

Leading into the Unknown

Ep. 2—Kara Nortman, Partner at Upfront Ventures: Elevating the humanity in venture capital

Narrator: [00:00:07] Welcome to Leading into the Unknown. A podcast by SYPartners featuring stories from leaders we admire about creating the path forward in complex times.

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Ben Perreau: [00:00:23] Hi, I'm Ben Perreau of SYPartners, your host for this episode of Leading into the Unknown. I'm really excited to be joined today by Kara Nortman.

Kara Nortman: [00:00:30] Thanks for having me.

Ben Perreau: [00:00:33] Kara is a Partner at Upfront Ventures, where she maintains a portfolio of companies including Qordoba, Parachute, Stem, and Fleetsmith. Kara also spent seven years at IAC, where she was SVP and General Manager of Urbanspoon and CitySearch, and also co-headed the M&A group. Kara also seed funded Tinder, so when you swipe, that's partly down to her. What I admire most about Kara is her curiosity. She carries that kind of learning mindset through everything she does, which I find really inspiring actually. And so in the time that we've known each other, I see Kara courageously seeking to learn from a broad range of people all the time. That's right, isn't it, I read somewhere that you have multigenerational mentors and mentors from lots of different backgrounds to make sure that you're getting, kind of, advice from different people.

Kara Nortman: [00:01:14] Yeah, I mean it's something that, sort of, has happened a bit naturally, I'd love to say it was more overt, but I've always had mentors who are more senior or more experienced, but in the last five or 10 years I've developed young mentors, and even a Gen Z mentor that was written about recently.

[00:01:30] I think it's really more about pushing your ego aside, and pushing aside a sense of, 'I've done X and I should fit in Y role,' and kind of going into every conversation—whether you're speaking to a 100-year-old person who survived World War II, or a 19-year-old who has dropped out of college and is trying to figure out what to do next—that you can learn from them. And so I think it's just balancing humility with what the world expects you to be, and then you get pleasantly surprised that

you maybe are mentored more so by the people that you've been asked to do an informational interview with, or be mentored by.

Ben Perreau: [00:02:07] I know you're very intentional about learning, so tell me about an "a-ha" moment, or something that was surprising to you that you learned along the way through your career, that you weren't necessarily expecting to stumble upon.

Kara Nortman: [00:02:16] My biggest learning is as much as we think we understand other people, as much as we think we've sort of figured it out, 'oh this is the profile of an extrovert or an introvert, or a person who grew up in this environment,' first impressions of people are often wrong and if you take the time to actually allow people to be a little bit vulnerable, get them into their safe space, all of those buzzwords, you'll see the real person. And sometimes the real person is not a person you want to spend more time with, and sometimes they are.

Ben Perreau: [00:02:44] It's quite hard isn't it to work out in 30 minutes or an hour when you are having a meeting with founder, or even when you're doing a job interview or something, to really know whether you're going to be able to be working with that person for multiple years. I mean, even with co-founders it can be challenging to work out who you are going to work with. Are there sort of specific things that you look for when you're having those first few conversations that help you kind of start to [think], 'now am I going to vibe with this person? Is this person going to be somebody I'm interested in spending more time with?'

Kara Nortman: [00:03:14] Yeah, for sure. I probably spend too much time on the human element, one might say. But yeah, I mean, a lot of people talk about product-market fit, and that's critical. I mean, it's universal across all companies. We often will come in a step or a half-step before most firms of our size, so we'll do seed rounds and early days and rounds that may not look appealing, but so what I try to figure out, because the numbers are almost always misleading or don't exist at that stage, is not just product-market fit but founder-founder fit, right? If there is more than one founder, how do you get to the root of not just, 'why are you here, but why are you guys here together? And, what journey of you gone down together and is there likely to be a lot of friction?' Good friction is positive, bad friction I think can be the single most significant reason companies don't find product-market fit. And then the VC founder fit bit is really important. So like, you should look for VC founder fit, and the way I guess they do that is I'm often told I'm asking a lot of questions many other VCs don't ask. Like, and just trying to get at who they are as a human, what makes them tick, how do they work best,

when are they doing their best work, when are they doing their worst work. What's their family like? Where did they come from? And there's no one profile or answer, and it's really just sort of, like, trying to understand why their journey has led them to this moment and through that they also tend to get to know me and ask questions in reverse.

