

The Economic Club of New York

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Women in Business Forum  
Return on Investment

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Panel 3: How Can We Help Close the  
Gender Gap in Venture Funding?

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Chaired by: Catherine Barba, Founder, WIN Forum NY  
Angel Investor, Board Member

Speakers:

Jenny Abramson, Founder and Managing Partner, Rethink Impact

Michelle Scarborough, Managing Director, Strategic Investments & Women in Technology  
Venture Fund, Business Development Bank of Canada

Dane Kanze, Doctoral Fellow, Columbia Business School

Emilie Maret, Fellow, The Family

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### Introduction

Catherine Barbara

Ali Velshi: I want to invite our speakers up here. Jenny Abramson with Rethink Impact.

Michelle Scarborough, Strategic Investments in Women in Technology Venture Fund, and

Business Development at the Bank of Canada. Dane Kanze, the Doctoral Fellow at the Columbia

Business School. And Emilie Maret, a Fellowship at The Family. This will be chaired by

Catherine Barba at the, she's an Angel Investor with the WIN Forum in New York. Thank you to all of you. Come on up. (Applause)

### Introduction

Catherine Barba

Thank you. Okay, this is the color block panel with the energy of entrepreneurs. Okay, everyone is seated. So, hi everyone. We are now going to talk about how can we close the venture gap.

And I have, first of all, to pay tribute to Dane because when we were preparing this session,

originally the title was "How Can Women Entrepreneurs Close This Gap?" And then Dane went

like, we are all involved in this. Everyone in the room will be involved in this. And there are not

only women entrepreneurs, but also men, investors, government representatives. So I think it was

a very good suggestion and we changed the wording, so thank you. So, oh, we did not,

apparently. (Laughter) So just close your eyes and imagine it's "How Can We Close...Can We

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Close the Venture Capital Gap?” So I’m going to first very quickly introduce myself. I’m Catherine Barba. I’m an entrepreneur, tech entrepreneur, business investor. I invest in retail tech companies and companies with impact. Sustainability is one of my favorite key words these days. And I’m a board member too, in France. And I very much advocate for women – women and diversity, diversity and inclusion with the WIN Forum, New York. Now your turn ladies. Can you please quickly introduce yourselves.

I’m Jenny Abramson. I was a tech CEO turned venture capitalist. I run Rethink Impact, which is an institutional scale venture capital fund investing in female-led companies, and more importantly, gender diverse leadership teams. And we typically do A and B rounds and usually we invest in big tech companies solving major problems in the world. So we think that’s good business. And my more nerdy background is that I was a Stanford - Harvard Business School Fulbright person doing human genomics. So that’s the nerdy side, but mostly what I do is just find great women to invest in.

CATHERINE BARBA: Good. Thank you. Michelle...

Hi. I’m Michelle Scarborough. I’m the Managing Director of the Women in Technology Fund and Strategic Investments Fund at BDC, the Business Development Bank of Canada. I’ve been at the bank now for two years and was brought on to the bank to really build the Women in Technology Fund into a global leader. So we have a \$200 million fund dedicated to investing in

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women-led technology businesses that are growing, venture businesses domiciled in Canada and exporting to the world. So we're right now the largest fund of its kind globally and looking to make a huge impact. My background, I was an oil and gas operator and built a number of exploration companies in my early days and then decided that that wasn't fun enough so I switched into investment banking and grew my career as both a venture capital investor post-investment banking and an LP in a number of funds. So now the Women in Technology Fund kind of brings all of that together, along with my passion of investing in women to both grow them as tech investors and as tech entrepreneurs.

CATHERINE BARBA: Thank you Michelle. Dane...

DANE KANZE: Thanks for having me. So I'm a Doctoral Fellow at Columbia Business School where I research sources of inequality in entrepreneurship including those related to gender. I'm about to – knock on wood – finish my PhD this coming month. (Applause) Just accepted an Assistant Professorship in Organizational Behavior at London Business School. So I'm really excited to continue my research in this area there.

