

IN THE SHARK TANK: THE SOCIAL CONSTRUCTION OF
GENDERED VALUATION AND THE VENTURE CAPITAL
FINANCING OF WOMEN'S TECHNOLOGY START-UPS

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— I —
INTRODUCTION

“Raising money is the second hardest part of starting a startup. The hardest part is making something people want: most startups that die, die because they didn’t do that. But the second biggest cause of death is probably the difficulty of raising money. Fundraising is brutal.”

- Paul Graham, “A Fundraising Survival Guide” (YCombinator.com, August 2008)

THE RESEARCH QUESTION

“Startups: An Alpha Male Pissing-Contest?” was the title of a FastCompany article published in April of 2011. The article posed two baffling questions that have been the topic of much public discourse—questions upon which this study is based: “Why aren’t enough women seeking angel and venture capital (VC) money? And why aren’t more women-led startups getting funded?”

Venture capital is money invested in innovative start-up companies in return for equity, or ownership, of part of the company. As the quotation above hints, VC funding is notoriously difficult to obtain. Yet many entrepreneurs vie for it because the rewards for obtaining VC funding are high: investments often come in the form of millions of dollars that enable an entrepreneur to rapidly grow his or her start-up to maturation. Aside from these large-scale investments, VC funding is more favorable than other types of financing (such as debt capital from bank loans) because VC firms essentially assume the risk of the investment. This is particularly helpful for technology ventures, on which this study focuses, as they are highly vulnerable in their early stages and prone to failure (Li and Atuahhene-

Gima 2002; O'Shea and Stevens 1998). In addition, research has shown that VC-backed start-ups achieve higher survival rates than non-VC-backed firms (Sandberg 1986; Timmons 1994). Apart from financial benefits, obtaining VC funding from the right firms can serve as a legitimizing force for start-ups and entrepreneurs, dramatically improving their reputation and social capital (Thornton 1999:29). Furthermore, VC funding has helped fuel the early stage growth of now-landmark U.S. companies such as Staples, eBay, and Facebook, and it still remains a valuable engine for economic growth and innovation.

Given the importance and impact of VC funding on the success of start-ups, the absence of women in this male-dominated, male-gendered entrepreneurial ecosystem remains a glaring problem. First, I present some statistics on this gender gap. Women entrepreneurs receive a significantly low share of VC funding and at the same time, there are hardly any women working in the VC industry as investors: of the U.S.-based companies that received a round¹ of VC funding in 2010, only 7 percent had a female founder², and women currently only hold 11 percent of investor roles within VC.³ Another study by Illuminate Ventures places the statistic even lower for partner-level high-tech VC investors, stating that women represent just 5 to 7 percent of these in the U.S.

Many have attempted to explain the gender disparity in VC funding with the assertion that women simply do not create high-growth companies. However, in the past 10 years, more than 125 companies in the U.S. high-tech sector with women co-founders or officers have achieved either initial public offerings (IPOs) or mergers and acquisitions

¹ VC investment occurs in "rounds," or different levels or stages of investment across the various life cycle stages of a private start-up company. Once an investment is made in a start-up company, follow-on investments may be made in later rounds as the start-up grows.

² Source: Dow Jones VentureSource.

³ Source: 2011 Venture Census Data by the National Venture Capital Association and Dow Jones VentureSource. My own analysis placed this statistic at roughly 8 percent.

(M&A) exits worth greater than \$50 million⁴. The findings of this study suggest that the gender disparity in VC funding is not necessarily due to a lack of women entrepreneurs. Instead, the gender disparity may be attributable to inequities in the VC fundraising process itself. This thesis will thus examine the VC fundraising process with a focus on the influence and construction of gender on “both sides of the table.” Thus, this study will examine not only the absence of women receiving VC funding, but also the absence of women writing checks as VC investors.

WHY IS THIS IMPORTANT?

Aside from the practical implications of understanding the absence of women in the VC fundraising process, which I have briefly highlighted above (that VC is an innovation and economic growth juggernaut and that women are largely absent), there exist significant theoretical implications of this study on the sociological discourse on the intersection of gender and institutions.

First, the practical significance of studying gender in the VC fundraising process is that, with a better comprehension of the issues, any barriers female entrepreneurs may face will be lifted or at least brought to light so that changes may take place. Second, the seemingly gender-neutral landscape of entrepreneurship and VC may blind many female entrepreneurs to the gendered nature of the processes; many female entrepreneurs in this study were neither aware of nor resisted the idea that gender was a significant factor in the VC fundraising process. Thus, my study is significant in that it raises the cognizance of the influence that gender may have for both males and females implicated in the VC fundraising process.

⁴ Source: Illuminate Ventures, (<http://www.illuminate.com/whitepaper/>).

On a more theoretical level, this study is significant in understanding the construction of gender in a male-dominated institution by examining not only how gender is constructed by those in the minority (females) but also by those in the majority (males). Furthermore, this study poses significant challenges to institutional and organizational theory which views cultural production as simply intra-organizational processes. I find that culture is an inter-organizational process that can be reinforced and reproduced by several institutions. In the context of my study, the VC and start-up industries are separate institutions that interact regularly with one another, thereby exchanging not only information but cultural-cognitive frames of understanding which are made manifest in shared, common cultural beliefs. Most sociological theory on institutions has not considered the existence of such a tightly bound marriage of two institutions, and its effects on a minority population that may face barriers of inequality or other disadvantages.

This study also engages in discourse on the relationship between structure and agency by providing a unique perspective into experiences of women who *were* able to overcome the male-dominant and male-gendered structures. In other words, perspectives from women who were able to either successfully obtain VC funding or obtain an investor position within a VC firm are examined. Therefore, this study will explore not only the question of how women may face obstacles in the VC and start-up ecosystem, but also how they might overcome these obstacles based on case studies examined here. Additionally, this study will understand gender as a social construction that is not exclusively tied to bodies, but rather one that can be tied to material objects, organizations, or entire concepts. This concept is particularly important for sociological theorizing of gender in institutions, which is commonly understood as a construction tied to specific male or female individuals.

Finally, this study is significant in that it examines capitalistic institutions in a socially constructed manner. While it has been established in the sociological literature that economic transactions are also influenced by social structures and interactions, I argue that the VC institution is one that particularly valorizes itself on ideals of meritocracy and fiduciary duty, eradicating any belief that social structures or relationships have anything to do with the investment process. The end-goal of any VC firm or start-up is to generate material wealth, as is the end-goal of any capitalistic institution. Yet, the VC and start-up industries are extreme cases of capitalistic institutions as they are obsessed with economic end-goals. VCs are consumed with making returns on their investments, pleasing the investors of the fund, and searching for “the next Facebook.” Meanwhile, start-ups are consumed with the end-goal of reaching an astronomical valuation or – even better – “going public⁵.” The obsession with wealth is not only pervasive within these cultures, but also is projected and mediated by the frenzy of the media. A recent example of this notion is the glorification of the rise of Facebook in the movie, *The Social Network*. Within these capitalistic institutions, one may think economic rationality reigns. However, my study suggests that these institutions are punctuated and significantly influenced by cultural-cognitive frameworks, such as gender, that may not be empirical or rational in nature, but rather constructed socially. In the seemingly gender-neutral, meritocratic, economically rational landscape of VC and start-ups, it is then useful to take a step back and understand what other processes are taking place which influence VC fundraising and investing.

OVERVIEW OF MAJOR THEORETICAL DEBATES

⁵ “Going public” refers to reaching an initial public offering (IPO), the first time a private company sells stock to the public.

INDIVIDUALIST VS. STRUCTURAL EXPLANATIONS

The topic of women entrepreneurs' access to VC funding has only recently been explored in the literature. However, a large body of literature exists on the topic of women's entrepreneurship in general, some of which focuses on other financing options, such as bank loans, angel investor capital, and bootstrapping techniques. Nevertheless, this body of literature often only focuses on the reasons women's entrepreneurial ventures lack a certain something, whether it is access to financing, growth in performance, or even the lack of motivation to create entrepreneurial ventures to begin with.

Because this study focuses on access to VC funding, I will provide a brief overview of how the literature has framed the topic of women entrepreneurs' access to financing. This literature often focuses on the lack of financing for women's entrepreneurial ventures and tends to fall under two major theoretical frameworks: individualist explanations and structural explanations. Both of these theoretical frameworks are then further divided into supply-side and demand-side explanations: "supply-side" meaning those who provide financing (banks or investors), and "demand-side" meaning those who seek financing (entrepreneurs).

Individualist explanations on the supply-side focus on the woman entrepreneur herself—her traits, characteristics, and other factors that might positively or negatively influence her access to various types of financing. On the demand-side, individualist explanations explore the traits which investors look for in an entrepreneur when making investment decisions. In summary, individualist explanations employ human capital theory and attempt to understand individual attributes of entrepreneurs.

Structural explanations often employ social capital theory and attempt to understand what social structures might constrain or enable access to funding. For instance, on the supply-side, structural explanations have explored the sex make-up of investor groups to determine whether more women investors will lead to more investments in women entrepreneurs. On the demand-side, structural explanations have measured the social networks of women entrepreneurs to determine if they are disadvantaged in accessing the social networks of investors, which have been found to be largely male-dominated.

“GENDER AS A VARIABLE” VS “GENDER AS A LENS” PERSPECTIVES

In addition to individualist and collectivist frameworks, much of the literature on women’s entrepreneurship, until very recently, has focused on gender as a variable. That is, such literature has viewed gender (or sex) as a static trait that is attached to individual bodies; from this, the literature attempts to discern differences in male and female entrepreneurs in their access to VC financing. These differences are often measured on the two axes mentioned in the previous section: human capital and social capital.

Recently in reaction to this “gender differences” perspective, there have been several calls for a dramatic paradigm shift in the research on women’s entrepreneurship (Ahl 2006). Some have called for the application of feminist theoretical approaches, in which gender is not a variable but rather a “lens.” This approach stems from the social constructionist understanding that gender is not a quality inherently attached to biological bodies, but that it is rather a socially constructed concept with associations to femininity or masculinity that is produced and reproduced through individuals’ actions and interactions (Acker 1992; Butler 1990).

STUDY APPROACH AND METHODS

This study first tests the “gender as a variable” approach by measuring the human capital and social capital of female founders of technology start-ups to understand how these may affect their access to VC funding. The study then applies the “gender as a lens” perspective to understand how gender is socially constructed throughout the VC fundraising process and the start-up ecosystem, and consequently examines how this affects female start-up founders’ access to VC funding. By utilizing the “gender as a lens,” constructionist approach, I respond to three research suggestions proposed by Ahl in her paper, “Why Research on Women’s Entrepreneurship Needs New Directions” (2006) by studying: (1) “how individual men and women perform gender” in interactions, (2) how the male-gendered construction of entrepreneurship influences both men and women entrepreneurs, and (3) “the gendering of institutional orders and how they are constructed and reconstructed.”

