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There is an enormous untapped investment opportunity for venture capitalists smart enough to look at the numbers and fund women entrepreneurs.”

DR. CANDIDA BRUSH, LEAD AUTHOR



Diana Report

Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital

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Arthur M. Blank Center for Entrepreneurship
Babson College

September, 2014

Sponsored by:



The authors thank the Arthur M. Blank Center for Entrepreneurship at Babson College, Diane Mulcahy, Myra Hart, Catherine Portner, Pranjali Hegde, Alyssa Rimsa, Susan Duffy, Mitchell Manning, Fyllis Berg-Elton, Kelly Lynch, and Linda Woods Curtin for their assistance with this report.

We also thank the Entrepreneurship and Small Business Research Institute for continuing support of this research.

Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital

●●● Executive Summary

This report provides the first comprehensive analysis of venture capital investments in women entrepreneurs since the original Diana Project research conducted in 1999.¹ The Diana Project examined possible reasons why fewer than 5% of all ventures receiving equity capital had women on their executive teams. Conventional wisdom suggested that women entrepreneurs were neither prepared nor motivated to found high-potential businesses. As a result, they were not good candidates for venture capital investors. But the Diana Project found that, contrary to existing perceptions, many fundable women entrepreneurs had the requisite skills and experience to lead high-growth ventures. Nonetheless, women were consistently left out of the networks of growth capital finance and appeared to lack the contacts needed to break through.²

During the intervening 14 years, there have been dramatic changes in the venture capital funding landscape. The institutional venture capital industry contracted, while angel groups grew significantly. In 2012 there were 462 active US venture capital firms (active is defined as investing at least \$5 million in companies in the year). By contrast, there were 1,022 such firms at the height of the technology bubble in 2000. The total count of US institutional venture capital firms raising money during the last 10 years was 791³. In 2013, \$29.4 billion was invested in 3,995 venture deals, an increase of 7% in terms of dollars and 4% in terms of deals since 2012.

During the same period, angel investments topped \$24.8 billion in 70,730 ventures, an 8.3% increase over the previous year in terms of dollars and a 5.5% increase in number of deals from the previous year.⁴ Although these numbers sound large, it is rare for a start-up business to receive formal early-stage funding like venture capital. Venture capital financing has been referred to being a “black swan” event, because only about 1% of all businesses in the United States are ever able to receive venture financing.

Most businesses use financing by family and friends in the early stages, a fact that has not deterred US entrepreneurs from starting businesses. This is true for the universe of women’s entrepreneurship as well.

“ I THINK THERE’S A BUILT-IN

male network that’s existed for a long time in the venture community, as well as the entrepreneurial community, that takes people a long time to break into. Maybe there’s some unspoken biases and lack of encouragement.”

WOMAN VC



Women entrepreneurs are majority owners of an estimated ten million businesses,
or, as currently reported by the US Small Business Administration (SBA),
36 percent of all businesses in the United States.

Today, there are an increasing number of women entrepreneurs in the United States. In general, women entrepreneurs are majority owners of an estimated ten million businesses, or, as currently reported by the US Small Business Administration (SBA), 36 percent of all businesses in the United States.⁵ One study conducted in 2009 showed that companies with women on the executive team have an economic impact of \$3 trillion annually, which translates into the creation and/or maintenance of more than 23 million jobs, or 16% of the total US employment.⁶ The Global Entrepreneurship Monitor reports that in 2013 approximately 13% of the working population of the United States was in the process of starting or running a new business. For women, the rate was 11% compared with 16% for men.

This means that one out of every ten women in the United States was becoming an entrepreneur, which is a higher rate of female founding than for any of the other 24 developed economies.⁷ In addition, this study showed that approximately 36% of all women owning established businesses wanted to grow them. Of course, the majority of most businesses do not fit the typical venture capital profile, and these women-owned businesses are no exception. However, given the changes in venture capital financing and women's entrepreneurship since the first Diana Project, we decided that it was time to see whether women entrepreneurs are making meaningful progress in obtaining venture capital compared with when this question was first explored in 1999.



I DON'T SPECIFICALLY IDENTIFY MY BUSINESS AS WOMAN OWNED.

There is no benefit, perceived or otherwise."

WOMAN ENTREPRENEUR

Following the previously developed methodology of the Diana Project, we asked four main questions:



Do women entrepreneurs seek and receive the venture capital needed to grow their businesses?



