"How Black tech founders are advancing innovation"

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Guests:

ERIN HORNE MCKINNEY
Founder, HBCU National Innovation Consortium for Entrepreneurship

JOHN PASMORE
Founder & CEO, Latimer

Host:

NICOL TURNER LEE
Co-host, The TechTank Podcast
Director, Center for Technology Innovation;
Senior Fellow,
Governance Studies,
The Brookings Institution

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CO-HOST NICOL TURNER LEE [00:00:00] You're listening to Tech Tank, a bi -weekly podcast from the Brookings Institution, exploring the most consequential technology issues of our time. From racial bias and algorithms to the future of work, Tech Tank takes big ideas and makes them accessible. Welcome to the Tech Tank podcast. I am Nicol Turner - Lee, co -host, and I'm delighted to have you back again to hear our latest episode. As we honor Black History Month, I've got two groundbreaking leaders who are working to advance opportunities and break through the barriers for Black tech startups and founders. You know, African Americans have had a long -standing imprint in the field of innovation. They've been inventors to business experts who have changed the way that we bring game -changing science and other advancements to society. I'm going to do a quiz. I'll name a few. Dr. Shirley Ann Jackson, she's a renowned physicist who was the first Black woman to earn her PhD from MIT. And what she did is she contributed some early telecommunications innovations, including caller ID and call waiting. Dr. Mark Dean, an African American engineer at IBM. He was recognized as the expert who contributed to

the modern -day computer, as well as an ISA bus, which allowed devices like printers and modems to connect to PCs. I could go on and on, but the two individuals that I have today with me are also Twareblazers. And I want to recognize not just who they are and what they do, but I want to talk about it within the context of technology innovation being very much a part of the DNA of Black Americans. I also want to talk about it from the barriers that do exist. We know on the funding side that Black tech innovators are still significantly marginalized when it comes to investments in their businesses. It's like pennies on the dollar. And what makes it so difficult to understand is that technology has always been a lower barrier to entry for anyone with an idea and machine. That is why today we're excited to bring two guests who intimately know this space. Erin Hall McKinney is the founder of the HBCU National Innovation Consortium for Entrepreneurship. And for those of you who don't know her, she's also a serial entrepreneur herself who has actually been very much vested in getting more Black women in this space. And John Passmore, someone else who I know, is the CEO and founder of is creating its own version of ChatGPT, specifically designed for Black people. Welcome to the podcast, Erin and John.

JOHN PASMORE [00:03:03] Thank you.

ERIN HORNE MCKINNEY [00:03:04] Thank you for having us.

CO-HOST NICOL TURNER LEE [00:03:07] So, Erin, I want to jump first to you because you've been in this space for quite some time, John as well, because he's also a serial entrepreneur, by the way. And when we met, I want to say almost 20 plus years ago, you knew who was missing from the table when it came to Black tech innovators. So I'd love, you know, I've shared Shirley, I've shared, you know, our other friend, Dr. Dean. Who else is missing when we start to think about the landscape of Black tech innovators that I didn't mention? Because I want to be sure to give them their flowers as well.

ERIN HORNE MCKINNEY [00:03:39] Well, that's a very long list. And, but you're right. I mean, the thing is, is that, yeah, we met a long time ago when I first came to DC and shifted from trying to be an entrepreneur to really being an advocate and activist to make sure that there were more women in minority participation in the innovation economy overall. And I think, you know, when you when you think about kind of some of those modern day innovators and individuals who are creating things that are so important in our society, you know, I think some of the people that come to for me. And this is not just about women. I mean, I'm an advocate for for women and minority innovators is. And this is one that, you know, right, is York Edgelston, right? It's somebody that a lot of people don't know about and who has created a number of technology and taken over the IP for even some historic innovations and that have come out and has been kind of behind the scenes for a really long time in this space and does things in a very stealth mode, but really important stuff. Another individual is Sultan Kali Moore, who I've had an opportunity. I met him actually in Founders Institute years ago when both of us were in that program and he was creating. He's had multiple inventions and multiple companies, but one in particular that he had at the time was Zimbabwe Networks, which was one of the early payment systems to do payments internationally when you could do that other than wiring through Western Union. But now he has another company called Circe .ai that is doing some profound work as well. And then even when I think about women currently and women that have done amazing things, I think about Dawn Dixon, who had created was one of the first women, by the way, to and first founders to have a significant raise through crowdfunding. But for her AI used vending machines that for Popcom was the name of her company. But there are just so many, honestly, I could just like go down the list.