My study will add to the currently limited body of research that utilizes the social constructionist perspective to study women entrepreneurs. Past research has also not focused exclusively on female technology start-up founders and their access to VC financing through this constructionist, neo-institutional perspective. Because of the momentum technology start-ups have gained and the incredible impact they have on the growth and innovation of our economy, it is ever more compelling to understand why women entrepreneurs are being excluded from participating in this growth and wealth-creation process.

In my study, I utilize a variety of quantitative and qualitative methods. The core of my study is informed by in-depth interviews with female start-up founders and VCs about

the fundraising process. I also collected survey data, performed content analysis, and performed limited ethnographic fieldwork.

KEY FINDINGS

My findings suggest that higher levels of human capital and social capital have a positive impact on access to VC funding. In addition, by utilizing the constructionist perspective of “gender as a lens,” I found that throughout the institutions of the VC and start-up industry, there exists the shared cultural belief of “gendered valuation”—a belief that the masculine is more valuable than the feminine. This cultural belief is produced and perpetuated through a combination of social interactions, symbolic systems, and internalization by individuals within the VC and start-up ecosystem. Based on these findings, I argue that the cultural belief of gendered valuation presents significant barriers for female start-up founders seeking VC funding. Inciting institutional change to eradicate gendered valuation is challenging because it requires transforming an entire cultural-cognitive framework viewed by many individuals as objective fact. Thus, change must occur through a combination of internal and external pressures. Such pressures have recently emerged through a new women’s social movement of sorts. This movement appears to be the result of a collective identity shared by women, and intersects with the organization, resources, and ideology needed to spark social change. The view of the VC fundraising landscape presented by interviewees was therefore not wholly negative but rather opportunistic.

ROADMAP OF THE THESIS

The thesis comprises eight main chapters. Chapter Two presents background information on the VC industry and explains VC fundraising process; in addition, it provides information on the absence of women in the VC industry and the lack of women receiving VC funding. Chapter Three presents an overview of the relevant literature on women's entrepreneurship and access to financing. Chapter Four describes the methodology used to investigate my research question such as my data collection, recruitment, and analysis methods, along with a brief overview of the basic demographics of my study sample. Chapters Five through Seven describe the results and findings of my research: Chapter Five describes the influence of human capital on access to VC, Chapter Six describes the usage and influence of social capital in the VC fundraising and investment seeking process, and Chapter Seven describes findings on the social construction of gender and the cultural belief of "gendered valuation" which is shared and reinforced by the institutions of the VC and start-up industry. Lastly, Chapter Eight concludes the thesis with a summary of my findings; limitations of my research; what implications my findings have on the VC fundraising process for female start-up founders; broader implications for research on VC financing and gender in institutions; and suggestions for future research.

— II — BACKGROUND

In this chapter, I provide background information on the venture capital (VC) industry, the VC fundraising process, the status of women in the VC industry, as well as the status of women entrepreneurs.

THE VC INVESTMENT PROCESS⁶

Venture capitalists (VCs) invest money in start-up companies in return for equity, or ownership of part of the company. VCs often invest in start-ups which have yet to reach net profit, so investments are based on the calculated assumption that the start-up has high growth potential. VCs prefer start-ups with innovative business models, technology, or products. Some high-profile examples of venture-backed start-ups which have reached maturation and exit⁷ are Starbucks, Staples, eBay, Apple, and Google. Thus, VC investments entail high risk, but also high returns for the investor. In 2010, 791 VC firms were in existence.⁸

VC investment occurs in “rounds,” or different levels or stages of investment across the various life cycle stages of a private start-up company. Once an investment is made in a start-up company, follow-on investments may be made in later rounds as the start-up grows.

⁶ Much of the information in this section has been adapted from the National Venture Capital Association 2011 Yearbook.

(http://www.nvca.org/index.php?option=com_docman&task=doc_download&gid=710&Itemid=317).

⁷ An “exit” or “exit option” is the method by which a venture capitalist intends to get out of, or “cash out,” an investment that he or she has made in the past. Examples include an initial public offering (IPO) or being acquired. Source: (<http://www.investopedia.com/terms/e/exitstrategy.asp#ixzz1oOw8OcqP>).

⁸ Source: National Venture Capital Association 2011 Yearbook.

These rounds occur typically every year or two. Multiple VC firms can participate in a round of funding for a start-up. Below is a table depicting examples of VC fundraising rounds.

Table 2.1 Venture capital fundraising rounds.⁹

STAGE	DESCRIPTION	TYPICAL AMOUNT
Bootstrapped/Friends-and-Family or Angel Investor(s) ¹⁰	Individuals (friends, relations or entrepreneurs) who want to help other entrepreneurs get their businesses off the ground - and earn a high return on their investment	\$150,000 - \$1.5 million
Seed	The first stage of VC financing for used for early development of a company. May also include angel investors.	\$250,000 - \$1 million
Series A	Typically occurs when company is generating revenue, but not necessarily net profit. May also include angel investors.	\$2 - \$10 million
Series B, C, D	Company will typically have a higher valuation at these later rounds.	Varies ¹¹

The VC investment process was first coined as a “venture capital cycle” by Gompers and Lerner (2000) because it is just that—a cycle that recurs with each investment. The phases of the investment cycle were summarized succinctly by Kollman and Kuckertz (2010:741):

“Over the complete cycle, venture capitalists raise funds (fundraising), invest those funds in an investment process (deal origination, screening, evaluation, structuring), manage their investments once an investment decision has been made (monitoring and value adding), and eventually realize any profits from their investments (exit).”

The VC industry is a juggernaut in terms of amounts invested each year. Recently, it has gained notoriety for fueling the growth of many technology and Internet start-ups, such

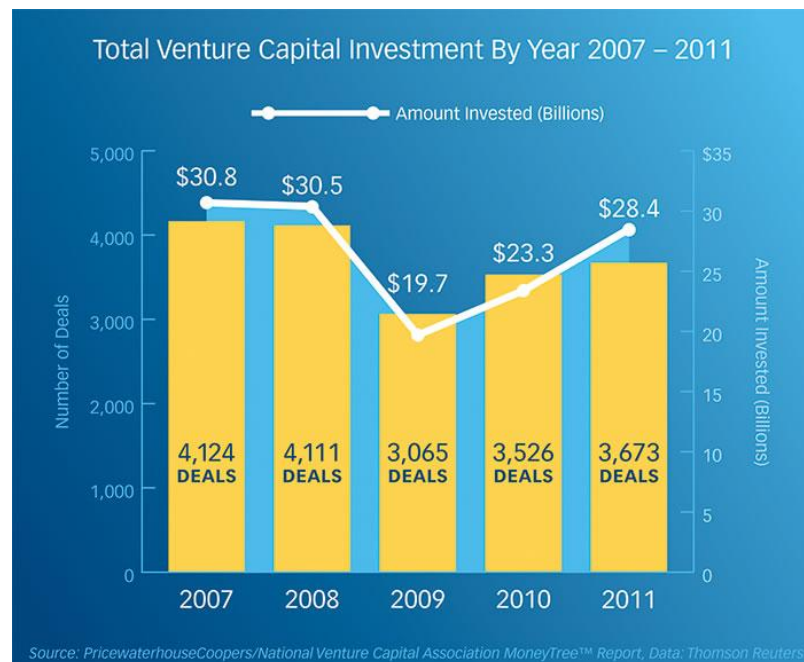
⁹ Definitions from investopedia.com.

¹⁰ Angel investors are wealthy individuals—who are often former entrepreneurs themselves—who invest large sums of money in a seed stage start-up in return for equity.

¹¹ Typical investment amounts after Series A widely vary; there is no set standard (for instance, a Series B round can reach \$40 million or stay closer to a modest \$2 million). Thus, the numbers after Series A are taken from Crunchbase.com, a database of start-ups and venture rounds.

as Facebook and Groupon. In 2011, VCs invested \$28.4 billion in 3,673 deals¹². This is a 44% increase in dollars invested by VCs over the past two years (see Figure 2.1). The number of venture-backed companies acquired (bought by another company) during 2010 was 427—a new record for the industry. Investments in 2011 were made in a number of industries, but the concentration of investments was second highest in Internet-specific sectors, on which this study focuses. The Internet, software, and media sectors also saw increasing valuations in 2011. The average valuation across all industries \$70 million between 2005 and 2009.

Figure 2.1 Venture capital investments in 2007-2011.



Source: National Venture Capital Association/PricewaterhouseCoopers.

¹² Source: National Venture Capital Association/PriceWaterhouseCoopers MoneyTree Report, Q4 2011 Press Release. < http://www.nvca.org/index.php?option=com_docman&task=doc_download&gid=840>

VC AND ENTREPRENEURS

For the entrepreneur, obtaining venture capital has an immense impact on the ability to grow a new start-up to a mature company. The money can be used in various ways: capital investments, building an employee base, marketing, business development, and so on. However, a VC investment does not end simply at the money invested. A round of funding from a VC firm means starting a long-term relationship with that firm, or at least a Partner of the firm who will sit on the Board of Directors for that start-up. Thus, VCs are actively engaged in providing strategic advice for the start-up as well as crucial industry or other contacts for the entrepreneur. Therefore, a VC investment is not simply an economic transaction, but a social transaction as well. I will discuss the implications of such a relationship later in this paper.

The process of obtaining VC is difficult for most entrepreneurs. The VC fundraising process takes a great amount of knowledge about VC, industry jargon, and generally how to pitch an investment opportunity effectively to VCs. Later stages include even more complex processes such as “term sheet” negotiations in which figures such as valuation and liquidation terms must be negotiated. Not only this, but the process of connecting with VCs is another obstacle altogether; as this study will explain, most VCs do not seriously consider deals which come “over the transom” and instead rely on personal referrals for interesting deals.

WHERE ARE THE WOMEN?

In an industry and ecosystem which has quite apparently made an immense impact on the U.S. and world economy through its fueling of growth, innovation, and the entrepreneurial spirit, it is worth asking about the state of women within it. To explain the

situation concisely: they are largely absent. A study by the Diana Project (Brush et al. 2006), a multi-university, multi-year research project dedicated to the study of women entrepreneurs¹³, examined the role and participation of women in the VC industry. The study was incited by the fact that “women represent less than 10 percent of VCs in the industry and have been leaving the industry at twice the rate of men.” Meanwhile, at the same time, female entrepreneurs, despite leading “28 percent of all U.S. business in 2002” and “generating \$1.5 trillion in sales,” were receiving a significantly lower amount of VC, around 4 to 9 percent. These are the striking figures which inspired this thesis.

The lack of women on both sides of the table – as VCs and as entrepreneurs receiving VC – is troubling. The industry is clearly dominated by men. This study will consider the effects, if any, that having more female VCs might have on the VC fundraising process for female entrepreneurs. More broadly, this study will also examine how gender influences the VC fundraising process overall in order to understand the significant absence of women. Raising VC is notoriously known for being a brutal process – but is it doubly so for women?

¹³ The Diana Project is funded by the Kauffman Foundation.