Who are the venture capital firms investing in women entrepreneurs?



How are women entrepreneurs performing after receiving venture capital?



Who are the women entrepreneurs receiving venture capital investment?

For this 2014 Diana Project analysis of the venture capital investments in businesses with women on the team, we utilized a database consisting of 6,793 unique companies in the United States that received venture capital funding between 2011 and 2013.⁸ We examined all of these companies to determine whether there was a woman on the executive team.⁹ By performing this analysis, we offered a means to update the dialogue on early-stage venture capital investing and women entrepreneurs.

We found that women entrepreneurs have made progress in obtaining venture capital since the original Diana Project report in 1999. Our data show that during 2011-2013 more than 15% of the companies receiving venture capital investment had a woman on the executive team. Compared with our finding in 1999, when businesses with women on the executive team received fewer than 5% of all venture capital investments, this figure represents important progress.

This executive summary presents only the second comprehensive analysis comparing US venture capital-funded companies with a woman entrepreneur on the executive team with those with no women on the executive team. We discuss the characteristics of companies with women entrepreneurs and profile the firms investing in them, and present conclusions and recommendations. ● ● ●

Venture Capital Investments In Women Entrepreneurs 2011-2013



1. Number of Venture Capital Investments

During the three-year period, 985 of the 6,793 venture capital-funded companies (15% of all funded businesses) had a woman on the executive team. This number rose annually from 9% in 2011 to 18% in 2013. These investments included seed, early-stage, and later-stage venture capital funding.

However, only 2.7% of the companies, or 183 of 6,517 companies receiving venture capital funding during this period, had a woman CEO.

2. Venture Capital Dollars Invested

The total dollar investment in companies with a woman on the executive team during 2011-2013 was 21% or \$10.9 billion out of \$50.8 billion. This figure also rose annually: in 2011 companies with women on the executive team received 9% (\$816 million) of the total \$8.9 billion invested, while in 2013 they received 27% (\$7.1 billion) of the total \$26.4 billion invested.

However, companies with a woman CEO only received 3% of the total venture capital dollars, or \$1.5 billion out of the total of \$50.8 billion invested during 2011-2013.

3. Average Venture Capital Dollar Investment

The average dollar investment in businesses with a woman on the management team was slightly higher for all three years during 2011-2013, \$12 million for those with women, \$8 million for those with no women.

For companies where the CEO is a woman, the average investment was \$8.8 million; for companies with male CEOs, the average investment was \$8.3 million. The difference is not statistically significant.

4. First and Last Venture Capital Financing "Round" Amounts

The average first and last financing rounds for companies with women on the executive team and those with no women were approximately the same in 2011 and 2012, but in 2013 companies with a woman entrepreneur received on average more funding for the first investment (\$6 million versus \$4 million) and last financing (\$13 million versus \$8 million). However, companies with all-male teams received more than 79% of the total last round of funding in 2013.



THERE IS GENDER BIAS

in funding women entrepreneurs in technology especially, but also in foods and other sectors."

WOMAN ENTREPRENEUR
(FOODS BUSINESS)

Early-stage venture capital investing represents the greatest proportion of the total venture capital investments, 49% (3,166 out of 6,512), while later-stage venture capital comprised 31% (2,042) and seed capital made up 20% (1,301).

Companies with a woman executive on the team were more likely to receive later-stage funding, or 21% (421) of these investments. On the other hand, companies with women entrepreneurs received only 13% of the total investments in the early stage and only 9% in the seed stage.



Profile of Companies with Women that Receive Venture Capital Funding



1. Across all Sectors, Companies with Women are Most Prevalent in Software and Biotech

Of the total 15% investments in companies with a woman on the executive team, 5% went into the Software sector, followed by Biotechnology and Business Products at 2% each. On the other hand, companies with no women on the executive team received almost 90% of the total investments in Semiconductors, Computers and Peripherals/Electronics and Instrumentation, and Media and Entertainment.

Of the 2.7% of companies with a woman CEO, the majority (57%) are found in Software, Biotechnology, and Business Products and Services.