EMILIE MARET: Hi everyone. My name is Emilie. I'm a former entrepreneur and now I work at The Family. I think most of you probably don't know The Family. It's essentially a family for entrepreneurs so it's not an accelerator, it's not an incubator. What we do is that we bet on entrepreneurs over the long run. So where VCs will bet on companies, we bet on people. We

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now have entrepreneurs that are on their seventh venture and, you know, still fighting. I take care of selecting the company, supporting them, and helping them raise funds. And I joined about a year and a half ago and we're European-based. What we do is that we give them access to education, a community, and capital. And a year and a half ago I joined and very quickly realized there's a huge women's problem so I've been, over the last month, spending a lot of time on this and created a community of female entrepreneurs based in Paris. And now it's grown to about 100 female entrepreneurs and we're really together trying to figure out how to answer this question.

CATHERINE BARBA: Good. Good thing. Alright, so before we start fascinating conversation, I wanted you, Dane, to share with the audience like some figures, highlights that you've worked on recently.

DANE KANZE: So PitchBook and the National Venture Capital Association are really the foundation for a lot of the research that we rely on, on the industry stats. And so they just came out with the stats for this past year which showed that \$130.9 billion of venture funding was put to work in the U.S., which was a massive increase over the year before – a 55% increase to be exact over 2017 which hit \$84.2 billion in venture funding in the U.S. And when you look at the breakdown of that, just shy of \$131 billion that went out to startups in 2018, 87% of that funding went out to male-only led teams. When we look at the rest of the percentage, that 13%, 11% of that 13% went to mixed-gender teams. And then only 2% went to female-only teams. And

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what's even more surprising than just that very small percentage that we see that went to only female teams and also the mixed-gender teams was the fact that that was actually a downgrade from the prior year. So it was a slight widening of the gap rather than a tightening of the gap that we wanted to see. And when we look at that as a percentage of the amount of deals that women were involved in, those numbers also went down as a percentage of total deal flow. So both as a percentage of venture capital as well as the number of deals, slightly down year over year. So we could talk about some of the contributing factors and levers that we can pull in this dialogue and I think that there are a number of different sources of excitement that we can look at too. I think those are going to have to play out over the coming years but we just haven't seen those tides turn in terms of the aggregate numbers year over year just yet.

CATHERINE BARBA: Oh, my God, I try to keep smiling, but when I hear you, I'm like quite depressed now. (Laughter) But I take your figures as a wake-up call, you know. And that leads me to the first question. I have three questions for you and then one for you in the audience. Okay, so the first question is why? Why are women underfunded? And why has the situation even worsened during the last year? Can you...you start it Jenny...

JENNY ABRAMSON: Yes, it's something near and dear to my heart. My mom actually was a venture capital investor investing in women more than 20 years ago. And when I was sitting as a CEO, as a female CEO obviously, of a tech company and being the only person sort of in various stages and contexts and I thought this is odd, right? There are all these amazing women that I

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have spent time with, how is this possible? And I looked up at the data and saw that it had gone down in 20 years, not up, despite the fact that when you look at graduate school and all the other numbers that should put it up, have gone up. And I think that a lot of it comes down to the fact that venture capital really is a pattern recognition business. Right? And you don't have perfect data when you're analyzing these businesses. And so you're looking for patterns or people who remind you of yourself. And my partner, who is on the West Coast, and I are among the less than 11% of venture capital investors who are decision makers in firms who are women. So it's not shocking that when you have so many less women in a position, that less dollars are going in. And the same is true, frankly, it's not just about gender, it's about all kinds of diversity. And the numbers are frankly worse when you look at other types of diversity. What's interesting is when you look at the numbers of firms in the U.S., – I think the latest number I saw was 706 firms in the U.S., – but regardless of the number, you know 40% of those don't have a single female partner. And the majority that have any female partner only have one. And there's all sorts of interesting research on what happens when you only have one woman at a table. And the firms that do have women often have a lot less capital in them. So less than 4% of all AUM, all assets under management, tends to, in the U.S. in particular which is where we invest, tends to be controlled by women. So I think you have a number of factors contributing. We'll talk later, there is some good news. But I'd say that's sort of the answer as to why.

