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Just 3% Of Venture Capitalists Are Female, But There Are Reasons To Be Optimistic

Therese Tucker is \$220 million richer today thanks to the success of BlackLine Systems, an accountancy software platform she built and ran herself—and to the patronizing folly of the old boys' club on Sand Hill Road. Back in 2008, when she needed funds, she took her pitch to Silicon Valley's VCs, a profession that's 96% male. One had some ideas about making her company better — like firing her.

“You’ve done a nice job, we’ll take it from here,” a partner said breezily as he scanned her income statement. BlackLine had picked up customers like Boeing, Northrop Grumman and Costco, growing 50% or more a year on revenue of \$8 million. Would she meet with their very own “rock star” CEO who’d cleaned up after selling his company to SAP?

Over lunch at an upscale Italian restaurant in Los Gatos, the CEO boomed about “his trophy wife, whom he made clear was 20 years younger and very attractive, and his house that he was putting millions of dollars into,” Tucker recalls. He asked not a single question about the company she had bootstrapped or the software she’d designed, drawing on years as CTO of SunGard Treasury Systems.

Last summer, Tucker went back to Sand Hill Road for money. But this time she didn't meet with any chest-thumpers: Instead, she dealt with women—the managing director of Silver Lake Partners, the lead i-banker, the lawyer and the executive search firm principal—to sell a majority stake of BlackLine. As for Tucker? She's still running the show.

You can't help but wonder how many other female entrepreneurs have had a similar experience. Just 4.4% of active venture capitalists are female, according to analysts at Pitchbook who recently ran the numbers for FORBES. When you take out the women in corporate VC arms (like Intel and Cisco) and recount, the number of institutional investors is actually nearer to 3%. In fact, the amount of women financing startups is about the same as the amount of women in industries like coal mining and firefighting.

Still, there are reasons to be optimistic. Three prominent female VCs recently left prestigious firms to strike out on their own. Aileen Lee started Cowboy Ventures in 2012. Prior to Cowboy, she'd been at Kleiner Perkins since 1999. In February, Theresia Gouw and Jennifer Fonstad started Aspect Ventures, stepping out of Accel and Draper Fisher Jurvetson respectively. Adding their deals together they've created over \$10 billion in public market value, executed 15 M&A transactions and managed 300 rounds in follow-on capital raised for their portfolio companies throughout their careers.

“I think that's s really good sign,” says veteran enterprise software investor and cofounder of Hummer Winblad Venture Partners, Ann Winblad. “They have their own credibility, they have their own gravitas, and they have their own money.”

Even though 60% of small businesses in the U.S are founded or cofounded by women, just 7% of venture capital funding goes to female-led businesses, according to Fiona Murray, the Associate Dean of Innovation at MIT.

“It's no surprise to me that people tend to know other people who are sort of like them,” said Theresia Gouw, speaking at the FORBES Power Women Summit in May. “There have been tons of studies in social science that show that. So the number of women who

are coming forward at most of these— at most venture partnerships, to be presented at the partnership level for a final investment decision, is very small.”

“That’s because the other usually white male guys who went to the same five or six schools have very deep networks for people who look a lot like them,” she said. “So I’m happy to say, in my investment career over the last 15 years, I now have over 1/3— I wish it was 50%, over 1/3 of my companies have women founders or cofounders.”

It’s a pipeline problem, thinks Gouw, but the numbers are moving in the right direction on the entrepreneurs’ side.

“We don’t use a different standard for funding women versus funding men in what we’re looking for,” says Winblad. “It is really hard to build great products, to start great companies and to grow great companies.”

Winblad funds enterprise software, which is heavily male-dominated due to few women pursuing STEM careers. “From the standpoint of companies we fund, most of the companies we fund are cofounded by a set of engineers and engineers that may have gone and gotten an MBA – at least one of them,” she says. “Only about 20% of MBAs are women. When you look at the bar of the route you took we’re dealing with much smaller numbers – that’s the really underlying challenge here versus women funding women.”

How do you break into a career in venture capital? “If you really want to be an investor you’ll have to take the risk to be an entrepreneur,” says Winblad. “You really have to enjoy the pleasure and pain of company founding – you need to learn the inside of the car before you can drive it and learn to drive the car before you open a car plant.”

Having a background in math, science and engineering is why Rebecca Lynn ended up choosing to become a venture capitalist over a career as an artist. A partner at Canvas, Lynn focused on mobile, financial services, digital health and SaaS.

“It does get lonely so I hope other women will come on in and join us,” she says. “It really is a phenomenal career.”

“I have three kids and I’ve considered staying home because I love being with them. But I have two daughters and it’s important to me for them to see me being successful as a role model. It’s important to me they know they can do it,” she says. Setting herself up so she’s five minutes from work and five minutes from their school helps give her the flexibility to keep things balanced.

It’s important to be positive about being different rather than shrinking back or feeling discouraged, says Anjula Acharia-Bath, founder of Desi Hits, who also invests in startups like The Muse, The Hunt and ClassPass alongside celebrities like Tyra Banks and Ashton Kutcher.

As a successful South Asian entrepreneur, she’s often invited to female-only breakfasts, which she thinks can quickly turn dispiriting.

“If you’re a woman that’s one thing, if you’re a minority that’s another thing, if you’re not Ivy league that’s another thing – when I was going to all these breakfasts I should have walked out thinking I’ve got all these things working against me and I’m never going to be able to raise money and it’s going to be really hard.”

“But I don’t see them as working against me,” she says. “I see them as positive things that make me stand out and make people remember me – at a lot of these breakfasts I was always trying to steer the conversation towards something extremely positive and actually share tips of how I think one effectively fundraises instead of focusing on how difficult it is and what all the problems are.”

Her motto is, “Don’t even focus on it, don’t get het up, don’t lose yourself in that because once you start focusing on that it becomes a reality.”