be somewhere, but you have to be on one of the coasts mostly to get good financing for startups, but as an investor, if you're willing to travel, you can really be anywhere in the country. And so we really try to embrace being present in the places where we can be, but we also just always invite folks to come visit us at one of our key events.

Ramona Schindelheim, WorkingNation editor-in-chief:

Give me some examples of some of the fellows and what's happening with them.

Dr. Mariela Salas, SomosVC executive director:

Alan Day was in our first cohort. He went on to find an investor role at New York Life Ventures. Last year, we recruited him to be on our board of directors, and he served as our treasurer. And this year he is our vice president. And so I really think that stories like his and Alexis', which I will speak to here in a second, really shine a light on the need and the willingness of our community to want to give back to something that has been so impactful in their lives. Alexis Maciel, she is also a SomosVC alumni, she now works at Unshackled Ventures, and this fund is actually the first and only fund dedicated to investing in immigrants. She obviously, as the child of immigrants, understood early on the barriers for many founders, especially female founders and founders of color, and she really understood the difficulties that there are in building their companies from the ground up. And so she really felt like she had this lens that could really help her drive investment decisions.

So she was inspired to start her career in VC so that she could help make these types of, I guess, investment decisions and to help immigrant startup founders. This was an instrumental program for her to be able to break into venture. She also now sits on our board, and she currently leads our fellowship program. So I think it really just speaks to... What is it? Each one help one, but she's doing more than one. So she is literally leading every single cohort from now until the end of next year to help them break into VC as well.

Ramona Schindelheim, WorkingNation editor-in-chief:

So for Alan and Alexis, do you think without your program they would've considered this, or even had that pathway to get there?

Dr. Mariela Salas, SomosVC executive director:

Venture capital is an apprenticeship model. You have to work a lot under the guidance of actual investors in order to get into the industry. Do I think that they would've made it in? I think that they're both very exceptional, and I think that they would've found a way to do it. I think that the SomosVC Fellowship perhaps accelerated that process, and I think that the network within SomosVC helped also expedite that process for them.

Ramona Schindelheim, WorkingNation editor-in-chief:

So the VC industry is providing financing for startups and small businesses that they see that have long-term growth potential?

Dr. Mariela Salas, SomosVC executive director:

Correct.

Ramona Schindelheim, WorkingNation editor-in-chief:

So having representation from the Latino community as part of the industry, how does that impact entrepreneurs in these same groups, or maybe underrepresented groups? How does that increase their access to the capital?

Dr. Mariela Salas, SomosVC executive director:

I think that for underrepresented groups, whether it's being a person of color or being a woman, there is something to be said about seeing someone across the table that looks like you, and that you can resonate with, and that you at least in theory, feel like they will be in your corner. And so part of my

research, and actually part of a lot of the research that I did as a result of all of my studies, was that there is empirical research, scientific research, that backs this idea that diverse investors bring in diverse founders and they get better outcomes.

So I think that often when we think about bringing more diversity into the ecosystem, we are thinking about, how do we reach more diverse founders? And from my vantage point and from where I sit in the ecosystem, my argument is always that we're not going to reach as many diverse founders if we don't have diverse investors, because it's those diverse investors that as a result of their already built networks, that they're able to reach more diverse founders, because they resonate with each other because they're already part of their networks. Because if I am a diverse founder and I walk into a room, the first person I'm going to gravitate to is the person that I feel that I will have the most in common with.

It's a work in progress, as I mentioned, there's a lot of already academic research that proves this case of having more diverse investors in order to reach more diverse founders. I just think that practice needs to open up a little bit more. And we've been making a bit of a shift in the right direction in some ways, but in other ways we've backtracked a little bit. And so I think that in order for us to continue diversifying, we need to also make sure that we are not only drawing attention to the founder themselves, but also to the investor.

Ramona Schindelheim, WorkingNation editor-in-chief:

So Mariela, what is the impact of these diverse investors on the Latino community?