CO-HOST NICOL TURNER LEE [00:06:14] I love it. And I think some of those folks will actually put in our blog, which is always accompanying these episodes, right? Because I wanted you to share that because I think sometimes there's an assumption that, you know, a lot of Black founders came out, you on, but I still think that we're seeing so many tech innovators enter the sphere, right, Erin, that they're so hard to name, right, because they're touching every aspect of the innovation space. And I love that you mentioned, you know, people like you who have been out here for quite some time. Now, John, I want to shift it over to you because you are also one of those tech innovators, right? And you've been working as a serial entrepreneur for so many years. I think when we first met, you were doing something else, but now you are really like innovating in a space that to many feels very complicated, right? Because artificial intelligence in and of itself comes with a series of assumptions by people that it's opaque and it's hard to break into. And it's only met for people who have a lot of capital, but you're out there doing a lot of stuff with Latimer. So tell us first what Latimer is, and then talk about what this journey has been for you.

JOHN PASMORE [00:07:25] Yeah. Thank you so much. Just to take a step back. I've been an entrepreneur for a while back in 2008 in a round that was led by the longtime DC based venture capital firm Syncom. We raised 10 million dollars for an online travel business called Voyage TV and sold that business later. But I also went back to Columbia University to work on a computer science degree, which I was able to get after some years of hard work and study. And, you know, that kind of gave me the insight, I think, when ChatGBT came out and we saw all the kind of bias and, you know, great, it can do great things, sure. But then it has some shortcomings specifically as it relates to bias. And, you know, there's just not a super depth, I guess, in their data on other cultures other than kind of European descended cultures, so to speak. So we thought we thought we could solve that. We launched a company. We launched Latimer, which is a large language model. We have our own database. It's called a rag model. We won't go. We won't do a deep dive on that at this moment, but we launched last January, so we're a year old. It does take some resources and certainly, you know, some technical know -how, but I don't think that the I don't think from a technical standpoint is is out of reach. We've certainly met a lot of young, diverse founders in AI. Certainly our even, you know, whether it's an HBCU or Columbia or what have you, there's a there's a lot of engineering talent out there that's that's super fluent in this kind of technology. So we have no, you know, maybe we're not as well represented, but we certainly have a lot of talent out there. It's not just me, you know, Steve Jones has a big, you know, there's just a bunch of entrepreneurs doing doing interesting stuff. We won't go through the whole list right now, and, you know, we've had a phenomenal first year of launching. I'm not I'm not considered an EdTech founder, but when we launched, we got so much interest from HBCUs like Miles College was the very first college to push this out to faculty and students there in Alabama, but many, many others and then many universities overall. So we we're just wrapping up a trial with Southern New Hampshire University, which is about 170,000 students, mostly online. But because they're online, they have, you know, 400 people in their tech department. So they're they're very big and very they're very good at what they do. I just got back from Phoenix visiting with Arizona State University, another obviously they have a big physical campus, but also with Ed Plus, they have probably over 100,000 students online as well. So a lot of interest in what we've built. We are now kind of embracing even more diversity as we look to add additional data on indigenous US indigenous cultures, US, you know, Latin Caribbean cultures that, you know, kind of derive from Black culture or was kind of a stop if if if people were coming from from Africa early on. Obviously, those a lot of Black people ended up in places like like the Caribbean.

CO-HOST NICOL TURNER LEE [00:11:04] And what's so interesting about what you're doing and I would love for you to expand on this and then we'll come back to Erin, you know, you identified a problem, right? You use the technology to solve the problem and you're using your problem solving capabilities to bring more people to the table. You know, I laugh because I've been in this space for like 20 plus years. Technology has always been that vehicle for solving and addressing like these blind spots. And so for you, John, like what has that experience also felt like, right? Being able to take a large language model and some of the blind spots, you know, and how beneficial do you think that is to like the broader innovation ecosystem that is essentially relying upon these tools to make, you know, other products and services or to integrate into companies and other verticals?