2. Within Sectors, Companies with Women Receive Most Investments Clustered in Health and Medical Sectors

Within each of the industry sectors, companies with women on the executive team are more likely to receive investments in sectors related to health and medicine. Specifically, companies with women entrepreneurs received 25% of the investments in Biotechnology (110 of 441), 22% in Healthcare Services (27 of 123), 17% in IT Services Health Care (27 of 157), and 15% in Consumer Products (66 of 452).

3. Companies with Women Receive Highest Dollars in Software and Biotech

Businesses with women on the executive team received nearly 7% of the venture capital dollars (\$3.5 billion of \$20.7 billion) invested in Software and approximately 3% of the venture capital dollars (\$1.5 billion of \$6.6 billion) invested in Biotechnology. Companies with women on the executive team received fewer than 1% of the total dollars invested in Telecommunications/Networking and Equipment, Computers and Peripherals/Electronics and Instrumentation, Semiconductors, and IT Services.

4. Companies with Women are Older and Larger

Companies that have women executives on the team and receive venture capital funding are likely to be older, 89% larger in terms of employees, and 44% larger in terms of sales than companies that have no women on the management team.

5. Companies with Women Have Higher First-Round and Last-Round Valuations

Companies with women entrepreneurs on the executive team are more likely to have higher valuations at both first (64% larger) and last (49% larger) funding, consistent with the fact that they are receiving later-stage funding, are older, and are larger.

6. Investment and Dollars Invested in Companies with Women on Team are Clustered on Coasts

Overall, the states with the highest number of investments in firms with women on the executive team are the states with the overall biggest number of venture capital investments: California, New York, and Massachusetts.

Companies with women on the executive team located in North Carolina, Massachusetts, Illinois, Ohio, and Connecticut received a proportionately higher percentage of investments than those in other states. Overall, the West Coast region had the greatest number of investments (2,640) and women received 15% of the total dollars invested in these areas.

Profile of Women Partners and Current Venture Capital Investment Firms



1. Number of Women Partners Declined

The total number of women partners in venture capital firms declined significantly since 1999 from 10% to 6%.¹⁰ At the time of this report, 139 of the venture capital firms had women partners.

2. Venture Capital Firms with Women Partners Invest in Companies with Women on Team

Venture capital firms with women partners are twice as likely to invest in companies with a woman on the management team (34% of firms with a woman partner versus 13% of firms without a woman partner).

Venture capital firms with women partners are three times more likely to invest in companies with women CEOs (58% of firms with women partners versus 15% of firms without women partners).

“WE MADE _____

five times our money at company XX. And we made five times our money at company YY, which is a technology company led by a woman.”

_____ **WOMAN VC**

3. Larger Venture Capital Funds Invest in Businesses with Women

Venture capital firms investing in businesses with women on the executive team tend to be significantly larger in terms of assets under management (\$269 million versus \$210 million).

Venture capital firms investing in companies with women on the executive team tend to have more investment professionals, an average of 12, than those not investing in companies with women on the executive team, who have an average of 9 partners.

4. Venture Capital Firms Investing in Companies with Women are More Active Investors

Venture capital firms investing in companies with a woman on the executive team are more active in terms of total investments, an average of 60 versus 17 investments for those

firms who invested only in businesses with all-male teams during 2011-2013. Those venture capital firms with women partners also had a higher number of total active investments, 37 versus 11 for those invested in all-male teams.

Venture capital firms investing in companies with women CEOs have nearly four times more active investments than those firms not investing in women, an average of 93 for those investing in companies with women CEOs versus 20 for those investing in companies with all-male CEOs.

5. Venture Capital Firms Investing in Businesses with Women are Older

Venture capital firms investing in businesses with women on the executive team were generally a little older, being founded in 1998 versus those venture capital firms not investing in women, which were founded more recently.



MY BIGGEST CHALLENGE

is getting introductions into the networks and especially getting into the finance networks. I met few women in the process.”

WOMAN ENTREPRENEUR (ONLINE RETAILING)

CONCLUSIONS



Since the original Diana Report in 1999, the landscape of venture capital has changed dramatically, while the ecosystem of women's entrepreneurship has also evolved. A significant number of organizations have emerged with the mission of supporting, training, and celebrating women entrepreneurs. For example, since the 1999 Diana Project investigation of the landscape for women entrepreneurs, numerous national programs focused on identifying and training high-potential women entrepreneurs were launched. These include the EY Entrepreneurial Winning Women™ program and Springboard Enterprises, which sponsors forums, events, and resources to help high-technology women entrepreneurs to access growth capital.