— III —

LITERATURE REVIEW

OVERVIEW

Scholars have more recently begun to study women entrepreneurs and their access to financing. These studies have laid the necessary gender-focused groundwork for the once male-centric literature on entrepreneurship. Two major theoretical approaches are utilized by the majority of these studies: individualist and structuralist. The individualist approach is largely centered on human capital components of entrepreneurship – that is, what traits make a successful entrepreneur, and what traits might increase the likelihood of obtaining financing. The structuralist approach is largely centered on social capital. Social network theory in particular is the focus of this body of literature, which examines questions such as the gender make-up of women entrepreneurs’ social networks. Very recently, scholars have applied a third theoretical approach to the study of women entrepreneurs, and my study is largely based upon it: the social constructionist approach. This approach views gender as “socially constructed” and takes cues from feminist theory. I will further explain this approach in the coming pages and describe how I apply and expand it for my research.

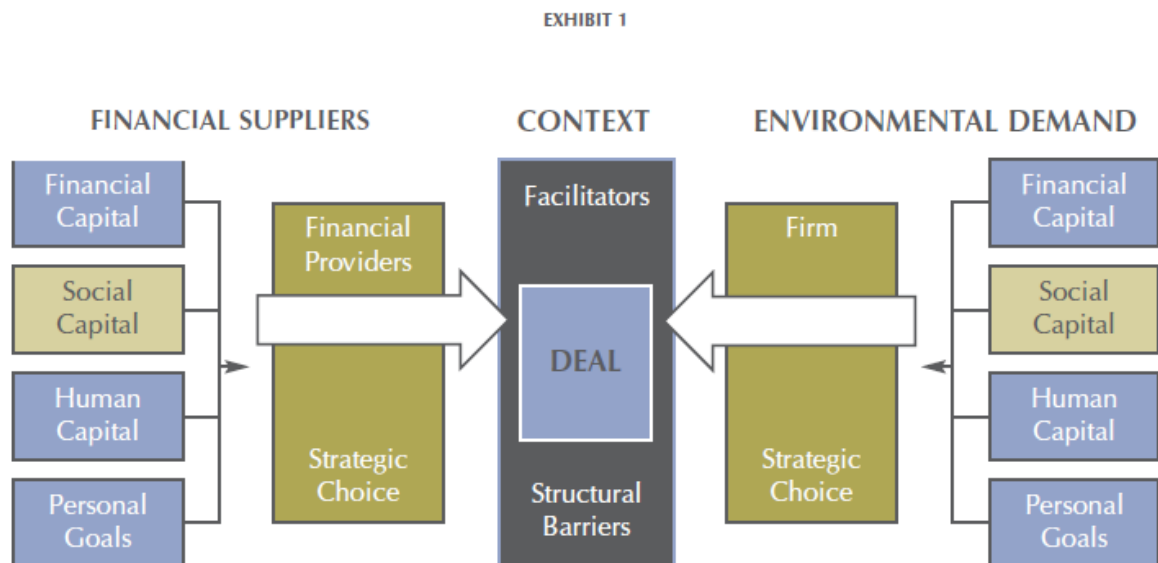
I introduce and adapt the Diana Project’s¹⁴ (Brush et al. 2006) conceptual model of the key elements entrepreneurs must have in order to access VC funding (see Figure 3.1 below). This model nicely aligns the theoretical approaches I have outlined above, while also adding the element of “the context in which entrepreneurship occurs” such as geographic region. According to their research, the Diana Project finds that social capital is

¹⁴ The Diana Project is a multi-university, multi-year research project dedicated to the study of women entrepreneurs, funded by the Kauffman Foundation.

the most important element; even with adequate financial capital, human capital, and goals that are aligned with investors, the lack of social capital (social network connections to investors) may “prevent entrepreneurs from ever reaching the negotiating table” (Brush et al. 2006:4).

Using this conceptual model as a guideline, in this chapter I will first review the literature on how social and human capital affects access to VC funding. Next, I will discuss the introduction of the social constructionist approach to women’s entrepreneurship, how it has been applied in the literature thus far, and how I intend to apply it in my own research. Lastly, I will briefly mention the conceptual and methodological limitations in the extant literature.

Figure 3.1 The Diana Project’s model for achieving VC fundraising (Brush et al. 2006).



HUMAN CAPITAL AND FINANCING OF WOMEN-LED VENTURES

Human capital is defined as an individual’s attributes utilized to perform labor and produce economic value (Coleman 1988). Education and work experience are two examples

of human capital. Human capital theory has been applied in the literature to answer the question, “What qualities of an entrepreneur and/or his/her venture do VCs look for in an investment?”

Several studies have found that human capital affects success in obtaining VC funding. For example, education, management experience, industry-expertise, and technical skills are all facets of human capital that been found, in various contexts, to affect access to and obtaining VC funding (Muzyka et al. 1996; Smart 1999; Kaplan and Strömberg 2004; Beckman et al. 2007; Shane and Stuart 2002; Engel and Keilbach 2007; Audretsch and Lehmann 2004; Colombo and Grilli 2010; Gimmon 2010). Most of these studies have not been controlled for gender. A few studies have suggested that a higher level of education is particularly important for women (Brush et al. 2003; Carter et al. 2003), however, it is unclear whether other forms of human capital increase access to VC. Because limited research has examined how human capital affects women entrepreneurs in their search for VC funding, one purpose of this study is to examine if and how human capital might affect a woman’s access to VC.

SOCIAL CAPITAL AND THE FINANCING OF WOMEN-LED VENTURES

Another body of literature on entrepreneurs and the financing of their ventures focuses on social capital. Social capital “emerges from the norms, networks, and relationships of the social structure in which an individual lives, potentially producing useful resources for business through the development of sets of obligations and expectations, information channels, and social norms that reinforce certain types of behaviors” (Coleman 1988). Not only does the decision to start a business depend on an individual’s human capital such as education and skills, but it is also dependent on the entrepreneur’s access to

social capital which allows access to opportunities and resources (Granovetter 1985), including financial resources.

An individual's social capital stems from his or her social network. VCs rely largely on their social capital (personal contacts within their social network) to search for promising start-ups in which to invest (Aldrich 1999; Maula et al. 2001) — a process I will refer to as “deal sourcing” in the rest of this paper. Because of this, an entrepreneur who lies outside of a VCs social network decreases his or her likelihood of accessing VC funding.

Aside from social networks, the overall social structure of the VC industry itself is also relevant when considering the VC fundraising process. The VC industry is, essentially, a small world. News travels quickly and firms are often on friendly terms with one another. For instance, one study found the VC industry to be a closed network that is geographically concentrated with strong ties between firms; these firms were linked together by joint investments in portfolio companies¹⁵ (Bygrave 1992). Such tight connections across firms facilitate the exchange of information and resources. This closely woven social structure is significant when considering the impact it may have on female entrepreneurs' access to VC; this social structure allows VCs to depend upon personal “network[s] of informal contacts” to perform deal sourcing (Bygrave 1992, Alimansky 2000). As stated in the previous section, because women are not included in the social networks of men (Aldrich 1989), the reliance of VCs on their social capital for deal sourcing may pose a structural barrier. In the literature, social capital has been studied on the investor-side and the entrepreneur-side, which I detail below.

¹⁵ A “portfolio company” is simply a term denoting a start-up company in which a VC firm has invested. The “portfolio” is the amalgamation of all these companies.

SOCIAL CAPITAL AND INVESTORS

The influence of social ties in a VCs decision to invest has been confirmed by many studies. For instance, Shane and Cable (2002) found that social ties increase the likelihood of seed-stage VCs to invest in a high-technology venture; in the absence of social ties, the positive reputation of an entrepreneur increased the decision to invest. Entrepreneurs who were outside of VCs' social networks on the other hand, were less successful in obtaining funding.

Other studies have found that homophily influences the VC deal sourcing process, which likely poses adverse consequences for female entrepreneurs. Homophily is the principle that "contact between similar people occurs at a higher rate than among dissimilar people" (McPherson 2001: 416). Homophily can occur between individuals of the same sex, race, age, and so on. One study found that VCs prefer start-up founders who have similar backgrounds in areas such as education and past careers, thus suggesting that there exists a "similarity bias" in VCs (Franke et al. 2006). The study however did not measure sex-based homophily, which my study will explore. Another study, taking a more gender-specific approach, found that "women angels [angel investors] have better access to deals when the firms are women-owned (Sohl and Hill 2007:219), implying that an increase in women VCs may lead to more investments in women-led ventures because of their social network make-up. Lastly, it has been found that male and female angel investors use different deal sourcing methods: men were found to use more personal sources while women made greater use of business associates, accountants, and lawyers (Harrison and Mason 2007). Finally, a recent study found that women invest differently depending on the number of investors present in a group (Becker-Blease and Sohl 2011). The study found that angel groups with a high

proportion of women investors did not favor women entrepreneurs' proposals. With these findings in mind, my study will further expand research on VCs' social ties and their decision to invest, focusing particularly on sex-based homophily.

SOCIAL CAPITAL AND WOMEN ENTREPRENEURS

Now, I will examine literature on the social network composition of women entrepreneurs. It has been found that women entrepreneurs are involved in different social networks in comparison to men, and that women have more women in their networks while men have more men in theirs (Aldrich 1989). As a result of these differences in social network composition, Aldrich concludes that women may experience “differential access to equity capital.” Another study on women entrepreneurs found that the likelihood of using external sources of financing is increased when the entrepreneur possesses a diverse social network¹⁶ (Manolova et al. 2007). The study also found that men make better use of their social networks to secure sources of external financing. These studies on the influence of social capital on women entrepreneurs' fundraising process suggest that women may be at a disadvantage in gaining access to VC funding because they remain outside the social networks of VCs and men.

The salience of social capital, however, is dependent on temporal context—that is, the salience of social capital does not remain static across all phases of the VC investment process. Some studies' findings suggest social capital may be most salient in the earliest stages of the investment process: the phase at which an entrepreneur is initially connected with a VC (or vice versa) and begins a conversation with him or her, called the “deal origination phase,” a term I deem interchangeable with the phrase “deal sourcing.” Brush et

¹⁶ Network diversity was defined as the variety of backgrounds of contacts in one's social network.

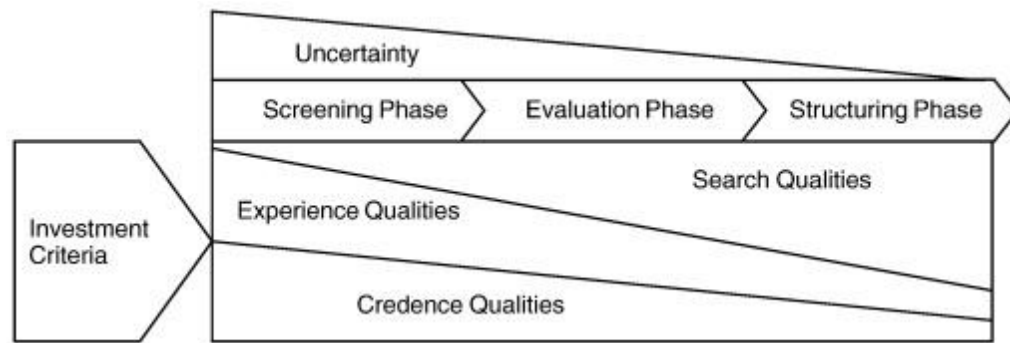
al. (2003) for instance, found that social capital had no direct effect in increasing the odds of using equity loans. Rather, the authors of the study suggest that the diversity and strength of a woman's network may be more important in the deal origination phase instead of the deal evaluation phase: "The entrepreneur's use of her network may get the venture to a point of contact, but the characteristics of the top management team and the firm, its business model and potential, may ultimately have a more direct effect on the investment decision" (Brush et al. 2003:23).