JOHN PASMORE [00:11:57] Well, you know, obviously it's absolutely essential, right, when we talk about and we're just, you know, we're a baby company, so we're not everywhere where we want to be. But obviously you could guess that, let's say, within health care, it's critical that the data be accurate across, you know, all demographics. That has been traditionally a problem, continues to be a problem in a lot of different ways. You know, we had a we had a conversation early on with one of the major drug companies. And as you know, the drug company still can't get Black and brown people in their clinical trials. And that's for good reason, because, you know, there's a history of mistrust, let's say. But that also impacts us because, you know, especially with an administration like we currently have, drugs will be released. And if those drugs aren't properly tested against Black and brown people and they are harmful, more than likely, it's not going to get the drug recalled. So it's better that Black people participate in those trials. So if if there are issues that we can spot them sooner, that's, you know, just one example, we have criminal justice, where obviously we want accurate artificial intelligence, where it's, you know, very, very, very critical, could cost lives in that scenario. And then, you know, again, we've been focused on education. And maybe there's a way that that AI can bridge some gaps. You know, not every parent has the opportunity to spend 50 or 100 dollars an hour for a tutor, but maybe now maybe now we can use technology to bridge that gap. And actually, there's a there's an article in The Economist about Black parents, Black women in particular, over indexing above any other ethnic group in their use of AI for that reason.

CO-HOST NICOL TURNER LEE [00:13:50] So, Erin, that makes sense because, you know, I know in your work, you have been trying to connect the dots between tech innovators and, you know, the demand, right, for the services and ideas and imagination of the innovators that you work with. Share with me a little bit, though, where it's also been difficult, right, for these innovators to express themselves within these, you know, broader markets, because I know that's been an area for years you've really just tried to dig into.

ERIN HORNE MCKINNEY [00:14:20] Yeah, absolutely. I mean, I think first and foremost is access to capital. Right. We have seen a number of different studies that have been done that have shown, whether through CB Insights that continues to monitor how, and I don't like to speak from a perspective of lack, but just for the sake of this question is that, you know, less than 1 % of venture capital out of the billions and billions of dollars that are invested in that space go to Black founders and collectively less than 8 % go to women and minorities overall. And so when you think about that, you know, why is that? We did see a spike a bit in 2021 post George Floyd, where the some of those numbers were up, but we've actually seen those numbers go down significantly since then. And now, of course, there's a big, there's some of those funding sources that specifically have focused on women and minority funders like Fearless Fund, you know, have come under attack. And that's really concerning when there's so few dollars available. There were a number of studies done at one point by Digital Undivided, related to a project called Project Diane

that did some samples of comparing Black female founders to white male founders. And in their last study, the average white male founder received, and this is a failing, non - successful, but just so they could check out an idea, you know, received an average of about 1.2 million where Black female founders were receiving less than just under 50 ,000. And that's as a successful founder. Right. So we look at that and compare just access to capital, how much women and minority founders or diverse founders are able to do with so little. Just imagine if there was real and true and authentic investment into those founders, what could be possible? You know, to John's point, you know, not just in the areas of education, but, you know, when you think about health, like the reason why these founders are so important that they have these opportunities is they're solving problems, not just specifically for our communities, but that's that itself is needed, right? Because largely a lot of technology sometimes doesn't take women in diverse communities into account when they're creating their technology. But when you think about, I think the other issue is that these founders not only receive a lack of funding, but they get over mentored and over, you know, resourced in areas that aren't helpful, right? Where it is, you know, they're advised to death, if you will, and not really supported in the way that allows them giving opportunities, not just in funding in the sense of access to capital, like venture capital. But when you think about the opportunities, even to get into the supply chain, right, and become a vendor, you know, even at that even HBCUs like less on average, less than 10 % of their vendors are Black owned businesses, right? So if we had more opportunities where we could get women in minority vendors, especially in the tech space, right in to support like kind of exactly somebody like John coming in, not only becoming a vendor, but also getting a master service agreement, right? So they don't have to do these competitive bids every single time, they're able to be utilized in an exponential way that also leverages their their business to get other business and to get other assets and resources so they can continue to grow.

