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Push to diversify startups paying off

THE ANNUAL AWARDS ceremony for MassChallenge is one of the biggest nights in Boston's technology community, when the next generation of promising startups is crowned — and rewarded with tens of thousands of dollars in prizes.



LANE TURNER/GLOBE STAFF

Damon Cox of the Boston Foundation has worked with minority entrepreneurs.

Among the powerful venture capitalists and successful entrepreneurs at the 2011 awards night was Damon Cox, an African American who at the time was the director of economic development at a small nonprofit serving Dorchester. Surveying the packed ballroom at the Boston Convention & Exhibition Center, Cox said one thing stood out: the "remarkable" lack of diversity among the crowd.

"We're talking hundreds and hundreds of people — I'm thinking, 'Where are the women? Where are the people of color?'" Cox recalled.

Four years later, after moving to one of the city's largest nonprofits, the Boston Foundation, Cox has successfully pushed to diversify MassChallenge, which runs an annual program to turn nascent startups into profitable companies and bills itself as the largest so-called business accelerator in the world. At his prodding, Mass Challenge last fall launched a "boot camp" version of its program for 10 minority-led companies.

"When Damon came to me saying that there are needs that aren't being addressed, I said, 'You're right, we need to do something about it,'" said Scott Bailey, director of MassChallenge's flagship program in Boston. "We can be the platform that makes sure these startups have access to mentors and training they wouldn't have otherwise."

MassChallenge receives thousands of applicants each year and chooses 128 startups for its four-month development program. At the end, the top 26 companies become eligible for more than \$1 million in grants. The new boot camp is a smaller version, with select candidates from business incubators in Dorchester and Roxbury offered a coveted introduction to the networking that the technology world thrives on.

The booming technology industry has been under pressure to diversify its largely male, white, and Asian workforce. Ellen Pao's unsuccessful lawsuit against her former venture capital firm triggered a national debate about gender discrimination in the industry, while Google and Apple have pledged to broaden their workforces after releasing figures that show, for example, low numbers of black employees.

At MassChallenge, new figures show that more than 44 percent of its current class of 128 companies in Boston had at least one female cofounder, up from 34 percent in 2014 and well above the general tech community in Boston, according to a recent survey by Crunchbase, which publishes data on the startup industry.

Meanwhile, nearly 10 percent of MassChallenge's current class has one black or African American cofounder, up significantly from 1.7 percent in 2014; some 12 percent have Latinos among their leaders.

Cox believes Boston effectively remains a segregated city for minority entrepreneurs. With Boston becoming a capital of innovation, he said, the resources crucial to startups — money, mentors, business networks — are more available to white and Asian entrepreneurs than black and Latino.

"One of the main problems here in Boston is that we have two separate worlds," said Cox, who is now the director of jobs and economic development at the Boston Foundation. "You have this robust center of entrepreneurship and innovation and then, not even 3 miles away, an urban center where unemployment is in the double digits, where people can't capitalize their businesses, where they don't have the connections and social capital to grow their enterprises."

Around the Innovation District in Boston and Kendall Square in Cambridge, startup programs get millions of dollars from investors and big corporations, and tap networks of successful business executives and program alumni. Meanwhile, business incubators in Roxbury and Dorchester serve a handful of entrepreneurs and mainly rely on funding from government grants or other nonprofits.

G. Valentino Ball saw that dichotomy when he enrolled in the MassChallenge boot camp and settled into its industrial chic offices on Drydock Avenue in the Seaport.

Ball, a cofounder of music and culture website KillerBoombox.com, said his desk was underneath a sign that read \$404 million — the amount of revenue generated by companies that had graduated from the main MassChallenge program.

"I realized this is really a different playing field," Ball said. "But I feel like I'm more connected to that world now, like I can move around between the different tribes in the city."

The boot camp entrepreneurs are taught to write a business plan, raise money, and manage finances and hiring. They also met with mentors from MassChallenge's sponsors and alumni companies.

One of the entrepreneurs in the boot camp was Magbè Savané, whose company MAKOMAS makes juices based on traditional recipes from her native Côte d'Ivoire.

"There are great business people who are willing to spend their time teaching entrepreneurs, but I don't have access to those people," said Savané, whose products are sold in a number of area Whole Foods Markets. "Now, I know those people, and they're helping me grow. That's the beauty of MassChallenge."

Still, the boot camp remains apart from the accelerator's competitive main program. There are no winners and no grants at the end. It takes place during the MassChallenge offseason between December and May. And Mass Challenge doesn't fund it; instead, the Boston Foundation provided \$450,000 for three years.

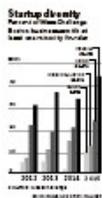
The program is separate, MassChallenge said, because its main competition is colorblind, a strict meritocracy focused only on companies' potential.

"I would like to do more to make sure we're creating bridges and pipelines of resources and programming and access on all fronts," Bailey said.

He called the offseason boot camp "a small start" and noted that it will expand to at least 20 minority-led companies for its second season. Bailey said he hopes the program will eventually lead to more minority-led companies applying to MassChallenge's main program.

One area for improvement, several industry observers said, is how accelerators recruit entrepreneurs. Instead of relying on word of mouth, they said, MassChallenge could reach out to minority clubs at MIT, Harvard, and other universities.

For its part, the Boston Foundation is using its position as one of the region's leading civic organizations to develop minority entrepreneurs by funding smaller neighborhood accelerators and programs such as The Possible Project, which teaches Cambridge public school students about running their own businesses.



“Accelerators are supposed to be the ultimate meritocracy, but a meritocracy doesn’t just start with who happens to walk in the door,” said Travis McCready, a vice president at the Boston Foundation. “Meritocracy starts with all the other assets and benefits and legs-up an entrepreneur gets ahead of time.”

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