The temporal salience of social capital highlights a more significant issue in the VC investment and evaluation process: uncertainty across the various stages of the investment process. That is, VCs can only discern so much information about an entrepreneur at the earliest stages of the VC investment process; thus, an "information gap" exists between investor and entrepreneur (Gompers and Lerner 2000). Indeed, Kollman and Kuckertz (2010), after conceptualizing the VC investment process into five distinct phases¹⁷, found that uncertainty was highest, "and thus arbitrary," at the deal origination and screening phase (see Figure 3.2). At this phase, the study found, an entrepreneur's "credence qualities" and "experience qualities" are most salient to investors; the first is an "entrepreneur's concrete commitment towards the venture" and is never "completely recognizable," while the latter is defined as "the actual work effort of the entrepreneur" (2010:743). The notion of uncertainty and "arbitrariness" has immense implications for my study. While VC firms may attest to a meritocratic, rational-economic investment process, the lines between rationality and irrationality become blurred at the earliest stages of investment, on which my study focuses. When VCs meet a start-up founder for instance, other biases or preferences other than the

¹⁷ See Chapter 2, "Background" for more information on the five stages of the investment process.

founders' human capital or social capital—such as gender—may become salient and affect the VCs evaluation of the opportunity. My study will explore the existence of such biases.

Figure 3.2 The uncertainty of VC investment criteria.



Source: Kollman and Kuckertz (2010).

Building on this literature on social capital, my study will examine *how* female start-up founders are connected with VCs at the earliest stage of the investment process—deal origination—as well as the temporal salience of gender throughout the investment process, with a focus on this early stage. For instance, what qualities allow a female start-up founder to gain access up to a certain stage, and conversely, how do VCs evaluate opportunities from female start-up founders in the early stages of investment? Doing so will help understand the structural and cultural barriers female start-up founders may face in accessing VC and the alternative strategies they may utilize to succeed.

SOCIAL CONSTRUCTION OF REALITY, GENDERED INSTITUTIONS, AND
GENDERED VALUATION

Social constructionist theory offers a third lens to understanding gender and access to VC funding. I will first outline the theory of the social construction of reality (Berger and Luckmann 1966) and how it applies to the VC and start-up industries. Next, I will conceptualize the VC and start-up industries as gendered institutions (Acker 1992). Lastly, I will explain how my study will combine and adapt pieces of these theories to conceptualize a new theoretical approach to the study of women's entrepreneurship.

THE SOCIAL CONSTRUCTION OF REALITY, NEOINSTITUTIONALISM, AND CULTURAL BELIEFS

Berger and Luckmann (1966) argue that, "Reality is socially defined. But the definitions are always embodied, that is, concrete individuals and groups of individuals serve as definers of reality" (1966:116). In applying Berger and Luckmann's theory of social construction to institutional theory, I thus subscribe to the neoinstitutional theory. Neoinstitutional theory emphasizes cognitive over normative frameworks. Normative frameworks focus on values, expectations, or moral obligations; cultural-cognitive frameworks focus on "the central role played by the socially mediated construction of a common framework of meaning," (Scott 2008:59) such as shared categories, schema, or modes of thinking. These common frameworks of meaning might also be called "cultural belief systems" which operate and are upheld in environments of organizations.

Cultural beliefs are defined as "the ideas and thoughts common to several individuals that govern interaction" (Scott 2008:78). Thus, cultural beliefs are created through and depend upon social interaction between individuals and groups. These cultural beliefs are subsequently made manifest and maintained by various mechanisms, including

social interactions and “symbolic systems,” such as language and images. The maintenance and reproduction of cultural beliefs can ultimately give rise to a social order or hierarchy.

CULTURAL BELIEF OF GENDERED VALUATION

I argue that one of the cultural beliefs within the environments of VC and the start-up community is *gendered valuation*. In this study, I apply this theory of social construction to the VC industry and start-up industries to demonstrate how individuals help define the shared cultural belief of *gendered valuation* to guide social interactions and, ultimately, the overarching social order that is based on gender. I define *gendered valuation* as the cultural belief in the VC and start-up industries that the “male” or “masculine” is more valuable than the “female” or “feminine.” I define “value” here as the level of legitimacy given to one gender over another; I define “legitimacy” in the cultural-cognitive sense—as something which “comes from conforming to a common definition of the situation, frame of reference, or a recognizable role or structural template” or something that is “taken for granted” (Scott 2008:61). Thus, I do not define “legitimate” in a rational-economic manner, which might be based upon the material value of something. This definition is ironically in contrast with how the VC industry would define “legitimacy”—the potential for a start-up or its founder to reach high-growth and high-valuation¹⁸.

GENDERED INSTITUTIONS

Berger and Luckmann’s social constructionist theory is somewhat adopted in Joan Acker’s conceptualization of *gendered institutions* (Acker 1992). The term *gendered*

¹⁸ Valuation refers to what the market believes the company is worth. Valuation can soar to hundreds of billions of dollars.

institutions refers to the total pattern of gender relations, which includes stereotypical expectations, interpersonal relationships, division of labor along lines of gender, and the images or symbols that support these systems and ultimately create a social order placing men and women on hierarchical levels. My study will adopt some of these conceptualizations.

I argue that VC and the start-up community at large are gendered institutions, and seeing them as such adds great value to the current discourse on women's entrepreneurship. Instead of simply evaluating why women might be excluded in both the VC and start-up industries, seeing these industries as gendered institutions offers another critical perspective in which we can examine how the overall institutional structures and processes value gender and have been informed by it, as well as how it might replicate this structure.

A NEW APPROACH: THE CONSTRUCTION OF GENDER IN VC AND START-UPS

In this thesis, I will thus apply social constructionist and neoinstitutional theory in combination with portions of Acker's conceptualization of gendered institutions in order to examine gender in the VC and start-up industry. This new approach answers the recent calls by scholars for a dramatic reframing of the current scholarly discourse on women's entrepreneurship from an "objective" notion of the role of gender to the "social constructionist" position I take in my study (Mason and Harrison 2007). Such a conceptualization will help uncover how investors and entrepreneurs construct their own gender within specific contexts, as well as help understand how the VC and start-up ecosystem is "a gendered social order" (Bruni et al. 2005; Ahl 2004). Indeed, entrepreneurship itself has been seen as male-centered and masculine. As evidence, Bem's

masculinity and femininity index (1981), captures social constructions of gender and demonstrates how entrepreneurship is gendered as “masculine” as the words which describe entrepreneurship also happen to be associated with masculinity.

This shift in schema from objectivist to constructionist is also well-outlined and discussed in a paper by Ahl (2004). In it, she proposes new directions in which the research on women’s entrepreneurship can take. Her model is replicated in Figure 3.3 below. Her suggestions include (as shown by quadrant three) studying how women entrepreneurs perform gender in daily interaction; she also suggests a study which analyzes conversations between a bank interview and a woman entrepreneur, and seeing how gender (and discrimination) are achieved. My research adopts this suggestion by not examining conversations firsthand, but asking my interviewees about their past interactions with women start-up founders or with VCs. She also suggests studying how “the construction of entrepreneurship impinges on men entrepreneurs,” which renders women entrepreneurs as “the Other” (Ahl 2004: 613; deBeauvoir 1953) and at the same time upholds men to the same standard of masculinity. My study will further explore this male conception of entrepreneurship.

Figure 3.3 Ahl’s suggestions for new research directions on women’s entrepreneurship.

	Current research object	Expanded research object
Objectivist epistemology	(1) Individualist focus and essentialist assumptions	(2) More factors Contingency studies Comparative studies
Constructionist epistemology	(3) Studies of how women entrepreneurs construct their lives and their businesses, how they “do gender”	(4) Studies of how social orders are gendered and of the mechanisms by which this gendering is reconstructed

Source: Ahl, Helene. 2004. “Why research on women entrepreneurs needs new directions.” *Entrepreneurship: Theory and Practice*.

Ahl further suggests expanding this gender performance approach to one that focuses on “the gendering of institutional orders and how they are constructed and reconstructed” (2004:613); a research suggestion she makes is one which analyzes the public discourse on women’s entrepreneurship and the consequences of programs designed especially for women. My study also explores this research suggestion.

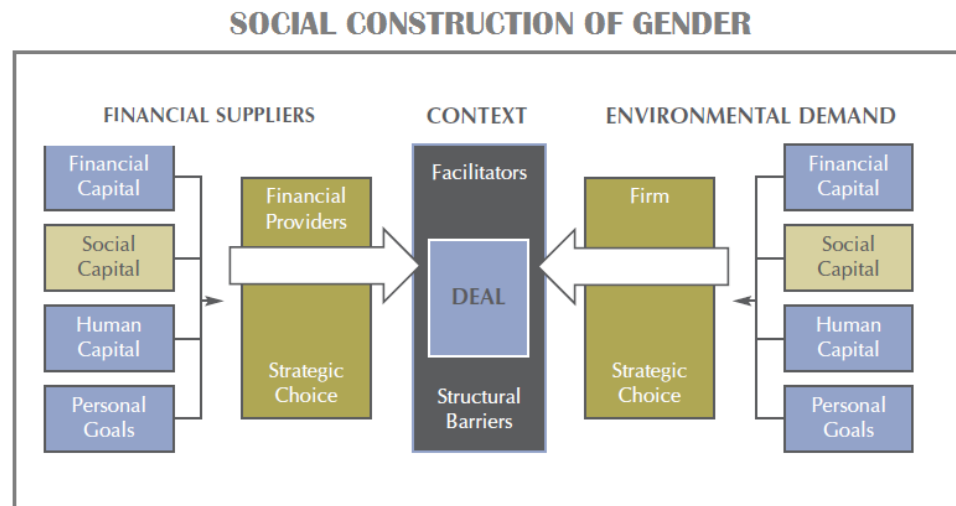
One study has adapted Ahl’s constructionist epistemology by conceptualizing the VC industry as a gendered institution and examining the interactions between entrepreneurs and VCs (what they call the “shadow negotiation”) during the negotiation stage to determine what might impose “a differential playing field” in a woman’s access to VC funding (Nelson et al. 2009). The study found that “women entrepreneurs vary in the degree to which they identify the gendered landscape they are navigating, and the level of attention and care that management of this landscape demands.” The study lists strategies women entrepreneurs adopted in order to overcome gender stereotypes, networking barriers, and “visions of the ideal founder.” My study will build on this work by further examining the construction of gender in both the VC and start-up industries and studying the perceptions and experiences of gender from both VC investors and entrepreneurs. Understanding the construction of gender from both sides of the negotiation table, and further understanding how these constructions interact and are reiterated between the institutions of VC and start-up industries, will help determine the influence of gender in the VC fundraising process and whether female start-up founders are at a disadvantage.