CO-HOST NICOL TURNER LEE [00:18:44] Well, John, that brings me to you. I mean, Erin is talking about some of the real barriers to entry when it comes to growth and sustainability as a person who has been a serial entrepreneur, who's had several successful startups as well. I mean, are you finding any of those barriers showing up, you know, pretty glaringly in your work that you're doing on Latimer or are you averting those because of your experience and expertise? You know, what is that looking like for you?

JOHN PASMORE [00:19:10] I don't think any Black or Brown person is really averting those hurdles, none that I've met. So you will encounter them. I mean, I've had VCs basically say why would we need, you know, an alternative that, you know, for chat GBT that, you know, is is focused on Black and Brown people? Why? Why would we like just totally disregarded it? I've had I've had VCs, you know, when you send somebody a deck, usually you could see how much time that they've spent with it. And I've had, you know, VCs literally spend seconds, less than 10 seconds with the deck and then kind of come back to me to say, hey, we reviewed what your you know what your business is. And you would like to say, well, you know, I don't know how much you could really review in two seconds. But, you know, I don't I just think that there's a very and it's only going to become more pronounced, I think, now. But there's, you know, there nobody's getting a trophy for bringing in, you know, this young Black business into a VC firm that just because of the history is largely not Black or not diverse. So, you know, you would need a very special partner. Essentially, when you're talking to a VC, then they have to go in and sell your business to the partners. So they have to be your champion. And on their Monday morning meeting with their partners, they have to be able to kind of clearly talk about your business, the market, why we should invest and how we're going to, you know, take this one million or 10 million dollar investment and turn it into 50 million or 100 million dollars.

And, you know, some of that is the responsibility of the VC, of myself, of giving them the ammunition to do that. But, you know, there's a big systemic issue because I have experience, you know, one of the big things with with Black and brown founders is that they, you know, there's kind of an expectation that your very earliest money is friends and family, so to speak. But if you need several hundreds of thousands of dollars in your friends and family, not every Black person is surrounded by that kind of wealth where, you know, these are young companies. So by nature, they're they're highly risky. So how many people do you know that could, you know, lose 50 or 100 thousand dollars and not really be worried about it? Usually it's a very, very small set of folks. And even if somebody is a past football or basketball player, well, you know, they don't really, you know, they don't have continual income like that where, you know, 50 thousand dollars doesn't matter to them. Sure, it does.

CO-HOST NICOL TURNER LEE [00:21:56] Yeah. And I think that that's such an important point because, you know, back in the days we used to have programs that allowed for the type of investments and access to capital for Black innovators and in particular, Black tech innovators over the years. But to your point, I mean, a lot of what we're seeing now in the tech ecosystem more broadly are these networks, right? Who sits at your table, which is so interesting, right? Because who sits at your table matters on the investment side and who sits at your table matters on the development side, right? And it's like we can't we're stuck between the two. Am I right, John, on that?

JOHN PASMORE [00:22:35] Yeah, I mean, it's it's a challenge, but it is navigable. We're, you know, we're doing pretty well. Again, you know, when I even when I first launched the business, you know, I kind of looked at the fact that I had more experience. I knew that this was going to be a kind of a critical need, that we need AI that is understanding of various of our culture in particular. But there are others that it should be conversant in or fluent in and that if we didn't have that two or three years down the road when AI is really embedded in everything, then that would be that would be a glaring issue. And, you know, for somebody I have a teenager at home, the last thing you want is for them to grow up into a world where AI is everywhere, but AI doesn't understand their history and culture or their value. So then, you know, what we consider systemic now gets even further baked in. And, you know, that's that's something we wanted to avoid. And I thought because I'd been in the space for a while, you know, I have some connectivity of people who can take early and significant risks. So we've been, you know, pretty well funded in that sense.