[00:04:36] So we share values and expect them from each other. It's a two-way street. I think in a lot of cases when you have a power dynamic where there's slightly one, there's slightly more power one way than another, oftentimes the way we test for values gets lost, because you're trying to like, in the case of an entrepreneur, you're trying to win your way into getting, you know, an investment. In the case when the financing situation is extremely competitive, sometimes the VC is the one who's trying to do all the winning and you actually, as the VC, don't spend as much time really getting a sense of like, 'do I share the same core values? Values are a two-way street. I've met so many great new VCs in the last year or two, particularly through some of the work I've done with All Raise, but who are just empowered from the beginning. That is one of the key things as a founder I would look for in a VC, is not just how empowered are they within their partnership, which is important, but how comfortable they are sitting in the subjective and advocating for what they believe is right and not translating their greatest passions or greatest anxieties to you directly, but being very thoughtful about how to inspire you specifically as a founder on your specific journey. And you're starting to see more and more empowered investors I think early on in the firms who are really being thoughtful about how to build these cultures.

Ben Perreau: [00:05:54] Yes. I want to talk a little bit more All Raise in a minute, but to what extent do you feel like diversity and inclusion is happening at the right pace in, let's call, it's Silicon Valley and the idea of Silicon Valley.

Kara Nortman: [00:06:07] You know, I think the answer should always be it's not happening fast enough. But I'd say there's more deliberate action to making change, and hopefully, you know, not just change for change's sake, but permanent structural change takes time and there's more deliberate action against that in the last year or two than there's been at any time in my career. So I'm really excited and encouraged by what everybody is trying to do. I think the way to make change is through both carrot and stick, and I'm kind of more of a carrot type person, so to celebrate people's great intentions, to encourage them to do more around their great intentions, to set them up for success versus you know, 'gotchas' right.

[00:06:44] So if you look at, 'hey, how do we get more diverse investors into venture funds?'—by the way, that shouldn't just be women, it should be Latinx, and African-American, and it should be race, it should be country of origin, it should be age, it should be all of these different things—but rather than just saying, go figure it out, for example, one of the projects that we launched at the inception at All Raise is, how do we create pipelines of talent for venture funds who are looking to, to change, and instead of getting angry or making people feel badly because they say there's a pipeline issue, just say hey listen, like it's natural that if you fit one profile you're going to attract more of that same profile, but plenty of the best venture capitalists in the world were originally equity analysts and journalists and lawyers and all these different backgrounds.

[00:07:33] And so, there are a lot of different ways to find qualified candidates and so, I think, you know, that's one area for example where we're just trying to make that easier for people. But I'd say this is also a good example where just bringing in people into your firm who look different, doesn't solve the problem, right? You have to actually create an environment where they think different, and they're empowered to act different, and that doesn't happen overnight. So one thing I've become passionate about and doesn't scale at the individual level is just, how do you get to the people you respect the most in the industry, and not just get them like candidates, but push and poke on their thinking to say, okay, like if this hire is really effective, you might change the way you make decisions. You might be open to totally different industries or types of founders and it's incumbent upon you to figure out how to make that new person you brought in empowered, successful, supported, because it's this very cottage industry with a thousand rules that you only learn as a new VC if someone takes the time to teach you. I'm not just interested in, how do you get new diverse types of founders funded and venture capitalists and venture capital, but how do you make them successful and productive and get the benefits of that diversity.

Ben Perreau: [00:08:48] Right. And sometimes that requires you being pretty intentional about creating a more inclusive environment or culture for them to occupy?

Kara Nortman: [00:08:55] Oh, very intentional. And it also requires you to be uncomfortable. And it also requires the person coming in to be ready for multiple years of figuring out how to do their job well, because it's, you know, it's a business with slow feedback loops and where you, you can't just come in and be credible overnight. You kind of, you know if you go into certain firms you start on first or second base, but you have to commit to doing the work, and learning and taking risks, and you know, kind of being humble yourself.

Ben Perreau: [00:09:25] Tell us what All Raise is and also how long you've been doing it, and how the idea came about in the first place. That would be interesting.