Dr. Mariela Salas, SomosVC executive director:

We actually did a study last year to really try to understand the impact that we were making as a community in trying to reach diverse founders. And then to take a level beyond that, we really wanted to understand what our impact was on the front lines. How many jobs were we creating? So what we found was that our community actually tends to have... As a community, our portfolio is 48% diverse founders, of that 48%, so we're looking at the same portfolio, 48% diverse founders, 36% of those are Latinos or Latina founders, and then 28% are female founders. And then when we took... We double clicked on it, and what we actually found was that our Latina investors are actually outperforming our Latino investors. So the women are females are sort of outperforming the men here. And so what we found was that Latino led firms, or Latinas, actually their portfolio is more around 52% diverse investments or diverse founder investments, and then Latino led firms have closer to about 42%.

And so we're really excited to see those numbers and we're hoping that this year's report will be able to provide some more information in terms of what our collective portfolio looks like. And then again, we wanted to take a deeper look at these numbers. And what we found was that as a result of all of these investments that we created more than 51,000 jobs. That is huge, because we're so small within the ecosystem. Again, we're less than 2% of all venture capitalists. And as a community, we have been able to create more than 51,000 jobs as a result of our investment. And so we're really proud of that, and we're excited to continue to hopefully make that number grow over the next couple of years.

Ramona Schindelheim, WorkingNation editor-in-chief:

That's wonderful to hear, given that small businesses are that economic engine of our country, creating more jobs out there through these small businesses is an excellent outcome.

Dr. Mariela Salas, SomosVC executive director:

Absolutely.

Ramona Schindelheim, WorkingNation editor-in-chief:

On a personal level, what attracted you to this work? Why do you do what you do?

Dr. Mariela Salas, SomosVC executive director:

Well, I will try to give you the short version. I had just started my doctorate program and I was looking for a topic that I would be super passionate about for the next several years. I had to do a lot of introspection. I have an entrepreneurial background. My family is very entrepreneurial. I have worked from microfinance to leveraged finance, always bringing people together with resources. And so as part of that sort of self-discovery process, I was very interested in working with startups at the time. But when I came across SomosVC and saw the number of Latinos in the industry relative to the US population, it just lit a fire in me. I changed my dissertation topic the next day, and about two weeks later I applied for this job.

Ramona Schindelheim, WorkingNation editor-in-chief:

How long have you been there?

Dr. Mariela Salas, SomosVC executive director:

I have been here for a little over two years. I am the founding or inaugural executive director, so the first one.

Ramona Schindelheim, WorkingNation editor-in-chief:

So earlier, you talked about progress that is being made. Do you feel it's incremental? Is there a industry-wide effort to increase the representation?

Dr. Mariela Salas, SomosVC executive director:

I think that on the heels of the murder of George Floyd, there was definitely an interest in bringing more diversity to the venture capital industry. I think since then we have seen obviously a backlash on DEI with the Fearless Fund case, with the Hello Alice Case, and there's been some stagnation I'll say. And so we are hoping that we will be able to start seeing some better progress over the next couple of years, but it's not been as expansive as we would like to see.

Ramona Schindelheim, WorkingNation editor-in-chief:

What would success look like to you down the road? Where do you want to see SomosVC go?

Dr. Mariela Salas, SomosVC executive director:

I think that SomosVC, obviously we want to be here to support the ecosystem as much as possible, but wouldn't it be great if there wasn't a need for a SomosVC in that it was a normal to be a diverse investor? That is sort of the ultimate dream, to have a venture capital ecosystem that is representative of US demographics is the ultimate goal. And so until we get there, then we will be around.

Ramona Schindelheim, WorkingNation editor-in-chief:

Thank you, Mariela.

Dr. Mariela Salas, SomosVC executive director:

Thank you so much for having me. I appreciate it.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking with Dr. Mariela Salas, the executive director of SomosVC. I'm Ramona Schindelheim, editor-in-chief of Working Nation. Thank you for listening.