Another program, Goldman Sachs' *10,000 Small Businesses*, which is focused on business growth, has nearly 50% female participation in its core offerings. In addition, *10,000 Small Businesses* partners with the Tory Burch Foundation to offer a special version of the program for earlier-stage businesses with women on the executive team. Golden Seeds, an angel investment group with more than 245 investors, was established in 2005 with the sole stated mission of an investment strategy "focused on the vibrant opportunities of women-led businesses."¹¹ Golden Seeds was rated the most active angel investor group in 2013 and has developed a significant track record of investing in more than 60 ventures with women on the executive team. Numerous online resources also are available to women entrepreneurs, including Astia, which focuses on high-growth women entrepreneurs. Women 2.0 and Count Me In are examples of websites that provide information and business education programs for women interested in growing their ventures. More recently, the Babson College Center for Women's Entrepreneurial Leadership created a new program, the Women Innovating Now (WIN) Lab, which is a year-long residency program that offers women entrepreneurs the road map, expertise, inspiration, and community needed to successfully launch

high-growth, venture capital-fundable entrepreneurial ventures.

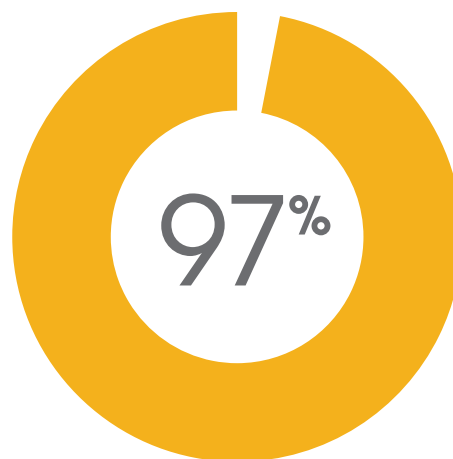
As a likely result of efforts such as these and the evolution of the general entrepreneurial environment in the United States, our data show that women entrepreneurs have made progress in attracting venture capital over the past decade. This report shows that the percentage of businesses with women on the executive team receiving funding has nearly tripled during the past 13 years from fewer than 5% in 1999 to 15% of the total venture capital investments today. The amount of total aggregate dollars of funding in companies with women on the team has risen as well. Further, the average amount of funding for businesses with women entrepreneurs is equal to or higher than that for businesses with no women on their management teams.¹³

Although the percent increase over the past decade is promising, there is still a significant gap in venture capital funding between those businesses with a woman on the team and those with no women. Importantly, only 2.7% (183) of the 6,517 companies that received venture capital funding have a woman in the CEO role. This means that 86% of all venture capital-funded businesses have no women at all in management positions, and more than 97% of venture-funded businesses have male

Businesses having all-men teams are more than four times as likely as companies with even one woman on the team to receive funding from venture capital investors.

CEOs. Recall that the SBA reports that more than 36% of all US businesses are owned by women. However, in this most recent picture of the venture capital funding landscape, businesses having all-men teams are more than four times as likely as companies with even one woman on the team to receive funding from venture capital investors.

Past studies have suggested that for progress to occur, women need to be proactive in obtaining more equity financing. Recommendations included learning the language of finance, becoming more financially savvy, having “big dreams,” or starting businesses in high-technology sectors. Other prescriptions include expanding networks and learning to pitch more like men. Based on our research, it is increasingly apparent that many women entrepreneurs have followed these prescriptions, yet they have not been able to achieve proportionate increases in early-stage growth capital.



More than 97% of venture-funded businesses have male CEOs.



ON THE HEALTHCARE SIDE,

the experience you need as a woman entrepreneur is a lot of academic background, specifically an MD, PhD or engineering degree. The sheer number of women who have those credentials has progressed, but the experience needed seems to be less in digital media. I think the average CEO and management teams are a lot younger, but on the healthcare side, our average CEOs are in their 50s and 60s. So, in terms of age, it gets to a point where we just lose a lot of working women.”