CATHERINE BARBA: Pattern recognition business, very interesting point. Thank you.

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MICHELLE SCARBOROUGH: I'll jump in there too.

CATHERINE BARBA: Yes, please.

MICHELLE SCARBOROUGH: I think, you know, the U.S. is a little bit of a different situation than Canada. Canada is a very, very small town by comparison to the U.S. in terms of the number of venture investors and the number, certainly the number of women that are in the space. And probably the last 15 years of venture, we've seen the ebb and flow even in the U.S. But the number of women, because we have a smaller number of funds in Canada, BDC is one of the largest LPs in the country as well. And we've got about 67 relationships with general partners across the country. Most of them, or nearly all of them, are domiciled in Canada. And of those organizations, the number of female GPs is very, very small. But what we are seeing now, and the government has been doing a fantastic job of really putting diversity, gender diversity in particular, at the top of the platform. So what we are seeing now are firms that are starting to take a really good hard look at who is coming up the ranks of their firms. Are they at the associate level? Are they at the principal level that they can grow up? But that only is just starting to happen. So, yes, it is a pattern recognition business for sure, but there's also, I think, you know, just an inherent, there's just an inherent lack of women that have chosen that path in history. Certainly in my experience, because, you know, I was one of five, I think at one point, in Canada alone. So there's now, we're starting to see that change and we'll talk about that too. But I think that's a big one.

CATHERINE BARBA: Yes. I agree. Thank you.

DANE KANZE: Yes. So I think I would add that some of my research speaks to some of the things that Jenny was actually just talking about with regard to representation and some of the downstream impacts are implicit gender bias that my colleagues and I recently uncovered in a paper that we published just this past year in the *Academy of Management Journal* and *Harvard Business Review* that speaks to the manifestation of this bias among both male and female venture capitalists and super-angels manifested in the questions that they posed to male versus female candidates of funding. So I think there are other contributing factors aside from the systemic and the structural challenges that we have to overcome. And there are definitely some amazing initiatives underway to help women in STEM and women in venture funding and increase that representation. But until we see those numbers play out, I think there are these gender stereotypic expectations that a successful venture funded CEO looks like, you know, this archetypal young, White male, Stanford-educated founder. And so until we're able to actually get that representation up in terms of, on the entrepreneur side, we are also faced with this implicit bias that plays out in these different ways – whether it comes to the questions that we pose or the different factors that make their way into our investing decision making processes. And I think that there are definitely forward-thinking venture funds underway right now that are changing those levers and improving these processes so that they can eradicate these irrational inputs into their decision making processes.

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CATHERINE BARBA: Okay, Dane, can we find this article you mentioned in the *Harvard Business Review*? Can you say how we can, what's the name of it?

DANE KANZE: So the name of the paper is “We Ask Men to Win and Women Not to Lose: Closing the Gender Gap in Startup Funding.”

CATHERINE BARBA: That's the title? That's a long one.

DANE KANZE: Very long-winded academic title.

CATHERINE BARBA: We'll share it. We'll share it with you. Don't worry.

DANE KANZE: It's 2018 in the *Academy of Management Journal* and there's a *Harvard Business Review* very short article on the paper, if you don't have 40+ minutes...

CATHERINE BARBA: Okay, thank you. Thank you very much.

TED Talk...

DANE KANZE: Yes, a shout-out from someone who saw my TED talk. And that's even shorter

so you can just watch that.

CATHERINE BARBA: Okay, we'll share this with you. Emilie...