PUTTING IT ALL TOGETHER: A NEW CONCEPTUAL MODEL

In the past few years, the role of women in technology start-ups has changed immensely. For instance, not only has there been a rise of women in entrepreneurship in general, but the rise of highly visible women-led start-ups has begun to attract increasing media attention. More women are beginning to realize entrepreneurship as a viable and rewarding career option. Yet the question of raising VC funding remains a problem and a struggle for many women. While it may be true that less women seek VC funding, it is worth understanding why and how this might be the case, and whether those who *do* choose to seek VC face any barriers.

The Diana Project's conceptual model includes human capital, social capital, and the context in which entrepreneurship occurs as important factors in accessing VC funding. But adding onto this conceptual model a theory of the social construction of gender gives us further insight into the barriers women may face in the VC fundraising process. The masculine standard of entrepreneurship and the male-gendered VC and start-up industries may provide significant structural barriers for women entrepreneurs to achieve success. With this in mind, I have drawn a fairly simple modification to The Diana Project's model: that all the factors and processes of human capital and social capital occur within a context of the social construction of gender (see Figure 3.4). My new model may help add a unique and new perspective on how to approach such studies in the future, and it will inform how I analyze my findings in the next few chapters.

Figure 3.4 Modified version of The Diana Project's conceptual model.



CONTRIBUTIONS TO THE CONCEPTUAL AND METHODOLOGICAL GAPS IN THE LITERATURE

Now that I have reviewed the relevant extant literature on the role of human capital, social capital, and the construction of gender in the financing of women's entrepreneurial ventures, I will outline the major conceptual and methodological gaps in the literature which my study addresses.

First, much of the research discussed in this review relies on quantitative methodology. Surveys are sent to either individual investors or investor groups. For instance, the survey instruments in Sohl's were completed not by individual investors, but by one individual answering for the entire group. This methodology fails to address the cognitive and cultural processes investors undergo in their search for deals, and the cognitive and cultural processes start-up founders undergo in their search for funding. The surveys also do not capture well the perceptions and attitudes of the VC fundraising process as it relates to gender as VCs and founders understand it. My research will instead combine both

quantitative and qualitative methods, relying more heavily on in-depth interviews with VCs and start-up founders.

Second, to the best of my knowledge, the extant literature has not explored the deal origination stage of VC investment from both the perspectives of VCs and entrepreneurs. The uncertainty of VC evaluation criteria, as discussed previously, suggests there may exist gender biases and thus barriers for female start-up founders in the early stages of VC fundraising. Furthermore, the importance of the use of personal networks and referrals in the VC industry is mentioned in the literature, but information on the actual network processes is limited because the methodologies are largely quantitative. My qualitative study will give a voice to both sides of the table.

Lastly, much of the literature fails to adopt a constructionist approach rather than an empirical approach to VC investment and entrepreneurship. Doing so has immense implications for research, as it introduces a cognitive-cultural approach to the problems studied in entrepreneurship. Furthermore, because technology start-ups are especially branded as “masculine” enterprises, understanding the experience of the female and the feminine within this ecosystem will be valuable for future research.

— IV —

DATA AND METHODS

In this chapter, I explain the data and methodology used in my research, which included a combination of in-depth interviews, surveys, ethnographic fieldwork, and content analysis¹⁹. I begin by highlighting my personal experience in venture capital, as this inspired and informed the direction of the research. Next, I explain the data collection and recruitment methods used, and subsequently present the demographic characteristics of the sample that was studied. Lastly, I explain the data analysis methods used.

PERSONAL EXPERIENCE IN VENTURE CAPITAL

The idea for this thesis emerged from my junior year summer interning at a local VC firm in Boston. The firm at which I interned is composed of a team of all males – save the executive assistant, who is female. Although I never felt gender discrimination from my colleagues, my experience at the firm gave me two realizations about the VC world. First, that this world absolutely revolves around relationships, and second, that it is heavily male-dominated and as a consequence, injected with a masculine culture.

As I reflected on my experience that summer, many questions arose. First, I wondered why there was such a lack of women in venture capital. A cursory glance at the websites of the few high-profile VC firms I knew about yielded paltry results: most of these firms had no women investment professionals on their team. Why was this? Second, I

¹⁹ Literature on women's entrepreneurship and venture capital has suggested combining such qualitative and quantitative methodologies (Ahl 2004, Mason and Harrison 2007).

wondered if the lack of women in VC meant it was a hostile or unwelcoming environment for women entrepreneurs who are seeking funding. After all, the VC world can be aggressive. This is not surprising. VC investing is akin to high-class gambling – there are high rewards and incredibly high risks, measured in millions, often billions, of dollars. In order to succeed, VCs must be aggressive, on guard, and vet the start-ups they encounter with utmost attention.

The third and last question that arose came from the realization that most of the women-led start-ups that were sourced for the firm during my time there were actually led by...myself. I believe there were a few reasons for this. First, these women-led start-ups *focused* on women (for example, a fashion-and-tech start-up), and therefore I was naturally interested in and drawn to them. Second, as an aspiring entrepreneur myself, I found it empowering that there were women out there who were dreaming big, taking risks, and starting their own companies; I felt I should give them a chance at getting funded, or at the very least a conversation with someone at the firm. I wondered if this was the case for me, could the same be said for other female VCs? Would they, too, be drawn to more female-led ventures with a “pay it forward” attitude? The connection between the lack of women in VC and the lack of women seeking and obtaining VC thus became the crux of my research.

DATA COLLECTION AND RECRUITMENT METHODS

Using Carter et al.’s “supply-and-demand” framework (2003), I collected data from both VCs and start-up founders. I chose this two-sided framework to understand the processes, factors, and perspectives from both sides of the table. Specifically, studying these two populations will help determine how the lack of female VCs might relate to the lack of

female-led ventures that obtain VC funding. If no correlation is found, it is helpful to understand perspectives on gender from both sides.

I collected data through in-depth interviews, surveys, content analysis, and ethnography. In total, I conducted 41 interviews (16 investors and 25 start-up founders) and collected 87 survey responses (25 VCs and 62 start-up founders)²⁰. I conducted content analysis on recent online news articles and editorials that have been written on the topic of female start-up founders, women in the technology industry, or women in venture capital. Lastly, I conducted two ethnographies of start-up events. I focus the bulk of my analysis on the interview data.

INTERVIEWS

I interviewed VCs²¹ and technology start-up founders who have successfully obtained VC funding, or were positioned to seek it in the future²². I chose not to interview start-up founders who failed to raise VC in order to avoid confounding variables; for instance, a founder who failed to raise VC could have failed due to any number of variables such as a lackluster team, a modest size in opportunity, and so on rather than their sex alone. Interviews were conducted from December 9, 2011 to January 20, 2011. Each interview lasted an average of 30 to 45 minutes. A majority of the interviews were audio-recorded, then manually transcribed.

²⁰ At the start of my research, I focused exclusively on female startup founders, but later expanded my research to include both male and female startup founders as well as venture capitalists. This is the cause for some imbalance in the demographics of interviewees (most are female founders).

²¹ One interviewee was an angel investor, but because of her high visibility and unique positioning within the investment community (she focuses on women-led startups), I decided to interview her as well.

²² Six startup founders were bootstrapped (which ranges from sustaining growth through recurring revenue and cash flow, raising a “friends and family round” to utilizing savings), but almost all were preparing for the venture or angel capital seeking process.

Interviews covered the topics of (1) basic background information such as education and the path to entrepreneurship, (2) information and perspectives of the VC fundraising process, with an emphasis on how connections to VCs were made, and (3) general perspectives on the lack of female founders receiving VC funding. See Appendix X for the Interview Guides used.

I recruited start-up founders for interviews through (1) my own personal contacts at start-ups, (2) snowball sampling as respondents introduced me to other interviewees, and (3) my thesis website (wherearetheladies.com), and (4) targeted online research on start-ups. First, because of my interest in start-ups, I have accrued a number of personal contacts in this space; most reside in Boston or New York. I reached out to them via email to see if they would like to be interviewed, or knew others who might be willing. Second, I found female founders were especially helpful in snowball sampling; many would offer personal contacts or friends I could interview at the end of our conversations. Third, my thesis website gained some traffic because it was shared on several social media websites; some individuals followed the links on that website to sign up for interviews. Lastly, I used online research to identify and email start-up founders who fit my criteria for the interviews²³. One website, Crunchbase, is a database of start-ups that allows categorization by “Fundraising Round”; I chose start-ups which met the following criteria: (1) had raised at least a Seed Round, and (2) were either in the Software-as-a-Service (SaaS), Retail/E-Commerce, or Internet Consumer space. Male founders were recruited less organically and more through targeted online research; this is simply because female founders I interviewed were more likely to

²³ names and contact information of start-up founders were found through Google, Crunchbase, Quora, or recent news articles²³. Crunchbase, which is a daily-updated database of start-ups and fundraising rounds, was a particularly helpful resource in identifying male start-up founders.

suggest other female founders to interview. In total, 94 emails were sent, and 41 were interviewed. Demographic details of my sample are provided later in this chapter.

I recruited VC interview participants similarly through a combination of cold emails, introductions, and interview sign-ups through my thesis website. I identified VCs by researching the most active and visible VC firms on Crunchbase as well as other online resources. I did not focus on any specific type of VC firm (for example, a firm that invests exclusively in cleantech), but most VCs interviewed work at firms that invest across multiple sectors in seed or early stage start-ups. Additional demographic details are provided later in this chapter.

SURVEYS

I used two surveys: one targeting VCs in the U.S. and another targeting start-up founders in the U.S. who have secured or sought VC funding, or will seek it in the very near future. I used Qualtrics software to create the surveys. Survey data was collected from December 9, 2011 to January 27, 2011. Survey questions for start-up founders were based on the following topics: (1) basic demographics such as sex and age, (2) the nature of the start-up (target customer, sector, etc.), (3) fundraising, including perceived inaccessibility or discrimination in fundraising process, and (4) networking strategies. Survey questions for VCs were divided into the following categories: (1) basic demographic information such as sex and age, (2) firm information such as average deal size, female representation in the firm, and (3) questions about the deal sourcing processes of the firm. These questions were necessary to contextualize the VC and her/his firm and understand how they approach discovering and funding start-ups. For instance, average deal size may be a good indicator of

the prestige of the firm (larger average deal size implies the firm is more established), while measures of sex representation within the firm (the number of female investment professionals within the firm) are central to my study.