MAN VC INVESTOR

The bottom line is that since the initial Diana Project analysis in 1999, a robust and thriving entrepreneurship ecosystem has developed to support and promote women entrepreneurs in the United States. Companies with women on the executive team that receive funding are older, larger, and clustered in certain sectors, and receive a very small proportion of the pie of venture capital investment dollars. Significantly, the venture capital firms that do invest in teams with women entrepreneurs are performing better when investment outcomes are considered.¹⁴ Finally, and more compelling, is the fact that the role of women investors in venture capital is declining. ● ● ●

IMPLICATIONS



Our study raises new questions regarding women entrepreneurs' access to venture capital. While recognizing its unique and targeted purpose, the equity model that exists in the United States does not seem to be a particularly good fit for many entrepreneurs, especially for women.

As a result of our analysis, we offer nine recommendations.

1. Increase Number of Women Investment Professionals in VC Industry

One of our most important findings from this comprehensive analysis is the composition of venture capital firms.

We found very few women partners as well as women investment professionals across all venture capital firms. Importantly, this number has declined significantly since 1999. This highlights some important issues for the venture capital community. First, significant research shows that diversity of top management team decision making results in more effective decisions.¹⁵ Second, research has also shown that insularity of thought can stymie creativity, innovation, and creativity.¹⁶ The existing gender homogeneity of venture capital firms may have consequences regarding the long-standing investment decision processes currently in place. For example, a recent report on the venture capital industry shows that only 20 of 100 venture funds generated returns that beat a public-market equivalent of more than 3% annually, that the majority of funds (65%) failed to exceed returns, and that the average venture capital fund fails to return investor capital after fees.¹⁷ These facts

A recent report on the venture capital industry shows that only 20 of 100 venture funds generated returns that beat a public-market equivalent of more than 3% annually.

taken together imply that venture capital firms may benefit from better decision-making processes. After taking into account the extreme levels of homogeneity of the decision makers in the industry, increased diversity might be a possible solution.

2. VC Industry Should Do More to Recruit and Promote Women Investors to Partner Level

Our data also show that having a woman on the investment team of a venture capital firm is associated with increased investing in companies with women.

Not only do our data empirically show this connection between women in venture capital firms and women entrepreneurs, but qualitative evidence from interviews conducted to support this project indicates that women investors actually seek out women entrepreneurs. In terms of investing, venture capitalists would logically prefer to have a larger pool of deals to choose from, so it follows that investors would benefit from having a larger population of entrepreneurs for funding

consideration. The Pipeline Fellowship is a program that prepares and trains women for angel investing and is an example of one way to increase the number of qualified women investors. Venture capital firms might want to increase efforts in attracting, recruiting, training, and retaining women investors. Further, our data show that investment firms with women investors are more active investors in general and that they will invest in businesses with women on the executive team more often than men. Venture capital firms should do more to recruit and retain women investors, because this increases their likelihood of investing in companies with women on the executive team (which appear to be good investments).

“ I WOULD SAY ONE REASON

(for fewer women-led companies receiving investment) would be that some guy knew some guy from 10 years ago. You know, they went to an all-boys' high school together. So, there is definitely the cliché of the old boys' network.

MAN VC

3. Limited Partners Should Demand More Investments by VCs in Companies with Women on the Executive Team

As we suggested in 1999, women entrepreneurs may be missing opportunities for growth because of the lack of growth funding available to them.

because venture capital funds publicize and market their fundraising based on prior fund/portfolio performance. However, our findings suggest that these venture capital firms might achieve even better returns if their portfolio included investments in companies that have both men and women on the executive teams. Therefore, it would behoove limited partners to demand that the

It would behoove limited partners to demand that the venture capital firms in which they invest reconsider their investment approach because it is clear that teams with women entrepreneurs perform as well or better than firms led exclusively by men.

Our data also suggest that venture capital-funded businesses with women on the executive team do perform better on multiple dimensions. The venture capital community, therefore, may be missing good opportunities by not searching out, being open to, and investing in businesses with women entrepreneurs. Limited partners (such as pension funds, corporations, life insurance companies, individuals, and endowments) are the largest sources of funding for venture capital firms. These companies and organizations determine their investment strategies in one venture capital firm over another one based on finding funds that provide the best returns on their investment. These statistics are easily obtained

venture capital firms in which they invest reconsider their investment approach because it is clear that teams with women entrepreneurs perform as well or better than firms led exclusively by men.¹⁸

4. VC Industry Should Re-examine Their Preferences for Investing in Businesses Led by Male CEOs

This analysis shows that even though a tiny percentage of companies with women CEOs are receiving venture capital, these businesses are receiving approximately the same level of investment, and are just as likely to receive early- and late-stage funding, as those with men CEOs.

