

Rapid Response Transcript – Kathryn Finney

“Don’t wait for the system, build it!”

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The challenge right now is that we still have this really heavy hand of racism that has nothing to do with our economic system, but at the same time, has everything to do with our economic system.

There were only about seven venture funds that had actually even invested in a Black woman. This was out of hundreds and hundreds of venture funds. This is 2016. This isn't 1999 and 1979. This is 2016.

When you are an entrepreneur of color, it's really important to know that the universe is conspiring for your greatness. Know that the universe really wants you to win, even when it doesn't seem like it, and I'm a living example of that.

BOB SAFIAN: That's Kathryn Finney, CEO of Genius Guild, a venture studio that invests in Black entrepreneurs.

She recently released a new book, provocatively titled: *Build the Damn Thing: How to Start a Successful Business If You're Not a Rich White Guy*.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk with Kathryn because, two years after the murder of George Floyd, a surge of business efforts to address what she calls “the invisible hand of racism” has yielded uneven results.

Kathryn has been uncommonly creative about generating new opportunities for disenfranchised groups, from giving direct microgrants to Black women entrepreneurs to shedding clear light on funding imbalances in venture capital.

She is a steadfast believer that entrepreneurship is an essential tool for building a more equitable society, and offers specific lessons on how to amplify any start-up's strengths. Greatness is out there for each of us, she argues, if we can apply our unique talents freely.

[AD BREAK]

SAFIAN: I'm Bob Safian, and I'm here with Kathryn Finney, CEO of Genius Guild, and author of the new book *Build the Damn Thing*. Kathryn, thanks for joining us.

FINNEY: Thanks for having me. It's great to be here.

SAFIAN: So it's just over two years, as we record this, since George Floyd was murdered in Minneapolis. And since that time, many businesses and business people have made proclamations about investing in Black entrepreneurs.

It can be hard to see though how the landscape has actually changed. You've been on this journey, on this mission, for quite a bit longer than two years. You founded a non-profit called Digital Undivided in 2012, dedicated to helping Black women entrepreneurs and other disadvantaged groups. Since George Floyd, you've taken on a bunch of new efforts, the Genius Guild, the Doonie Fund, and of course the book. And I'm interested in talking about all of those things. Can you take us back to where you were when you first heard about George Floyd and how you set out on the course that you've been on over the last two years?

FINNEY: I am from Minneapolis, and I actually went to elementary school about six blocks away from where George Floyd was murdered. And so I had received a text from my niece, who is a young activist on the ground in Minneapolis, that a Black man had been murdered in a way that was suspicious. And throughout the day, the news started to come out of what happened, and of course, the video was released. I never watched the video. I have no desire to watch it. I say to people, "I've witnessed enough. I don't need to witness anymore to know what happened." These are my people, not just because they're African American because literally, these are the people I grew up with in Minnesota.

So it was a gut punch. It was "What can I do?" What type of resources can I galvanize? And I think we're probably the first generation of African Americans who could say this: I could say to my niece and to her friends, "Do what you have to do and we got you. If you need a lawyer, we got you. We can bail you out."

We now, as a community, have resources to fight, whereas if I think of my parents' generation and generations before that, they couldn't.

SAFIAN: The workplace in the business community has often been marred by racism. Your great-grandparents were among those who lost their businesses in Greenwood at Black Wall

Street in Tulsa 100 years ago, but you've said that market-based solutions can positively impact racism. Why? And, what do you mean by that?

FINNEY: If we're left alone in a market-based system, it can positively help with racism. What we've seen in history is how outside forces that have nothing to do with capitalism and nothing to do with markets come in to disrupt what would be the natural flow. My grandparents had a restaurant, and they had a grocery store in Greenwood. What would've happened if their fellow business people were allowed to progress without this hand of racism coming in? Who knows what type of wealth would've been created if they had just been left alone.

The challenge right now is that we still have this really heavy hand of racism that has nothing to do with our economic system, but at the same time, has everything to do with our economic system. And for many people, we want to live a creative life in which we control, and entrepreneurship is a tool in which we get to do that. And my community hasn't always had that opportunity. So I do think market-based economies and systems can be really helpful in doing that. But, how do we deal with this other hand that's in there that doesn't allow the markets to act in the way that markets are supposed to act?

SAFIAN: When I look at your last two years, there's Genius Guild, there's Doonie Fund, there's the book. It sounds like it all links together as a plan. Did it start that way?