Kara Nortman: [00:09:29] Yeah. Aileen Lee sent an email to all the women GPs [general partners] at institutionally backed funds that she could think of, get email addresses for, et cetera., and at the time there were about 40 of us. I think now, we know the number is closer to 160.

[00:09:43] And she sent us an email, and it was coming out of a bunch of the sort of, bad stuff, that was happening in the industry at the time, you may recall. And she basically said, 'hey listen, like we're all doing our own thing in our own silo, there must be some small things we can do to just double the number of female GPs at institutionally backed funds. Let's have a dinner. Let's come up with some ideas. Let's just start doing stuff.'

[00:10:05] And so, I think about 20 of us showed up that night, and we just, you know, we like, self-organized, put together a bunch of working groups and initiatives. The first one that launched was called Female Founder Office Hours, and that was run by Jess Lee, and Jess, who's at Sequoia, shipped that product in a phenomenal way. I will forever be impressed with how Jess got this going immediately. And it sort of, like, raised the bar for the rest of us to say, oh this is real. And people responded in a really positive way and I think that was incredibly inspiring for us.

[00:10:36] We had three other initiatives at the time. One was this pipeline project to get more women into the industry. Another one was something called, Founders for Change, which has gone on to do great things in its early days where we've got an 800 high profile founders from Slack on out to say, 'I care about diversity in my cap table, and if I have an option—because not all founders have options when they're taking funding—to bring diverse sources of capital into my cap table, I will do it. So does that firm have diversity in their partnership ranks. Can I bring in a follow-on investor who will give me some more diversity as I'm creating wealth and as I'm creating networks for different kinds of people. So all those things were there, and we all kind of signed up for different ones and then we all just start working together, and then Forbes came to us and said hey, we're thinking like, maybe we'll put you on the cover!

Ben Perreau: [00:11:29] I remember seeing that cover and thinking, wow that's incredible. And how, how long was it from idea to the Forbes cover?

Kara Nortman: [00:11:35] I mean, so the idea and the work started in August of 2017. So it's been just about a year. And the Forbes cover came out early April. So pretty fast, but I'd say the power and intensity and focus even before the Forbes cover was remotely possible was intense and amazing and inspiring and I think the women who came together were craving this, and the community around it, and to do something productive in a moment in time where there was all this negativity and sexual harassment and stuff that we need to eradicate, the worst part of the problem, but we kind of felt helpless around a lot of the specific ways we could help, and we were all doing our thing individually.

[00:12:15] We said, how do we do something forward-looking that begins to change the shape of the industry, because if we do that, then it will help also get rid of the worse stuff but it will do more than that. It will get money in the hands of very different types of people and will solve new problems, and will build different companies, and will create different kinds of jobs. So we came out of it with two primary goals, which is to double the percentage of female founders funded. So the number there today is 15 percent of the venture capital dollars go to female founders and 3 percent of CEOs that are venture backed are female. By the way, in my portfolio, it's 50 percent.

Ben Perreau: [00:12:53] Alright!

Kara Nortman: [00:12:54] Not by design, it just happened. I also love to fund men, and it's 50 percent male, and actually we need the men to fund the women, and the women to fund the men, to get the true benefits of diversity on a board. And then, the second goal was to double the percentage of female partners in institutionally backed venture funds. So right now, 91 percent of partners at venture funds are male, while 74 percent of firms do not have a woman in the firm at all, at any level.

Ben Perreau: [00:13:23] 74 percent do not have a female in the firm?

Kara Nortman: [00:13:27] In an investing role. And by the way, that's the other opportunity, is you have awesome women you're often training in your people role, or your marketing role, or your platform roles, who I think get placed in a bucket, but they've been more exposed to how venture works than anyone else and just giving them a little nudge to develop a thesis, or go out and meet companies, it may not work out but you might be pleasantly surprised that you've been accidentally training people in your firm without realizing it. If you think 10 years from now companies will be

founded by people of all sorts of races, backgrounds, genders, nationalities, it's just smart to try to build your firm to speak to that full audience from a sourcing and just, how you would resonate as a potential board member and firm. And it's an incredibly competitive market. There's a lot of money chasing the best opportunities, and I think really kind of authentically bringing in difference in a way that it'll stick, it'll be empowered and it will help you compete, is the way. Maybe not in the next year or two, but over the next 10 or 20 years is the way to stay relevant and to have best in class returns.