Furthermore, there is evidence that they perform just as well as all-male firms. This being the case, it is quite surprising only 2.7% (183 of 6,793) of businesses actually have women CEOs. This raises some questions for future consideration. Does the venture capital industry have a bias against funding businesses with women CEOs?

If so, why? Interviews with venture capitalists do suggest that there is “skepticism” about a woman-led company, but in the long run, the success of the company is what matters, not the gender of the CEO. Our data do not provide information for us to determine how women come into the role of CEO, whether they are part of the founding team or whether they are brought in as experienced CEOs, but this is a question worth answering. Further, women entrepreneurs who are CEOs and searching for venture capital funding ought to be aware that the odds seem to be against them in terms of the likelihood of actually receiving funding.

“ RAISING MONEY

is hard and sometimes being a woman works against you because of perceptions, but don't let it beat you down.”

WOMAN ENTREPRENEUR (TECHNOLOGY VENTURE)

5. Venture Capital Industry Should Seek Out More Early-Stage Companies with Women on the Executive Team

There has been an evolution in venture capital firms since the first Diana Project report in terms of the specific services directly provided to entrepreneurs once a venture capital firm has invested.

For example, venture capital firms like Benchmark Partners and Andreessen Horowitz now provide incubator services for the startups in which they invest. Along with their financial capital, they provide their portfolio companies with office space or legal and financial accounting services in addition to their decision to invest capital in the venture. Because of the dearth of investments in businesses with women on the executive team by venture capital firms providing these services, women entrepreneurs and the ventures they start are further disadvantaged, first by not receiving the growth funding and second by missing out on the additional support relationships, coaching, and services that such venture capital firms would provide. Organizations like Springboard and Ernst & Young's EY Entrepreneurial Winning Women™ program, as well as other organizations like regional venture capital associations, work to showcase qualified businesses with women on their teams to the venture community by sponsoring events or

forums that introduce and connect women entrepreneurs to the venture capital community.

6. Increase Media Awareness of Lack of Women in Venture Capital Community and Investments

Given that venture capital firms celebrate their business deals and entrepreneurs that they fund through social and print media, the lack of visibility of women entrepreneurs creates a social perception that only male entrepreneurs can be successful in venture capital funding.

However, popular media recently created awareness of the lack of venture capital funding for growth-oriented women entrepreneurs. This report suggests that there is an opportunity for the media, large companies, and other organizations not only to continue to draw attention to the challenges women have in obtaining venture capital funding, but also to showcase the successes of growth-oriented, venture capital-funded women entrepreneurs.

7. Examine if Gender Biases are Part of Venture Capital Decision-Making Process

Companies with women on their executive teams that receive venture capital are typically older and more established, and therefore receive later-stage funding (while less often receiving early-stage and angel investment funding).

This raises important questions:

- a. Does it take companies with women on their executive teams longer to gain the attention of the venture capital community? Do we know if the women on the executive teams were part of the founding team, or if they were brought on later as seasoned executives rather than entrepreneurs? This could explain the more frequent inclusion of women on the later-stage teams.
- b. Do companies with women on their teams need to demonstrate a stronger track record to potential investors?
- c. Are companies with women on their teams being put through a tougher screen by investors during their decision-making process?

Whatever the explanation, these findings are problematic because a lack of early-stage funding limits possibilities for future growth. In any event, venture capital firms should examine their screening, evaluation, and investment decision process to determine whether gender biases are inherent in their procedures.

8. Women Need More VC Investment Across All Industry Sectors

Our data also show that companies with women on their teams have a higher probability of receiving funding in the Medical Technology sectors, but a lower likelihood of receiving investments in other sectors such as Telecommunications, Networking and Equipment, and Computers and Peripherals.

It is not clear whether this is a pipeline problem, a problem of fewer women starting businesses/leading businesses in these sectors, or a problem of women entrepreneurs being unable to obtain access to the appropriate funding networks in these sectors. Although this industry breakdown may be indicative of the venture capital community's investment preferences overall, these preferences also have significant gendered implications if avoidance of deals with women on the

executive team is in any way driving investment decisions, because the best technologies, products, and services may not be receiving the growth capital needed to solve a social or market problem.