FINNEY: Absolutely not. That's the story of my life. I grew up with parents who I saw take a big risk and win. And I think that's a big deal for any child to see your parents take a risk and win, but particularly a young African-American girl, seeing her parents take this big leap, and it turns out to be good, and good things come from it. The Doonie Fund actually came because it was April 2020, and Digital Undivided had authorized a bit of money to go to some of our portfolio companies who were really struggling, because it was very, very hard to receive the PPP loans then, especially if you didn't have a private banker. And most people of color and most humans, in general, don't have private bankers. And so I was like, "Well, what if I just give out a little bit of money just so that people know that I see them," because I started off as an entrepreneur myself. I know how hard it is to make payroll, and I know how hard it is to manage through a difficult time.

And so it was just like, "Baby, you can do it" money. That's what I call it, like your grandma gives you a little bit of money. It's not a lot of money, but it's showing that she believes in you. We gave out over \$150,000 worth of what we call micro investments to over 1,500 Black women entrepreneurs in a six-week time period. It not only gave me the energy I needed to figure out what was next and how I could help change the world, but strangely enough, it had a very big impact on the staff of my company and my organization, who at the time were feeling completely helpless too.

And the impact was, it changed my life. I had people who emailed me and said the email that I sent them, telling them to continue and that they should continue on, they placed it above their computers and looked at it every time they thought that they couldn't do it. We had people who took a small amount of money and changed their websites to sell masks and ended up selling almost \$100,000 worth of masks and then gave \$10,000 back to the organization. And we only gave them \$100, so the return on investment for that was crazy.

All you had to do to get this micro investment was to be a Black woman, identify as a Black woman, and have a website that we can check to show that you were actually in business. We're not going to have you jump through 10 billion hoops for this. The goal was to get you the money quickly so that you can use it in whatever way you needed to use it in order for you to keep moving forward.

The way the recipients have used this money, this little \$100 is incredible. And it's a true testament to Black women, to our path in entrepreneurship. The fact that we're one of the most resourceful groups of people in this world.

SAFIAN: So, you're at Digital Undivided, you launch the Doonie Fund as a way to give really. I mean, I know you call it investments, and there were returns to some extent, but these were really grants. So where does, out of this, where does Genius Guild come in? Because the Genius Guild is a very different kind of model. You're kind of going to the other end of the opportunity spectrum for starting a business, right?

FINNEY: Digital Undivided was originally going to be Genius Guild, but it was too early. The market wasn't there. At that time, it was in 2012. We then pivoted to a non-profit.

People didn't see Black women as entrepreneurs. They saw us as employees, but not necessarily as entrepreneurs. And it wasn't until we did a report called Project Diane, and we did it in 2016 where we documented the landscape for Black women and later Latinx women in venture capital. And the report was shocking to the point where originally we were going to do it internally and just keep it internally, that we had to make it public. And it embarrassed the venture capital industry in many, many ways, because there were less than 11 Black women who had received over a million dollars in funding.

This was out of hundreds and hundreds of venture funds. This is 2016. This isn't 1999 and 1979. This is 2016. The average raised by Black women-led start-ups was \$36,000 at that point. The average raised by mostly white, mostly male failed startups was \$1.4 million. So we weren't even raising enough to fail properly. And that's when I kind of knew that eventually I was going to be able to do Genius Guild. That once they were kind of embarrassed, then people started to open up and see capital in different ways, particularly for people of color.

And it was when George Floyd was murdered, that all these things came together, Digital Undivided, the Doonie Fund, to show what capital can do for our communities when you give them access.

I said I have this idea. I want to try to do something a little bit different in venture. And then also convinced some other people, Barbara Clark, one of the most prolific investors in Black women. Most people don't know her, but should know her. She came in as, like, our lead LP, and then we started to get other folks involved too. And then, Genius Guild was created. All our equity investments are in Black women. We have an unaudited mocha of 2.7, which is amazing. Even our LP investments for limited partners and other funds led by Black investors, and even they're doing well.

Everyone's doing well. And we're kind of proving this thesis, which is Black entrepreneurs generate returns for their communities, for their investors, and also themselves.

SAFIAN: And is that what made sort of the philosophy, because you described Genius Guild as being something different? Part of what's different is who you're investing in. Part of what's different is the level of return or the kinds of return or where the return goes?