Ben Perreau: [00:14:29] Right, right. So I'm kind of fascinated to understand how from an investment perspective you're thinking about the future of work. What's on your mind?

Kara Nortman: [00:14:38] I'm really interested in the future of work, but what I've realized is I'm interested in the future of the worker and the human being. We often spend 80 percent of our lives in work, and so there are specific things I'm interested in that would file specifically into this bucket of work. Right. And that's, you know, that's things like skilling and up-skilling and re-skilling, and how do you think about continuing education when employees... when you're not learning what you need to learn in college to get a great family-supporting income, all the way to you may have had four jobs in a lifetime ten years ago, now you'll have four jobs at a time. And so how do you kind of continually invest in that? There are all the things around that, like how do you fund that. How do you fund non-traditional forms of education or traditional forms of education. So income sharing agreements and the like.

Kara Nortman: [00:15:26] So that's kind of the more specific and obvious stuff, I guess I mean I'm interested in a couple areas that maybe more of around the human being. One, I'm interested in this idea of the "third place," which Starbucks coined, right? Because people started working on laptops at Starbucks.

Ben Perreau: [00:15:45] That's right.

Kara Nortman: [00:15:46] And were having meetings at Starbucks, and wi-fi was free. But I feel like we've all always had third places that are like where all my identities come together, and I feel like empowered and I'm getting something more than I would get specifically at work or in my family. And those have been things like unions, religion, core parts of your identity where you feel like you're the whole version of yourself and you can show up entirely as yourself.

Ben Perreau: [00:16:12] What is going on that is making you interested in this sort of place?

Kara Nortman: [00:16:17] I mean, I'm just interested in how labels are breaking down. So you used to describe yourself as like, an IBM man who's a father of two, grew up in, you know, in Scarsdale and went to this college and studied this thing and that was like your label and you lived in it. It was comfortable and now every label's disintegrating, like who you are online and offline might be different, what gender you're born into, and then what you identify with might break down. Where are you grew up and where you ultimately build your community may be separated by continents, and so there's just much more mobility between and amongst labels, but yet we all crave community and we all crave identity that feels right for us. And it's sort of like, how do you try that stuff on. How do you try on your identity and make create one that is true to you, and construct that, and reconstruct that, and sort of own that journey. I'm working on what to call this. This is a thing I've been writing about a lot that I'm not quite sure I know how to describe, but I'm working on what to call this and in some ways I feel like we're moving from an era of things, to an era of experiences, to an era of overt identity creation.

Ben Perreau: [00:17:22] It's so true. You know, we're in this age now where we're thinking about the sort of multifaceted ways that we're able to express ourselves. And I think what I see more and more is an opportunity to make that real, and make that physical, and for people to be able to start embracing that kind of stuff. And as you start to put together these different facets of your personality, you can imagine that that might be where you get your purpose.

Kara Nortman: [00:17:43] For sure, and that is why things like, religion is like, in the case of Christianity, a 2000 year old brand in the case of other religions longer than that. It's a brand that is one of the only brands that are universally respected, hopefully, where you can unplug and just go be with the community in the real world. But does that community need to exist in one big structure, in one place with live content? And then if you look at things like YPO, which only a very, very small percentage of people get exposure to, you hear them speak about it with religious fervor. And what you hear when you're thinking about joining is the level of commitment. These things don't come along very often in a lifetime. And it is really hard to figure out like what those things are in a world where everything is moving and changing very rapidly. But anyway I do think we used to get that from work, and from religion. And I think we're now starting to get that from very different things. And what are those things is sort of I think a very interesting place to spend kind of, intellectual time. And it may be the next WeWork of the world, it may be, you know, a whole host of other things but

it's sort of the way atoms and bits come together. And you know we're seeing a lot of interesting things in that area.

Ben Perreau: [00:18:55] Thank you, Kara, so much.

Kara Nortman: [00:18:56] Thank you Ben. I love being here. Thanks so much for having me.