DEMOGRAPHICS OF VC INTERVIEWEE SAMPLE

I interviewed 16 VCs: six of these were male, and ten were female. Participants' ages ranged widely: four were in their 20's; three in their 30's; four in their 40's; and five in their 50's²⁴. Most of my interviewees belonged to East Coast firms; six were located in Boston, three in California, five in New York, and two others from the New England and Mid-Atlantic area. See Figure 4.1 for a table of demographics; interviewees' names have been changed to protect confidentiality.

Figure 4.1 Venture capitalist interviewees' basic demographics.

NAME	GENDER	AGE (EST.)	LOCATION	POSITION
Melissa	F	30s	Boston	Associate
Macie	F	40s	Boston	(Angel)
Debbie	F	40s	Boston	Partner
Elaine	F	50s	Boston	Partner
Carley	F	50s	California	Partner
Gladys	F	50s	California	Partner
Angela	F	50s	New England Area	Partner
Chelsea	F	20s	New York	Analyst
Nina	F	40s	New York	Partner
Olivia	F	40s	New York	Partner
Gemma	F	20s	New York	Analyst
Owen	M	20s	Boston	Analyst
Trevor	M	20s	Boston	Associate
Jeffrey	M	30s	California	Principal
Tim	M	20s	New York	Analyst
Andy	M	50s	New York	Partner
Xander	M	30s	Mid-Atlantic Region	Principal

²⁴ Age was determined by either biographical information found online, or an estimate based on photographs. Age was not directly reported by interviewees.

DEMOGRAPHICS OF START-UP FOUNDER INTERVIEWEE SAMPLE

I interviewed 25 start-up founders. Twenty-one start-up founder interviewees were female, and four were male²⁵. Most of my interviewees were relatively young in age: over half were in their mid- to late-twenties, while around 30% were in their thirties, and around 10% in their forties²⁶. Ten interviewees were located in California, four in Boston, eight in New York, and two from other regions²⁷. Almost half (48%) of the start-up founders interviewed attended an Ivy League university or business school, or MIT.

The start-up founders interviewed represent (in order of greatest representation) the E-Commerce, Software-as-a-Service (SaaS), Media, Consumer Internet, Healthcare, and Service sectors (see Figure 4.2). The total VC (or angel) capital funding raised by interviewees ranged from less than \$1 million (at least \$25,000) to greater than \$25 million (see Figure 4.3). Most interviewees had start-ups in the seed stage (32%), followed closely by Series A (28%) or bootstrapping stage (24%), with one in the Series C stage and three in the angel funding stage (see Figure 4.4). A little over half of the founders interviewed had ventures that targeted female consumers (for example, fashion start-ups); however, not all of these ventures were led by female founders – one was founded by a male. Six of the founders interviewed were “technical,” having skills such as computer programming or technological product development experience. For a demographic profile of each founder, see Figure 4.5.

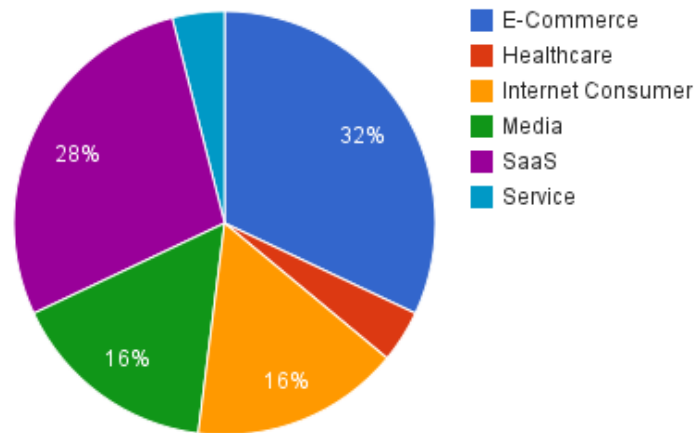
Figure 4.2 Start-up sectors represented by founder interviewees.

²⁵ This sex ratio is discussed in the Study Limitations and Benefits chapter.

²⁶ Age was determined by either biographical information found online, or an estimate based on photographs. Age was not directly reported by interviewees.

²⁷ Specific states are not named to protect interviewees’ confidentiality.

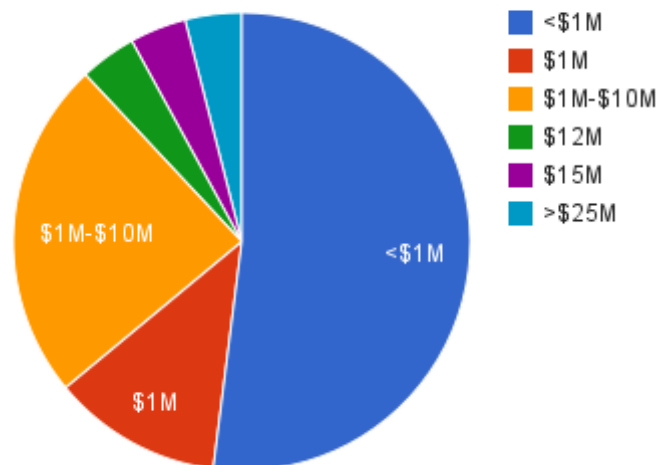
Startup Sectors Represented by Founder Interviewees



Source: Interview data.

Figure 4.3 Total VC or angel dollars raised by interviewees.

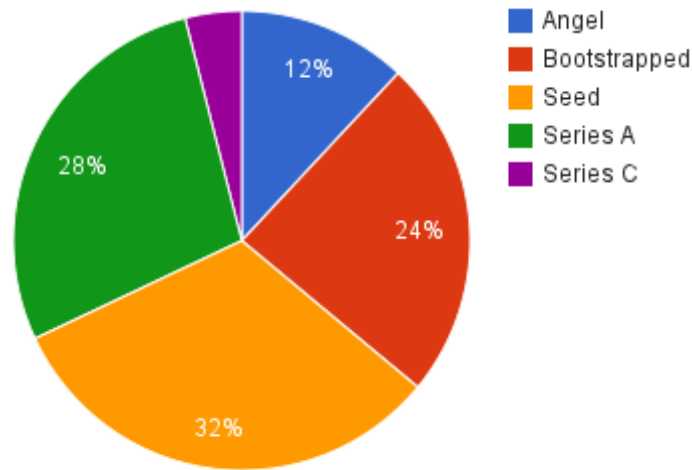
Total VC or Angel Dollars Raised By Interviewees



Source: Interview data.

Figure 4.4 Interviewees' latest round of funding.

Interviewees' Latest Round of Funding



Source: Interview data.

Figure 4.5 Start-up founder interviewees' profiles.

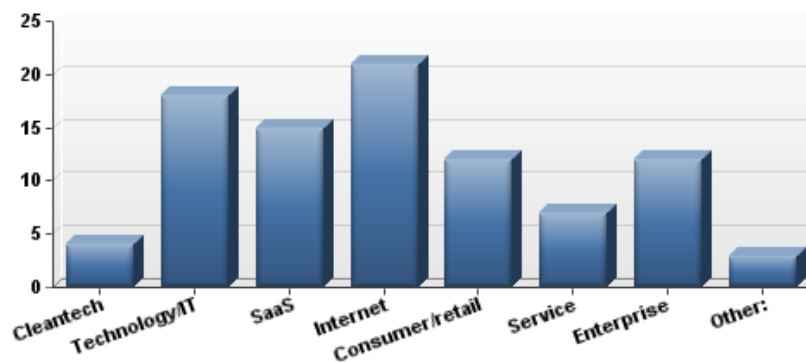
Interviewee*	Gender	Total Amount Raised	Age (Est.)	Location	Latest Funding Round	Startup Focus
Alexandra	F	<\$1M	28	New York	Bootstrapped	E-Commerce
Lorie	F	<\$1M	40	Montreal	Seed	E-Commerce
Allison	F	\$1.02M	25	California	Seed	E-Commerce
Marian	F	\$1.3M	27	California	Seed	E-Commerce
Joselyn	F	\$11.9M	27	New York	Series A	E-Commerce
Suzanne	F	\$2.25M	27	New York	Series A	E-Commerce
Cheryl	F	<\$1M	27	Boston	Seed	Healthcare
Brooke	F	<\$1M	29	Texas	Angel	Internet Consumer
Gail	F	<\$1M	40	California	Bootstrapped	Internet Consumer
Evie	F	\$3M	27	New York	Series A	Internet Consumer
Natalie	F	<\$1M	24	Boston	Angel	Media
Jackie	F	<\$1M	28	California	Angel	Media
Sandra	F	<\$1M	30	New York	Bootstrapped	Media
Donna	F	\$15.5M	40	California	Series C	Media
Kaitlyn	F	<\$1M	38	Boston	Bootstrapped	SaaS
Dina	F	<\$1M	27	Boston	Seed	SaaS
Pamela	F	\$1M	30	California	Seed	SaaS
Jade	F	\$27M	35	California	Series A	SaaS
Michelle	F	\$4.1M	28	California	Series A	SaaS
Fiona	F	\$7.9M	35	New York	Seed	E-Commerce
Tami	F	<\$1M	27	California	Bootstrapped	Service
Scott	M	\$4M	35	New York	Series A	E-Commerce
Kenneth	M	<\$1M	28	New York	Angel	Internet Consumer
Ashton	M	<\$1M	30	California	Seed	SaaS
Jacob	M	\$8M	30	California	Series A	SaaS

*Names have been changed to protect confidentiality.

DEMOGRAPHICS OF VC SURVEY RESPONDENTS

Survey respondents were almost evenly split across both sexes; 58% of respondents were male, 42% are female. Most respondents (8, or 31%) were aged 26-30, while 27% of respondents (7) were 41-50 years of age. Four the respondents (15%) were aged 21-25; three were aged 31-35 (12%); two were aged 36-40 (8%) and two were over fifty years of age (8%). Most respondents were Partners at the firm (38%), six were Principals (23%), eight were Associates (31%), and two were Analysts (8%).

Figure 4.6 Sectors represented by VC survey respondents.



Source: Survey data.

Respondents were given the opportunity to choose all the sectors in which their VC firm invests. Most of respondents chose “Internet” as a space in which they invest (91%); 77% chose “Technology”; 64% chose “Software-as-a-Service”; 50% chose “Consumer/retail” and “Enterprise”; 15% chose “Healthcare/Life Sciences.” A few respondents (14%) chose Cleantech as a sector in which they invest (see Figure 4.6). None of the respondents worked at VC which invested exclusively in women-led ventures, except one angel investor who focuses on female founders.

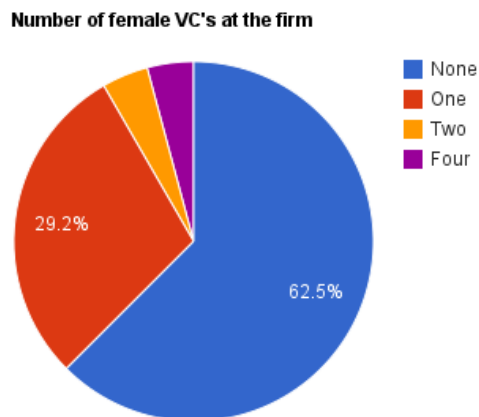
The average deal size (the amount of money they invest in a start-up) of respondents’ firms were, in descending order of representation: \$5-8M (23% of respondents), \$1-2M (23% of respondents), \$500k-\$1M (18%), \$100-250k (14%), >\$15M (9%), \$9-15M (9%),

\$400-500k (5%). Most respondents' firms focused on venture stage funding (73%); 64% of respondents' firms focused on seed stage funding; 36% of respondents' firms focused on early growth funding; one respondent reported an "other" stage of funding.