ERIN HORNE MCKINNEY [00:23:46] Love it. And one other thing Nicol mentioned that as John was talking, it made me think, too, is that there is with the diverse founders, we also see a bit and quite a bit of predatory investment, right, which means that they are absorbing quite a bit of equity from these companies way early on when they come in at a greater rate in really and because sometimes the companies are in a desperate situation, even for seed funding early, they give up way too much equity. And as we know, not all good money, good. All money is good money. And so that's one of the other barriers that that comes up quite a bit.

CO-HOST NICOL TURNER LEE [00:24:28] And then I'm thinking, Erin, just a follow up to that question, though, what's the role of policy? I mean, this is an area that you also dabble in. You know, where could policy be helpful to sort of advance the Black tech innovation agenda?

ERIN HORNE MCKINNEY [00:24:42] Well, I think that there's a number of ways that different jurisdictions in across the country have started to really see how investing in

companies can contribute significantly to their economies and their workforce, especially when like let's look right now as there are changes happening in D .C. And you're talking about a third, almost a third of the workforce in D .C. are federal employees, right? And also federal wages contribute quite a bit to the tax base of D .C. So then you have to see that there will be a significant shift as this administration is making changes about the workforce and how many people will be impacted by that. This is an opportunity for the district to set up programs and policies that incentivize investments into really a whole different industry than they have, which is primarily one of the focused industries has been the federal government if you look at tech and innovation as an opportunity or manufacturing as an opportunity for economic development. What you see is that there are a number of policies that can be created and incentives that can be created by local governments to invest in diverse founders. D .C., for example, is using federal funding, is getting ready to invest in early stage VCs. And they're using, so they have identified an organization that's going to oversee that program, but they're looking to invest about two to five million in several different stages of venture capital, but that are willing to do early stage investing for startups. And they're looking for, and that can be universities that have funds, that can be first time investors, it can be a number of different ones. But the point of that and the reason why it's significant is that their mandate is that these have to be funds that invest in diverse funders as a part of their investment thesis.

CO-HOST NICOL TURNER LEE [00:27:09] Well, and I think that's so interesting too. And John, I'd love to hear your thoughts. And as we get ready to wrap up, 2023, California also enacted the diversity reporting law, which will require venture capital firms in California to report data regarding the diversity of founding members of companies in which they invest. And, you know, there are some compliance requirements around this as well as potential enforcement. I'm curious, like to Erin's point, you know, Washington, D .C., California, you know, it appears like states will also have some agency to support the venture community and the startup community. Is that a good direction to go in? Or is there something that needs to still be done federally?

JOHN PASMORE [00:27:51] I think we should push all the buttons that we possibly can. I think I think what you see that was done with Fearless Fund, you know, I think the same thing could be done to, you know, a white VC, where, you know, essentially what we do with mortgages, right? So a bank can't discriminate against who it's writing a mortgage to. And sometimes they have to prove that they haven't been discriminating. I think that we should look at some of these general market VCs and audit them and say, well, you've gotten, you know, 100 or 500 applications from Black and brown or women led ventures. And how many of those were approved? And what is the process? And how come the outcomes are so different than, you know, when white entrepreneurs walk in the door? And, you know, I think that that's probably a role for the courts in the same way that the courts were used with Fearless Fund.

CO-HOST NICOL TURNER LEE [00:28:52] Yeah, I mean, it's interesting. I think that California bill will be interesting to sort of un, you know, uncap what's in the bottle, right? The genie in the bottle when it comes to more transparency around how people are getting funded. And I would assume, Erin, to the work that you've been doing, it'll also be helpful to get the right data so that we can move the needle forward. I mean, I want to stay in the spirit of Ms. Horne McKinney here and think about the positive, the joy of Black history and tech innovation. So I want to ask both of you, because we do have some younger listeners listening to the tech tank podcast. I mean, what is your advice for the people who want to get into the space? Like what would be your advice of encouragement, your motivation, your moment to essentially steer people into a space that, you know, does have its

hiccups, but for the most part is probably, you know, very, the world, you know, the world is wide open when it comes to the innovation space, because anybody can be an innovator. John, I'll go to you. What would be your word of advice to young person listening?