FINNEY: Well, the return goes back to the community because we trust that the community knows what's best to do with the money. We trust Black communities. And if you look at traditional modes of philanthropy, impact investing, and even traditional investing, within that, it's like this lack of trust of communities. And it's not just within the Black community, but if you look at investing in Latinx communities, within women, it's just inherent distress that somehow we don't know how to handle money or that we don't know what to do with money. And that's so incredibly false because we've been so resource poor for so long that we are probably some of the best money managers because we have to keep it. We don't have a safety net. And so for us, the money goes back to the entrepreneurs, but our entrepreneurs happen to live in the communities that they serve.

They happen to hire other people of color and give chances for other people of color to get into the system, to build equity within companies, to be early employees, all of these things that are really important to wealth building within a community. And as an investor, not only do I get the return in terms of the monetary return, but I also get the return of helping community-build essentially and create additional role models, who other folks can see and look towards as they build their companies.

[AD BREAK]

SAFIAN: Before the break, we heard Genius Guild CEO Kathryn Finney talk about how George Floyd's killing prompted her to take bold action in support of Black entrepreneurs.

Now she talks about her new book, *Build the Damn Thing*, and key lessons that founders might overlook.

She also digs into the shortcomings of corporate DEI efforts and how assumptions by most venture capital firms undermine Black founders.

While starting a business isn't for everyone, she says, entrepreneurial thinking should be. Her overarching message is hopeful: that the universe wants us to win.

The title of your book is *Build The Damn Thing: How To Start A Successful Business If You're Not A Rich White Guy*. So, what prompted you to write the book?

FINNEY: I started writing the book actually several years ago and was thinking of it, just working with Digital Undivided and working very closely with women of color entrepreneurs, myself being a woman of color entrepreneur, and just the advice they were getting was just horrible. It was not applicable to us. If I come into a meeting demanding what I want, it's not going to be read the same as you. I guarantee it's not going to be read the same as you.

And I'd never seen a business book that talked about how to utilize your family to help you as your first employees. But every person of color I know, their family was somehow involved in their business, whether it was informal or formally. And it was just never acknowledged in any business book I read. Or the fact that I'm a mom, and I have to navigate things very differently. I can't just get on the plane and leave tomorrow. I have to figure out who's going to take care of my child. And feel comfortable leaving my child with that person and all these things were never addressed in any business book because they were all written by rich white guys. Or they would make this assumption that you can go and raise \$50K from your family.

It was all these assumptions in these business books. And being a person of color, and just thinking about the things that my family has done for me, that wasn't a check. It wasn't an exchange of money, but it was definitely worth a lot. My mother, when I started Digital Undivided and the first couple of years we were okay. And then we moved to Atlanta to start this incubator. And I was just struggling. I was like a new mom, like, didn't find good childcare. My husband at the time was traveling all the time too. It was just like a mess. And I called my mother as many of us often do and was crying. And I was like, "I don't know what to do. I'm stressed. I don't know what to do."

And she's like, "I'll move to Atlanta and I'll help you through this period." And she was with us for four years. And I think about that. It would've been thousands and thousands of dollars of value that she created that wasn't her writing me a check for \$100,000, \$200,000. But her time, her love, cooking dinner for us, washing clothes. I mean, all of these different things that you can't put a price on, but are valuable as an entrepreneur. It was peace of mind.

So those sort of resources I talk about a lot in the book that our families bring, and to look at them as resources. I had never read a business book that even talked about those things, and even thought about them.

SAFIAN: I mean, when I go through your book, the lessons are targeted to Black women, but a lot of them also often could apply to anyone. Right?

FINNEY: You know what's been most interesting about this book? The book was written for anyone who's not a white guy, so that's not just Black women, but the number of rich white men who've really liked the book — who've endorsed it, who've supported it. So Steve Case, who's amazing, and he was kind of like, "These are things I didn't even think about. Especially as we have people of color in our portfolio, and not understanding the challenge at a real granular level that they have to go through." He's like, "Now I'm a little bit more aware."

SAFIAN: One of the things you acknowledge in the book pretty forcefully at one point is that entrepreneurship isn't necessarily for everyone. Now, at Masters of Scale, we're often encouraging entrepreneurial thinking everywhere. Are we making a mistake in that?

FINNEY: There's a bit of a cult of entrepreneurship right now, right? I think there's a difference between being an entrepreneur and entrepreneurial thinking, and entrepreneurial thinking you can bring into anything that you're doing. It's thinking big, it's thinking outside the box. All of those things can be brought into any job, but being an entrepreneur as an occupation or even a vocation is a whole different ball of wax, and being an entrepreneur, you have to be tough. You have to be very comfortable with failure. I talk about this a lot in a book of as an entrepreneur, you're going to fail. For some people, the fear of failure is so that they can't take it as a data point.