EMILIE MARET: If I could just jump in. So I agree with what everyone said and I want to add sort of maybe a little bit more of a field perspective. So at The Family we have the unique privilege of being insiders for entrepreneurs and insiders for VCs. So we kind of navigate between both. I go to VC dinners where they say everything they think and the same with entrepreneurs. And that means that you get to really understand the psychology of both parties and figure out where there's a mismatch. And on top of everything that's been said, I think there's a lot of businesses that are run by women that are in typically female industries, and this is something that we've been seeing more and more. One example is tampon companies. This is a topic that is already hard to bring up at home. It's hard to bring up in society in general and it's very taboo. And although VCs love to look at numbers, the VC industry is a conviction business. And when you look at the way that decisions are made and the way that it starts from the associate and it's brought up to the partner, everybody has to convince each other that this is going to be a game-changer for the industry. And if you don't understand the problem and if you haven't lived the problem, you can see that tampons are used for a very long time by a lot of women and they don't stop using them. But when you haven't lived the problem, it's very hard to be the one to advocate for that towards your other male partners. And so I think that women-led businesses in women industries is also one of the reasons that the venture gap is such today.

CATHERINE BARBA: Okay, thank you. That's very interesting. Now action, I think one thing is to observe a situation and then what do we do concretely to find solutions? So my next question will be what do you do, each one of you, to close this gap? Maybe I can start by saying what I personally do for that. I put all my energy in this, but I do very simple things. I really believe only simple things work. So, on the one hand, I organize events with some of you here in this room and with the support of some of you here – thank you – to really give women entrepreneurs and women in general confidence and energy. Those are two superpowers that whatever you do as a women – but as a man too – you need them. So my WIN Forum event basically is meant for that. So I organize events to say to a woman entrepreneur, you can do it, you can raise money, you can be the next Google. And it's super important. The second thing is I think that change is something I cause, not observe, so I invest. I try to invest in women-led businesses. And it's not easy because as I was telling you I invest mostly in retail tech businesses and I receive decks every day and sometimes a man sends me a deck and it's a wonderful deck and a wonderful project and it's like, uh-oh, what am I doing? It's not a woman. Should I invest in it or not? So the only commitment I have because I try to be, you know, to invest in projects I really believe in, of course, just like you, but the only commitment I have – you're going to tell me it's not a lot, but it's just a beginning – whenever I receive a deck from a woman and I will not invest in her, I just take the time to call her and to explain why I don't do it. And always try to be very positive saying don't give up, maybe, you know, if you were Facebook, I probably would have said no, I don't go into this, you know, if I had received the deck before. So, I don't

know, I just take the time to say why I don't invest and try to share positive messages. That's what I do to try. That's not a lot but it's just again a beginning. Now, who does...Emilie, tell us what you do.

EMILIE MARET: Sure. So I think what's been really fascinating hearing the discussions today is figuring out what happens at the governmental level, at the organizational level. And really what it comes down to for me is that there's two ways to address the gender gap. One is addressing the structural systemic issues which is what I've been really impressed by today, you know, how to create a gender equality index, what the Minister of Labor in France is also doing for the country, and just putting things into place so that we can slowly educate and change perspective. That's one thing that takes a long time. I'm a millennial so I'm impatient. I have a short attention span and, thus, I want things to happen quickly. I tried to work in a big corporate. I had to leave because I need things to happen now. (Laughter) So what I do today is really think, you know, we heard, Dane, your stats, the 2%. I mean 2% means, by default, and I really like, I don't care about any argument, but by default that there's low-hanging fruit. It can't be that there's not low-hanging fruit when the stat is 2%. And so what I do is that I, you know, sort of made a mental image of what's happening. And on one hand there's women and one hand there's men. And if she's the CEO and he's the investor, we need to figure out a way for them to meet. Ideally, they meet in the middle. In reality, they don't meet in the middle. When they don't meet, there's no investment. And so what needs to happen for me, it's like a cultural gap, right, between men and women. It's as if they're from two different cultures. You don't judge cultures

hierarchically. You don't say one culture is better than the other, but they're different. And I'm here to be the translator. I'm here to make sure that it's not about our ego. It's not about, you know, we're women so we need to just be ourselves and good things will happen. No.