JOHN PASMORE [00:29:52] My advice would be, there's probably never been a better time in some ways. I mean, there are these no -code solutions. We even use some of them internally to kind of draft up if we're doing a mock -up and you want something that actually works. So you can just write in words, hey, I need a piece of software that does X, Y, and Z, and it will write the code for you. So that barrier is lower. And certainly when you look around, there's tons of talent. We have things like LinkedIn, where you can very easily find other, you know, if you're looking for tech talent or marketing talent, what have you. And, you know, I think from what I've seen and we've done a ton of events on HBCU campuses. We have three more in March. There's a lot of enthusiasm. There's a lot of talent out there. So it's up to young people and then leverage people that are maybe not so young like myself, but I'm available. I'm on LinkedIn all the time. You know, hit us up when you have a question or you're looking to say, hey, I see you're connected to X and I'm trying to do something in sports. Can you connect me? So you just have to use a chutzpah, I believe is what it's called, and, you know, take that step.

CO-HOST NICOL TURNER LEE [00:31:09] How about you, Erin? What would be your advice to those who are listening?

ERIN HORNE MCKINNEY [00:31:14] Well, to your point and your question, Nicol, the world is your oyster, right? And I think my advice very much is in line with John's, which is there's almost no better time than now. I think our younger innovators and also just generations, what's great about them is that they are researchers by nature, right? Because they have this access and so they look up everything and they know. But, you know, I think one of the things that I really encourage even in my kids and the students that we have at our HBCUs that I work with is that everybody is a subject matter expert on something. What is your thing, right? And so everybody should be able to become, entrepreneurship isn't for everybody, but it doesn't mean that you can't be a part of a team and bring your subject matter expertise to build that team to John's point. But when, you know, thinking about funding and the world being your oyster, be thoughtful and open and flexible to where that, not just that investment could come from, but that support. I have found that there are programs globally that are sometimes better for diverse founders than you will find in the US. For example, Startup Chile has an amazing program that's focused on women founders. And so if you're willing to go live in Chile, you know, they have funding. There are, we've seen a lot of funds coming out of Africa now that are supporting Black founders specifically. There is even looking at like crowdfunding and other unique ways to invest, get that initial investment. And as John mentioned, not everybody has a friends and family round. So crowdfunding and doing other programs that don't take a lot of equity early on, like grant programs and pitch competitions. It's not, for example, with pitch competitions, it's not about winning. It's a great opportunity to market your business. If you think about Shark Tank, most of the businesses that went on Shark Tank didn't get investment. Even if they said that they got investment on TV later when they worked out the deal, they didn't take those investments. But what they did was have a phenomenal opportunity to market and you never know who's listening and watching. So I'm a firm believer in pitch competitions and opportunities to refine your pitch and going after grant programs. They sometimes can seem tedious, but you'd be surprised how many grant programs where they're not even taking equity, people do not go after. And then, and that

money is left on the table because not enough people even go after those funding opportunities.

CO-HOST NICOL TURNER LEE [00:33:55] Now, I love that advice, particularly for those that are wondering, how do you break through sometimes the log jams that exist in the U .S.? Like you said, go overseas, right? There might be opportunities for you to learn, take classes, sort of understand entrepreneurship from a global perspective. I appreciate the both of you. This is such a wonderful conversation that we've had. And more importantly, one that I think got into the weeds of some of the stats and data that we often hear. It is tough, right? But I think both of you also gave us a lot of promise that it is also practical and it's pragmatic for innovators, particularly Black tech innovators to get into the space. We need people like you, John, and we need people like you, Erin. So thank you for coming on the Tech Tank podcast.

ERIN HORNE MCKINNEY [00:34:41] Thank you. It's been a great conversation.

JOHN PASMORE [00:34:43] Thank you so much.

CO-HOST NICOL TURNER LEE [00:34:45] All right, and to all of you who are listening, you're listening to the Tech Tank podcast where we take big bits and make them into palatable bites. For more information on these and other topics, please be sure to subscribe to our newsletter powered by the Brookings Center for Technology Innovation. And don't forget to like the podcast on your favorite listening platform and share it with others. In fact, we thank all of you for helping us to be recognized by FeedSpot when it comes to tech policy. We're getting up there. We're in the top 10 everybody. So thank you for your loyalty as listeners.