

ECONOMICS & SOCIETY

We Need More Startups That Don't Prioritize Growth Above All Else

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Corporate America's "growth at all costs" has worked for too few, for too long. Recently, leading CEOs at the Business Roundtable came to a similar conclusion, issuing a statement on corporate purpose rejecting maximizing shareholder returns as the sole corporate objective.

If the CEOs at the Business Roundtable are serious about fixing shareholder capitalism, they need to take an honest look at who gets funding, how local communities are affected, and what voices are missing from the conversation. Designed for disruption, dominance, and outsized investor

returns, mounting evidence proves that venture-backed companies breed toxic culture, worker exploitation, and homogeneity both in leadership and shareholders. In some cases, these companies can also destabilize sectors that are bedrock to local economies and, some have argued, erode the foundation of democracy. Accredited VC investors— high net worth individuals to begin with—reap an outsized share of the reward. Employees are granted fractional and often expensive stock options that put significant ownership out of reach.

To that end, as the Business Roundtable considers their next steps, we offer three suggestions:

Startups and new sector businesses need alternatives to venture capital.

Not everyone has a fair shot at entrepreneurship. According to one analysis, 82% of the venture capital industry is male, nearly 60% of the industry is white male, 40% of the industry comes from just two academic institutions. Meanwhile, 80% of all venture capital goes to only three states. Fewer than 1% of venture capital-backed founders are Black, and 3% are women. Distributing ownership and governance to more stakeholders is the most direct way to make change.

The Business Roundtable can support and learn from existing organizations and funds like like Black & Brown Founders, Native Women Lead, Digital Undivided, Founder Gym, and Backstage Capital that directly address some of the many barriers to entry. In Mississippi, Cooperation Jackson has built a network of worker owned, democratically self-managed cooperatives. In New York, Cooperative Home Care Associates, over 90 percent owned by women of color, is the largest worker-owned co-op in the state. In Colorado, alternative, character-based financing models like the Mainstreet program address the massive decline in community lending since the financial crisis, giving millennial entrepreneurs burdened by student loan debt a chance at business ownership. By partnering with and supporting organizations like these, the Roundtable can double down on the efforts already underway by leaders on the ground who are closest to the problem. They can build solutions with and not for the populations they wish to engage.

Learn from living “zebras.”

Businesses that prioritize people, purpose, and profit—the type the Business Roundtable now seeks—already exist in spades. We believe they represent a majority of businesses being created every day, especially by founders like us—women and minority entrepreneurs—who have been historically excluded from opportunities for ownership.

Over the last three years, a diverse founder community has come together in the Zebras Unite movement. Unlike “unicorns,” high-growth startups valued at more than a billion dollars, Zebra companies prioritize mutualism, shared prosperity, and social good over Silicon Valley’s “winner take all” mentality. Many of these companies were founded at the margins, by women and people of color. And their top corporate values represent what the Business Roundtable is now promoting. At a 2017 gathering of 250 entrepreneurs, the majority of whom identified as women and people of color, 70 percent said “benefits to the community and the public” was their top value, followed by “regenerative growth” (54%), “cooperation” (45%), “positive sum” (43%), and “long term profitability” (43%). The Roundtable members can draw on the lived experience of zebra founders who have already realized these values - from their corporate structures to their hiring practices, operations and community involvement.

Create more public/private collaborations.

The next step is to build a bridge between Wall Street and Main Street. Each of us has started two such experiments in our own backyards. In Chicago, Civic Exchange (of which Jennifer is a co-founder) is a newly launched co-working space and learning community centered on how news, information and technology can increase democracy and freedom. Working across journalism, government, education and social services, these startups are helping democratic institutions evolve to better serve the public. They achieve this goal by recognizing that they are stronger together. And in Oregon, Business for a Better Portland (of which Mara is a co-founder), the city’s fastest growing business organization, has advocated for critical investments in clean energy jobs for communities of color affordable housing, and equitable access to capital for all entrepreneurs. Our push for increased corporate taxes helped pass over \$2B in education investments this year.

What we’ve learned in the process of building both of these organizations, as well as our respective companies Switchboard and Hearken, and the Zebras Unite movement, is that businesses will engage with each other, and with the critical civic issues described above only to the degree they know about and have experienced these challenges in the first place, and have developed relationships with law-makers to solve them. Roundtable members can make structural, systemic investments to facilitate deeper and more authentic public/private partnerships and private sector collaborations. We’re starting to see more business leaders, like Salesforce CEO Marc Benioff and Cloudability co-founder Mat Ellis, lead the charge by recognizing that the first step is for corporate America to start paying its fair share of taxes.

Through our work founding multiple companies and support organizations, we know both that the path to more inclusive corporate growth exists, and that following it is necessary. We have found some creative and collaborative solutions to ensure more people and more communities get a seat at our tables and we look forward to expanding those opportunities along with the Business Roundtable.

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Deborah Lanyon 6 days ago

Why not just stop thinking about inclusiveness as a 'cause' and recognise that it is simply good for business and, by extension, the community at large. Accept that there can be strength in being different, and thinking differently. And get on with it. Don't turn it into a sideshow for the sake of publicity or to tick politically correct boxes.

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