Fundraising is an act within, you know, a company's journey. It's not the end goal, nor should it be the end goal. It's just a step. And so how do you just get through that step as quickly as possible so that you can build an impactful company. And so what I do is so simple and it's like you said, you just spend time. So when there's a female CEO, I spend three times the amount of time with her. And that means that she calls you on weekends and she says, oh, she asks questions that are, you know, that seem less important, but it's actually all about confidence. And that's what you're saying, just being there as a support system allows you to build the confidence necessary and give the tools necessary so that a female entrepreneur can be understood by a male investor. So I think time and energy and being the translator between these two is really a very hands-on and concrete way to increase from the 2% to 3%, 4%.

CATHERINE BARBA: I love the idea of translation. It's very interesting. Michelle, tell us what you do to close this gap.

MICHELLE SCARBOROUGH: It's so big, so big. The reason why we went, our fund initially was \$70 million and we went back to the board of directors at BDC and to the government and said, look, for \$70 million we can't get out of bed. If we really want to change the way that this system works, we need to do things differently. So we need a fund that is of a size that we can

actually deliver on the mandate. We can actually increase the number of women in technology in the leadership positions. We can increase the number of women GPs at the partner level. And we can build a sustainable ecosystem that will stand the test of time. You can't do that with no dollars. So when we got the \$200 million envelope, we said, okay, let's do those three things. So on the direct side of the business, which is where we spend the vast majority of our time, we invest from seed to scale. We invest in companies that had a women in their C-suite, not necessarily a founder or co-founder only and not necessarily only the CEO. So we look to graduate leaders. And we want to invest in a leadership team that has diversity, both gender and otherwise, because those are the teams that are going to be successful and we've heard that over and over again today. We also invest sector-agnostically and opportunistically. So we will look at broad sectors where we think there is an opportunity to grow a very successful business and a global market and to generate a return back to the shareholder. In this case, our shareholder is the government of Canada. But we have an obligation to return that capital back and to create the virtuous cycle for those entrepreneurs to generate capital and wealth for themselves so that they can then repeat the cycle. With GPs, it's the same thing. Invest in emerging GPs that are women-led GPs that again are going to go from fund one to fund two and so on and hopefully create again a virtuous cycle of ecosystem and then underlying that is the whole sustainable crew. The one thing that we are doing that you would see that would be unique to some of the big funds like KKR and Andresen and so on is that we are developing a platform approach. So we have, and are in the process of hiring more venture partners with skills-based expertise that sit outside of Canada but are Canadian expats that have expertise in HR, sales and marketing, finance to

help drive the bus of those companies. So as we're co-investing alongside other investors globally, we have a bench of folks that those companies and their entrepreneurs can draw on in order to push them forward and into the market. So it's a bit of a different spin, but it seems to be working so far – knock on wood.

CATHERINE BARBA: Absolutely. Thank you.

JENNY ABRAMSON: Three quick things that we're doing at Rethink Impact. One is filling the capital gap. So we're, you know, one of the few funds, or probably the largest fund in the country, that's focusing on U.S.-based businesses run by women in tech – not lipstick, not tampons – nothing against those, but really mostly focused on where we see big tech businesses. And we were fortunate that we had a lot of LPs, institutional and high net worth, who sort of believed in us in the first fund and came in with this notion that actually it's good for returns, not bad. And so I'd say one is really helping and showing, not just helping the businesses, but showing our investors who are across 32 states, you know, what does this look like? And what can you get out of this as an investor? Because we think that that can be catalytic. Two is we have binders full of women...(Laughter). We have so many women, because we've been out there and we speak at places and we talk at South by Southwest or the United Nations or wonderful places like this, we have thousands of deals that we've looked at by women. And so while we don't invest in all of them – by any stretch – we are able to help them in lots of ways. And we're able to show people there's an opportunity. And we believe that by creating the next

generation of iconic female billionaires, that will help other investors realize why they should invest in women, because this is a huge opportunity. And the third thing we do is try to build an ecosystem. And so we do office hours in our three cities – San Francisco, New York, and D.C. once a month. Anyone can access them on our website. So we sort of, for the deals that are too early for us, we'll do that. And then when they're ready for us, whether it's Ellevest by Sallie Krawcheck or Guild Education or Evidation or Neurotrack – these are all deals we're in – when they're ready for us, we already know them and we can lead the deal.