9. Venture Capital Industry Should be Re-Examined Based on Gender and Geographical Investment Preferences

It is quite revealing that companies with women on the executive team have more or less access to capital depending on their geographic location.

The states where women entrepreneurs are receiving proportionately more investment (North Carolina, South Carolina, Illinois, Maryland, and Connecticut) are not necessarily the states that have the largest or oldest firms, or the most investment dollars (California and New York). This raises a question regarding the institutionalization of older, established venture capital firms and investment cultures on the coasts and their willingness to search out and consider investing in companies with women on their teams that may not be located in the state of their operations.

In Summary

If we consider the tremendous work within the entrepreneurship ecosystem to support and foster growth of women entrepreneurs, and the findings of this study, there is strong evidence that it is not the women who need fixing. Our report demonstrates that companies with women on the executive team are just as successful if not more successful than companies with no women on the team.

The lack of diversity in the venture capital industry, taken together with the overall performance of the industry, suggests that the model for venture capital that has been in place since the 1980s should be reconsidered and re-evaluated in order to effect change.

Endnotes



1. The Diana Project was founded by Candida Brush, Nancy Carter, Elizabeth Gatewood, Patricia Greene, and Myra Hart in 1996. It is a multi-university longitudinal research program designed to determine and influence the factors that lead to high-growth, women-led ventures, by investigating the supply of and demand for resources for women-led ventures and by comparing growth models in-male and female-led ventures. Further details on the purpose and publications can be found at <http://www.dianaproject.org>.
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7. Kelley, D., Ali, A., Brush, C., Corbett, A., Lyons, T., Majbouri, M., and Rogoff, E. 2013. *The Global Entrepreneurship Monitor 2013 US Report* Wellesley, MA: Babson College and Baruch College.
8. These data were provided by a private company, Pitchbook, which provides systematic and comprehensively reviewed public data on all companies that were funded by private equity and venture capital over the past decade. See appendix for detailed methodology. <http://pitchbook.com/>. Our initial data set had 10,443 companies. We then identified companies that were "venture capital backed" if they had received institutional capital during the time period 2011-2013. If a company was backed by private equity or other forms of equity capital, it was excluded from this analysis. The total number of companies currently backed by venture capital was 6,793. Besides the quantitative analysis, we also conducted in-depth interviews with 8 experienced venture capitalists and 8 women entrepreneurs funded by venture capital.

9. We coded for management position in accordance with the Diana Project methodology (2000) by examining individual biographies of the management teams listed for each company in the Pitchbook data set. Companies having at least one woman's biography listed in the Pitchbook data (with the word "she") were coded as "women on executive team." Positions we included for women were CEO (Chief Executive Officer), Chair (Chairman), COO (Chief Operating Officer), Chief Revenue Officer, Chief Scientific Officer, Chief Strategy Officer, Chief Tech (Technology) Officer, Chief Marketing Officer, Chief Medical Officer, Founder/Co-Founder, Head/Co-head, Owner/Co-Owner, Partner/Co-Partner, Creative Director, Executive Chairman, Executive Managing Director, Executive Officer, President, and General Manager. Because we adopted this inclusive definition, which is very similar to the definition the Diana Project used in the previous research, the numbers are comparable. However, this definition may have resulted in slightly higher numbers because the original Diana Project limited the definitions to whether or not the Chairman, President, or CEO were female. Brush, C., Greene, P., Hart, M., and Saporito, P. 2001. Patterns of Venture Capital Funding: Is Gender a Factor? *Venture Capital Journal*, 3:1, 62-83.
10. We defined investment professionals only as those who were listed as "Partner," "General Partner," or "Limited Partner" because these are typically the key decision makers in venture capital firms.
11. <http://www.goldenseeds.com>
12. <http://www.goldenseeds.com/angel-network/about-angel-investing>
13. It is important to note that this report adopts a slightly broader definition of businesses with women in that we consider a variety of leadership roles, whereas the original Diana Report only considered women Presidents, CEOs, and Chairwomen.
14. http://www.dowjones.com/collateral/files/WomenPE_report_final.pdf
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17. Mulcahy, D., Weeks, W., and Bradley, H.S. 2012. *We Have Met the Enemy...and He is US*. Kansas City, MO: Kauffman Foundation.
18. The authors are grateful to Diane Mulcahy for her insights regarding the structure of and processes in the venture capital industry.



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