As expected, most respondents were based located in either California or New York (both at 29% of respondents), with Massachusetts as the third most represented state (14%). Colorado, Connecticut, D.C., Michigan, New Jersey, and Pennsylvania were all represented as well with one respondent from each of these states.

Most survey respondents (68%) reported that no women were on the management track at the firm (see Figure 4.7). Five respondents (23%) reported having one woman on the management track; one firm (5%) had two women; one firm (5%) had four women on the management track. In addition, 59% of the respondents reported having no women as partners of the firm; 27% reported having at least one female partner.

Figure 4.7 Female representation in VC firms of survey respondents.



Source: Survey data

DEMOGRAPHICS OF START-UP FOUNDER SURVEY RESPONDENTS

All start-up founder survey respondents in the U.S. and are start-up founders who have sought VC or angel capital funding for their companies, will do so in the near future, or

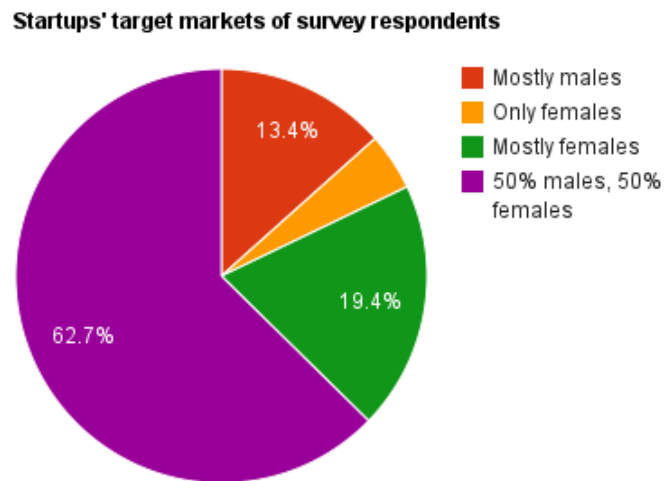
have chosen not to seek VC funding (a question about their reasons for not seeking funding was included in the survey).

Forty-two (74%) survey respondents were female, 15 (26%) were male. Nineteen survey respondents (34%) were over 40 years of age. Ten survey respondents (18%) were 31-35 years of age. Thirty-five respondents (48%) had a four-year college degree, twenty-one respondents (29%) a master's degree, while nine (12%) indicated completing some college. Exactly half of the respondents had attended an Ivy League or "top-tier" college such as Stanford. The majority of respondents (22, or 34%) were located in California, with thirteen or 20% in New York, and six or 9% in Massachusetts. Thirty-six or 58% of respondents had founded a start-up in the past. Eight or 31% of respondents indicated that a previous start-up was bought or acquired.

The start-up founders' ventures were mostly focused in the Consumer/Retail, Internet/Digital Media, Mobile, or Software-as-a-Service (SaaS) industries (20%, 23%, 15%, and 11% of respondents respectively). Thirty-seven respondents (60%) indicated their start-up as gender-neutral, targeting both men and women equally, while thirteen (21%) indicated their start-up targeted "mostly female" customers while nine (15%) targeted "mostly males" and three (5%) "only females" (see Figure 4.8). The majority of respondents were co-founders with one other person (27 or 44% of respondents). Seventeen, or 27% of respondents, indicated they were the sole founder. Over half of respondents with co-founders have co-founder of the opposite sex (29 or 58% of respondents). Over half of respondents with co-founders (31 or 63% of respondents with co-founders) indicated their co-founder as "technical." More females than males had a co-founder who is technical (26

versus 8). At the same time, only one male indicated having a co-founder of the opposite sex, whereas thirty females did.

Figure 4.8 Target market of survey respondents' start-ups.

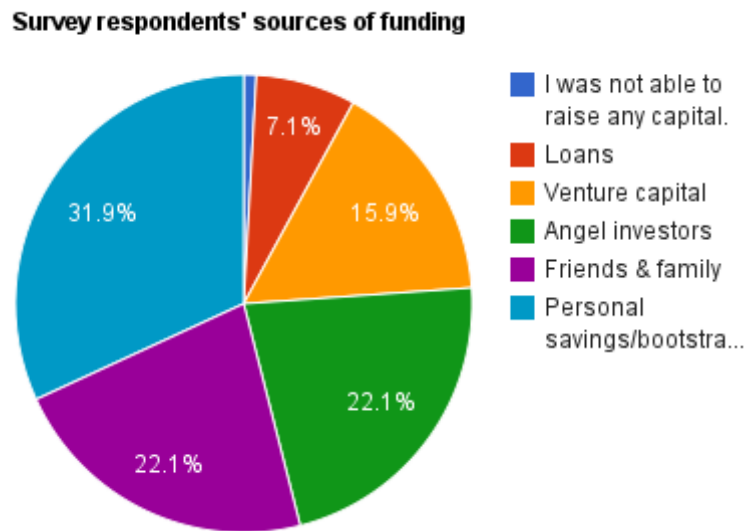


Source: Survey data

Most survey respondents did not raise equity capital and were bootstrapped (32%); 22% raised a friends & family seed round, while 22.1% secured funding from angel investors. A small portion of respondents obtained venture capital (15.9%)²⁸. Most survey respondents (24%) raised from \$100K-\$500K in funding, followed by less than \$100K. Nine respondents raised from \$500K-\$1M, and eight respondents raised from \$1M-\$5M (see Figure 4.9).

²⁸ This small sample of respondents receiving VC will be discussed in study limitations.

Figure 4.9 Sources of funding for survey respondents.



Source: Survey data

CODING AND ANALYSIS

All interviews were personally transcribed, scrubbed of names or any other identifying information, then imported into ATLAS.ti, a qualitative data analysis software, for coding. Transcriptions from start-up founders were coded and analyzed separately from transcriptions from VCs; I did this to avoid confusion and for ease of comparison across these two populations. Later, I examined the codes of both populations to see any similarities or differences in attitudes towards a particular topic (for example, the salience of gender among female VCs and founders), as these could be discussed and further developed in my results chapters.

Codes were created both inductively and deductively. Broad themes that were based on my interview questions were kept in mind as potential codes before reviewing my

transcriptions. As I reviewed the transcriptions, I also added any key phrases or other concepts that emerged as a potential code due to high frequency or a representative statement of recurring underlying themes or attitudes across the interviews. For some of these representative quotes, I added memos on why the particular quote was interesting, and contextualized it with the interviewee's background. Furthermore, if I noticed any key phrases or reemerging topics, I made sure to add these to my code list, as well as develop further sub-questions to explore.

In order to better organize and conceptualize the coding, I created "code families" in ATLAS.ti with names of general topics covered in the interviews such as background, networking, financing strategy, etc. In total, I used 45 codes, which are listed in Appendix X. In my analysis, I noted dissenting opinions on a topic for further review in my results chapters, as well as any themes with a high frequency or unusual context.

CONTENT ANALYSIS

Limited content analysis was performed on media articles which I collected between October 2011 and February 2012. I collected articles pertaining to women in venture capital or women in start-ups. This media was then analyzed utilizing themes which arose in the coding of the interview data, such as "fundraising strategies" or "social networks." Ultimately, I was unable to include much of the media data in this thesis, but the most relevant articles have been included.

HUMAN CAPITAL AND OBTAINING VENTURE CAPITAL FUNDING

In this chapter, I analyze the human capital of the female and male start-up founders I surveyed and interviewed to determine if and how their human capital influenced their access to VC funding. I examine five general categories of human capital, determined by patterns observed in interviews and suggestions from past studies: (1) level of education (Engel and Keilbach 2007), (2) prior start-up experience (Colombo and Grilli 2010), (3) industry-specific expertise (Gimmon 2010), (4) previous careers in consulting/finance, and (5) technical skills.

Because my interview data includes mostly female start-up founders who have already successfully obtained VC funding, I cannot conclude that “trait X yields successful acquisition of venture capital.” Therefore, I analyze these human capital categories along two axes denoting the *ease* with which they obtained VC funding: “very easily obtained VC funding” vs. “had difficulty obtaining VC funding.” These axes are determined by how interviewees perceived the VC fundraising process.

EDUCATION

My findings are mixed on the correlation of higher levels of education and obtaining VC, but my interview and survey data combined suggest there may be a correlation between an Ivy League²⁹ (or similar)³⁰ education and success in obtaining VC.

²⁹ I learned what colleges my interviewees attended through our conversations. Seven founders attended Harvard for either undergraduate or business school, which is 33% of female founders interviewed.

My survey results show that out of eleven female start-up founders who successfully obtained VC, most (nine) had a four-year college degree, while two had a master's degree. In comparison, out of six male start-up founders who obtained VC, most (four) had a four-year college degree, two had "some college," and one had a master's degree (see Table 5.1 for a summary). Thus my survey found no correlation between higher level degrees and success in obtaining venture capital. The sample size of survey respondents who had successfully obtained venture capital however was small, and this finding may not be generalizable to the general population.

Table 5.1 Education and gender of founders who obtained VC.

<u>Gender</u>	<u>Degree</u>				
	Professional	Master's	Four-year college	Two-year college	Some college
Male	0	0	4	0	2
Female	0	2	9	0	0
Total	0	2	13	0	2

Source: Survey data.

My interview results also show mixed findings. Twelve out of 21 female founders who had successfully obtained VC funding (57%) also had an Ivy League education (either undergraduate or business school); all of these women obtained VC funding. Of these, just two described the fundraising process as particularly difficult and straining compared with four non-Ivy Leaguers who expressed frustration with their process; this is a qualitative perception gleaned from my conversation with the interviewees based on how they framed their experience raising capital and how many investors they met with (some spoke with

³⁰ In the survey, respondents were asked, "Would you say you attended a 'top-tier' college? (ex. Ivy League, Stanford, etc.))" Because the definition of "top-tier college" is not definite, responses may have been influenced by respondents' perceptions of their college institution as renowned or top-tier.

upwards of 40). One female founder, Kaitlyn, who obtained a degree from MIT said she would have never obtained VC funding had she not attended a talk at her school by an investor. Another founder, Joselyn, said attending an Ivy League business school helped her in gaining access to VCs:

[At business school] we entered the business plan competition and gained a lot of exposure to potential investors that way. Also I think being at business school helped a lot – in the spring of our last year, VCs would come to campus, especially Boston-area VCs.

These findings from my interviews suggest there may be a positive correlation between an Ivy League education and successfully obtaining venture capital.