CATHERINE BARBA: Oh, I love it. Now, last question. I would like to leave us on a very positive note. Can each one of you maybe give one sign, one simple sign that we are at a turning point in this gap, in filling this gap? What would you say? Michelle...

MICHELLE SCARBOROUGH: Sure. I think that the number of new, to your point, the number of women entrepreneurs that are coming forward, that are looking for capital or support or debt even, for that matter, depending on the business, is – I mean in Canada at least, I can't speak for the U.S. – it's exponentially growing. We saw 1,300 applications in ten months for 20, you know, sort of 20...

CATHERINE BARBA: That's an interesting sign. Thank you. Dane...

DANE KANZE: I would just say from an academic perspective we're doing a really great job as

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researchers documenting the gap. Not only the gender gap but also what sources of inequalities affect those marginalized populations in venture funding that lie at the intersection of gender and race, for instance. And now we're moving into a period where we're actually not only working on descriptive research but also prescriptive research. So what can we prescribe to practitioners, both investors as well as entrepreneurs, to translate research into actionable insights? So, for instance, interventions like those, the work that my colleagues and I did that can then be translated into training seminars for both angel investors as well as entrepreneurs. So some of this research has actually started to make its way into the hands of those who can really use it. So I find that really heartening.

CATHERINE BARBA: Yes. Thank you.

EMILIE MARET: I would just say very quickly, ecosystem maturity, I really see this in a geographical perspective. I'm based in Europe and it's hard for us to relate to what happens in the U.S. because you have inspiring people within your ecosystem that then feed information to the next generation of entrepreneurs. And as, at least our European ecosystem is slowly maturing, role models are everything. Role models become mentors become investors, business angels. And thinking about it in that perspective, we're just getting better.

CATHERINE BARBA: Good. Good news. Jenny...

JENNY ABRAMSON: The last thing I would say is we're seeing a massive transfer of wealth, both to women and to millennials who care about these things. And when you combine that with the social movement, whether it's All Raise that I'm part of, or Me-Too or anything else, it makes it hard to go backward at this point. And I think the momentum that comes from both capital shifting with social movements to partner and for organizations to partner is a very powerful one.

CATHERINE BARBA: Good. Thank you for the positive note. We can applaud. Thank you. Now don't leave. I have a question for you, for all of you in this room because you've got to participate via clicks soon. And I have here, I don't know if we can read the question here. I have a personal question for each one of you. Here it is. What would you consider doing as a priority to narrow the venture gap? What would you do? What are you doing or what will you do? Will you invest in women-led ventures? Address the bias in the questioning? Have more women in management teams? Or encourage women-mentoring initiatives? And...75% of you think that invest in women-led ventures is the solution. Who, among you, who is an investor? Not specifically in women-led, but just who loses, like me, their money in startups? So, I think we should see more and more hands rising. Would you comment on this result like, you know, address the bias in the questioning, I think who understood the question? No? Maybe I did not...so yes, it's about money. Jenny, do you want to confirm this?

JENNY ABRAMSON: Money is good.

CATHERINE BARBA: Money is good. Money is good. Did you have one or two questions for our great panelists now? Or maybe just have an \_\_\_\_\_. After a while, I can't speak English anymore.

JENNY ABRAMSON: No, they all just want to go invest money. They don't want to talk.

CATHERINE BARBA: That's great.

MICHELLE SCARBOROUGH: Seventy-five percent.

CATHERINE BARBA: Okay, just I would like to thank you again for lifting up women, for encouraging other women to do things.

JENNY ABRAMSON: The only thing I would say is if you all are looking for resources in this space, and obviously there's a lot from today, I would just say, you know, you're welcome to reach out to us. We're at Rethink Impact on Twitter. I'm #abramsonjenny. And, you know, I think all of us are very eager to just help more and more people get what they need to be in this space, whether it's, you know, wherever it fits is less important. So I would just say thank you all for being here.

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CATHERINE BARBA: Yes, thank you for your generous contribution. Thank you. (Applause)