For them, entrepreneurship may not be the best, and that's okay. That is very, very okay, but for those who can do that, entrepreneurship is an amazing path to let you lead the life that you want to lead. When I sold my company, I'd never seen that much money in my bank before, so it threw me off quite a bit. I would just stare and check each day if they were going to take the wire back. I remember going into Chase Bank in Manhattan on 21st and Madison and taking out money.

The teller was African American, and he brings up my account, and he just paused, and was like, "Sister, you are doing so well for yourself. You are just doing so well for yourself," and entrepreneurship did that. I often think of, what did that teller say to his family that night when he saw another African American come in who had this much money in the bank and what type of possibilities that might have opened up for his family?

SAFIAN: A lot of businesses have given increased attention to DEI lately, diversity, equity, and inclusion efforts, particularly at larger organizations. One of your colleagues said that you have some skepticism about this, about what's lip service and what's really effective.

FINNEY: I think my skepticism is well founded. This is an American problem. This is almost like America's original sin, and until we take a moment and really invest and really do some very hard work, it's not going to be solved.

The companies that are tying it to business imperatives, now they're starting to see some real movements. The Microsofts and other folks where as a manager, one of the things you're assessed on is your ability to recruit and retain, which is even more important, diverse talent on your team. But a vast majority are just lip service marketing. I'm afraid that we're going to be five years later and we're going to be right back here, and I'm going to be talking to you about my next book, and we're going to have that same question. I'm really concerned about that.

SAFIAN: I mean this journey you've been on, right now, are you more hopeful? Are you frustrated? Are you both?

FINNEY: I'm kind of flowing like water. I'm guarded, but optimistic. I think the challenge is that we're in a real historical moment, it's like everything's coming together I think right now in our country, in the world, in a very interesting way. So it's both political challenges, it's environmental challenges, it's health challenges, it's interpersonal.

There is a philosopher named Valerie Kerr, and she has a saying, which is, "What if we're not in the darkness of the tomb, but we're in the darkness of the womb?" Meaning what if we're in this darkness right before we birth something new? So I have to think in that sort of way, that we're in the darkness of the womb, and that we're going through these really tough challenges to get out and birth something new. I have to believe that because otherwise, I think it would be very difficult to get up in the morning sometimes.

SAFIAN: You wrote a post on Medium, "When Black people win, everyone wins." At the same time, I hear that you're kind of worried that the money committed to Black founders now, there's a potential for a backlash because of where valuations are moving.

FINNEY: I think what happened in 2020 is that many of their investors looked at the cap tables. That's the tables of where ownership lies, and they looked at their portfolios and they said, "Oh, shit. We hadn't invested in anyone Black ever."

It became this mad rush to invest in someone Black. So what happened was that for many venture funds, because of their size, they could only do certain sized investments, right? They couldn't do smaller investments. So in order for them to fulfill their needs, they drove up valuations of a lot of start-ups.

The problem is a lot of the companies were pre-seed, meaning they were pre-revenue, they hadn't actually generated revenue and many hadn't generated customers. So the valuations were whatever this VC wanted. It couldn't be based on an actual number, an actual metric because they didn't have customers yet.

So now fast forward two years later, where now everything is getting much tighter, and people are starting to look at what your metrics are. Their valuations are way too high, but whose fault is that? Whose fault is it that their valuations are too high? So there have been a number of amazing companies that have come in at too high valuation and say, "I can't invest."

SAFIAN: The risk is that this tranche of entrepreneurs are going to be viewed as, oh, they're not actually good business people. Oh, these aren't good businesses because the valuations aren't holding up in the near term.

FINNEY: Yeah. That they weren't great businesses, and, "See, we tried, we told you they don't know how to manage money, or we told you that they're not great business people," when really it was the investor's fault for the most part of driving up these valuations in order to justify investments to prove that they're not racist. It's just such a weird quagmire for a lot of entrepreneurs. I've had a lot of counseling sessions with various entrepreneurs who are really stuck and particularly entrepreneurs of color who are really, really stuck, who weren't told what growth metrics they need to meet. They got \$2 million dollars, and no one told them that, "We want to see 25% month over month growth," until two years later. They're like, "Well, I didn't know that. I would've invested differently. I didn't know that was what I was being measured by."

I think that's always a challenge for any entrepreneur who's outside of whatever the mainstream system is, whether you're a woman, whether you're an immigrant, whether you're a person of color, is: the goalposts are moved for us.

I had a conversation with a great entrepreneur yesterday, who's building a company in the hair care space. I was like, "Have you thought about the scale you have to reach to make \$10,000 off of this?" No one had ever said that to her. Which mind boggles.

SAFIAN: You have to stop and say, "Before I accept that money, tell me what you actually need. Let's talk about this more." You're so eager to get that support, you just want that support. You're not asking those hard questions ahead of time.

FINNEY: Imagine if the max money you've ever had in your bank account was \$1,000, or even \$10,000, and within a month or so, you all of a sudden have \$1,000,000 plus in your bank account. It is a mental shift that happens that I don't think venture, or others, really quite understand. When you come from a community that has had scarcity, where abundance has not been allowed in many cases, you can rationalize it, you can

intellectualize it. You know it's yours, but man, if you've never seen six zeros in your bank account that didn't have a decimal in some place, it is an out of body experience.

I think it's an unfair burden to put on these entrepreneurs to somehow say this to people who have power and access to unimaginable amounts of wealth. To say to them, "I don't want your money," or, "Tell me a little bit more about the strings attached to this money."

I know this to be true, because there have been times where I've turned down money from people who are very powerful white men, who, literally, were insulted that I did not want their money, or insulted that I asked questions about: "What is the cost of this money to me? What do I need to do in return? What are your expectations around this money? Because, I just want to be clear. If the expectation is, you're giving this to me for a marketing reason, just to say that you invested in someone Black, great, I'll take it. But, I want to make sure two years later, you're not coming in questioning why I didn't reach some certain marketing things, or certain growth metrics, because that wasn't what the deal was. You weren't giving me the money for the growth metrics. You were giving it to me for your own marketing."

SAFIAN: Right. The risk is that the implications of all this, systemically, is that it reinforces some mis-assumptions about what Black entrepreneurs can deliver. What Black women entrepreneurs can deliver.

FINNEY: It does. I'm very conscious and aware each day of the power that I have, in terms of being able to really support and help someone get to the next level. I think, for a lot of my white male colleagues, they don't see it that way.

The question isn't how to get rid of the privilege. It's: how do you use it to give other people the privilege? How do you transfer a little bit of your privilege to those who don't have it?

We all have this power. We all are a little bit ahead of someone else. Like I said, I'm a venture capitalist. I manage large sums of money. I know I have the power to help people in really profound ways, and it's a responsibility that I take very seriously. For me, even if I'm not going to invest in you, if we're in a meeting together, I'm going to give you feedback that, hopefully, will help you get to the next step.

SAFIAN: What's at stake for Genius Guild right now?

FINNEY: For Genius Guild, it's really about proving our thesis. Venture capital is a long game. The horizon is seven to 10 years. I find, when you're a person of color, people want a return tomorrow, but that's not how this system works. One of the things I try to do with Genius Guild is make sure that we hold space for us to get the same amount of opportunities and runway that everyone else gets.

We're developing a project around childcare. Everyone, even super wealthy people, are having problems with childcare. There has been very little innovation around that, but it's a problem that everyone experiences.

We're also looking at things around urban mobility. Most people who live in urban communities, particularly in middle class to lower income communities, can't afford electric cars, and can't afford to retrofit their houses, to have the chargers in their garage. There aren't a lot of charging stations in communities. And yet, electric cars are here. They're not the future, they're the present, and they're going to be the most economic — probably — ways of transport. How do we make it so that people who are in these communities also have the same access to these technologies?

Those are all the things that we're working on in Genius Guild. They're simple, but they're really big ideas.

SAFIAN: Anything we haven't touched on, haven't asked you about?

FINNEY: When you are an entrepreneur of color, a woman entrepreneur, anyone who's outside this sort of thing, it's really important to know that the universe is conspiring for your greatness. I say that because, it can get to be so hard, and you could feel like you're just walking up this hill, and you just can't ever get to the top of it. But, know that there are people, and places, and things that want you to win. Know that the universe really wants you to win, even when it doesn't seem like it, and I'm a living example of that.

SAFIAN: Thanks Kathryn. Thank you so much for doing this. We really appreciate it.

FINNEY: Thank you, it was fun. Thank you so much.