PRIOR START-UP EXPERIENCE

Past empirical studies found that having prior start-up experience positively influences access to venture capital. A founder with prior start-up experience, especially experience at a successful start-up, may be viewed as less risky by VCs, as a founder who successfully managed a start-up in the past has a higher probability of doing so in a future start-up.

My survey data suggests that more females who do not have prior start-up experience obtain VC funding than men who do not have prior start-up experience, which confirms the general notion that more males are serial entrepreneurs. Because of sample size, I cannot conclude whether or not prior startup experience has a positive effect on getting funded.

Table 5.2 Number of founders with prior start-up experience who have successfully obtained VC.

	Male	Female
Prior start-up experience	2	2
No prior start-up experience	5	9

Source: Survey data.

My interview data, however, suggest that prior start-up experience, particularly in the technology or Internet sector, does have a positive influence on obtaining VC funding. I spoke with nine women who had prior start-up experience; all of these women were able to successfully obtain VC funding, and several of them have had impressive careers, having exited (sold) their companies for billions of dollars to larger technology companies. Below, I highlight anecdotes from two of these women on how their prior start-up experience helped in the VC fundraising process. One of these women, Jade, previously worked at a technical start-up and obtained a biochemistry degree from an Ivy League college. The other woman, Fiona, founded an Internet-based start-up and has prior experience working for several technical start-ups in business development, product management, and CEO roles.

[After consulting] I was lucky enough to land a job at a company in Los Angeles called [Startup X]. I was at [Startup X] before then, where I was Director of Strategy. So that was really my first taste of technology and how it could transform and disrupt an industry. We ended up selling the company to [Large Technology Company Y] and had a massive exit of a couple of billion dollars.

(Jade)

Entrepreneurship runs—not maybe genetically—but it's definitely related to family background. My father and my mother co-ran a medical practice for thirty years. My father was a businessman, and he taught me how to do his books and his ledgers when I was thirteen. He loved to trade stocks, and he just loved business. So for me, there was a lot of example set in my family. When I graduated from college I thought I would go off and be an investment banker, become an executive. But by 26 or 27 I was yearning to find an entrepreneurial company, but I didn't have any ideas, so I just joined this start-up these smart engineers I knew were starting. Then I was persuaded to go to [Large Technology Company X] because it was still pretty early,

and they really sold me on the vision.... At [Large Technology Company X], I was always building stuff and in start-up mode. I then went to [VC Firm Y] as their CEO-in-Residence for one of their portfolio companies.

(Fiona)

After leaving the VC firm, Fiona founded her own technology start-up, which the firm funded. From this we can see that Fiona first became heavily immersed in the technology sector and established a career in technology before striking out on her own. Similarly, Jade was immersed in technology start-ups after a brief stint in the consulting industry, then decided to co-found a start-up with a friend. Thus, consistent with past research (Beckman et al. 2007) prior start-up management experience appeared to increase the likelihood of receiving venture capital in my sample.

INDUSTRY-SPECIFIC EXPERTISE

My interview data suggest that industry-specific experience also positively influences obtaining venture capital. One such case study is Suzanne, the founder of a technology and retail start-up with over twelve years of experiences in the fashion world. Suzanne expressed her success in obtaining funding was linked with her extensive experience in the relevant industry, observing the “pain points” of consumers within the space. She also attributed her ability to pitch effectively to her experience selling products to potential customers:

I mean I think pitching anything—I've pitched my business every day for clients. To pitch to a VC is like, not as difficult because I pitch my business like five times a day. Pitching is an art of itself, so you have to have a point of view, like in any pitch or any interview, you should have three things or messages that you want to get across.

Another interviewee who had previous industry-specific expertise was Allison. Prior to her e-commerce start-up, she had worked for a large specialty goods chain which gave her insight into the particular problems the industry and its customers faced. By demonstrating her expertise working in this corporate setting, she was able to easily convince investors to fund her idea for a start-up.

This qualitative data suggests that for women, industry-specific expertise may be an influential factor in convincing investors of founders' legitimacy and capability to execute. An interesting contrast to make is the prior career backgrounds of the four male start-up founders I interviewed. A noticeable difference is that these male founders seem to lack industry-specific experience; instead, they either utilized their technical programming skills to build an interesting product in areas in which they saw significant business opportunities (recruiting co-founders along the way), or, they identified a problem and recruited technical talent to build the product. Thus, unlike women, men did not seem to need industry-specific expertise to obtain VC funding. This is not to say women founders do not have technical skills, or the ability to identify business opportunities—but the difference lies in the fact that these opportunities were not linked to male founders' previous careers or expertise in any way. From this nuanced difference, I suggest that women founders are more likely to be successful in starting companies after identifying a problem in a sector in which they have prior experience and industry expertise.

PREVIOUS CAREERS IN CONSULTING OR FINANCE

A recent article published in Forbes titled, “The Rise of the Consultant-Turned-Entrepreneur,”³¹ describes a new phenomenon of younger investment bankers and consultants switching career paths to become start-up founders. The article makes the argument that consulting skills “come in handy in the startup life.” Based on the number of interviewees who stated they had previous careers in consulting or finance, I argue that consulting or finance experience may positively impact access to VC funding.

Nine women start-up founders interviewed had previous careers in either consulting or finance (usually investment banking) and were able to successfully obtain VC funding. Joselyn, a young founder who founded a successful e-commerce start-up after attending business school, framed the switch in careers as such:

In my senior year, everyone else was applying to consulting firms... I ended up working for Bain in New York City. I learned a ton about hard skills but also softer skills—presentations, dealing with clients, being comfortable in board room situations. I went to business school after graduation—I loved consulting but it wasn’t a good career for me. I wanted to get closer to the customer, and I hoped to work for a tech company somewhere. I had a few friends who had done start-up stuff before; I had a peer role model who had started a business, and I was talking to them about how to get a job at a start-up. I ended up working at [Technology Company X], and I learned a lot of great things about e-commerce and consumer facing product management.

Marian, a founder in her twenties who previously worked in the investment banking and private equity industries, says:

It was helpful that I had a finance background. I worked in private equity and I was an investor in a company. Because of that, I was a little more comfortable with the process of fundraising.

My interviews suggest younger individuals (mid- to late-twenties) such as Joselyn and Marian are switching onto entrepreneurial paths after stints in finance, consulting, or business school. The ability to switch careers in this manner reflects the drastic changes in

³¹ Published online on Forbes, February 8, 2012. < <http://www.forbes.com/sites/women2/2012/02/08/the-rise-of-the-consultant-turned-entrepreneur/>>

the start-up ecosystem since the dot-com boom of the 1990's; barriers to entry in launching a start-up back then were high because much of the technology required high levels of technical skills and intensive capital expenditure. Today, creating a start-up is much easier because of lowered barriers to entry; new innovative technologies have made it much easier to launch products with significantly lowered costs³². Pamela, a start-up founder with a background in engineering, framed the lowered barriers in this way:

Also I think there is another thing. It's become easier and easier to create a tech company. You don't really need to be in embedded systems or whatever to create something, it makes it really easy for women to—you know, they're not stuck working on some stupid driver for a printer, which can get pretty boring—all these frameworks, anybody can get set up really quickly without getting really deep into the technicalities.

In addressing the topic of this chapter, human capital and its influence in accessing VC, it seems that young women from the finance and consulting worlds have been equipped with the appropriate skill as well as the appropriate level of social ties needed to connect with potential investors. As one founder Dina put it: “Working in the financial capital of the world, New York City, certainly helped [in fundraising].”

TECHNICAL SKILLS

Because my research focuses on technology start-ups, the technical skill of a founder is one especially relevant dimension of human capital that might positively impact access to VC funding. Much of the recent discourse in the media has explained away the lack of women in start-ups with the reasoning that women lack technical skills and/or computer

³² See “The State of Tech Start-Ups” <<http://www.venturestab.com/2011/08/the-state-of-tech-startups/>> and “Software Innovation and Venture Capital” <<http://www.crashdev.com/2011/06/carlsons-law-software-innovation-and.html>>

science degrees.³³ Indeed, my survey data shows that when asked for the reason women do not obtain VC funding at the same rate as men, many respondents wrote statements such as “not enough women in technology” or “dearth of highly-technical female founders.” My survey instrument defined technical skills as having a degree in the sciences, technology, mathematics, or engineering (STEM) as well as programming skills. My findings show that most men who raised VC had technical skills (71%), while only two women who raised VC had technical skills (18%) (see Table 5.3 below). Likewise, findings from my interviews with women start-up founders show that most women founders who raised VC do not have technical skills. Only four of the 21 women founders interviewed had technical backgrounds.

Table 5.3 Technical skills of start-up founders who have raised VC.

	Male	Female
Technical skills	5 (71%)	2 (18%)
No technical skills	2 (29%)	9 (82%)

Source: Survey data.

This finding confirms past research which found that founders’ technological expertise was necessary to attract external investment (Gimmon 2010). This finding is relevant because it suggests female start-up founders do not necessarily have to be “technical” in order to found companies that receive VC funding.

³³ For example, see “Out of the Loop in Silicon Valley,” The New York Times, April 17, 2010. <
http://www.nytimes.com/2010/04/18/technology/18women.html?_r=1>

FACTORS BEYOND HUMAN CAPITAL

My findings on human capital show that these factors matter to some extent in obtaining VC funding. My interview data suggests that an Ivy League education, prior start-up management experience, industry-specific expertise, and previous careers in consulting and finance may be factors that positively influence a founder's access to VC. Ultimately, entrepreneurship and VC investing do not occur within a vacuum; these processes take place in social structures which constrain and guide actors. One such structural constraint is social capital, which I discuss in the next chapter.

SOCIAL CAPITAL AND OBTAINING VENTURE CAPITAL FUNDING

Past research suggests that social capital is the most crucial component for an entrepreneur to possess in order to raise venture capital (Brush et al. 2008). Indeed, studies have shown that the VC industry runs on social capital in the form of networks and relationships (Shane and Cable 2002). In this chapter I investigate how VCs obtain connections with start-up founders (a process called “deal sourcing”) and reversely, how start-up founders obtain connections with VCs. In doing so, I also examine how the deal sourcing process is gendered. I find that female VCs do not source more women-led start-ups, and that in seeking ventures to fund, VCs mainly rely on “warm” introductions from men in their social networks. My findings also show that women start-up founders do not have a preference for female VCs.

Because I interviewed only female founders who have already obtained VC funding, most founders I interviewed did not experience significant barriers in connecting with VCs, suggesting they possessed high social capital. This did not mean however that gender was not a salient part of the process; many founders shared experiences in which gender seemed to adversely affect the deal-sourcing process for them, an issue I examine in more detail in Chapter Three.

INBOUND DEAL SOURCING: WARM INTRODUCTIONS

From my interview and survey data, I found that VCs rely on “warm introductions” through their social network to search for deals they would seriously consider (see Figure 6.1 for survey results). A warm introduction is an introduction made from a trusted

individual, such as a friend or another VC. I also found that both male and female VCs rely on referrals from primarily male connections (see Figure 6.2). Below are quotes from VCs demonstrating these findings:

So there are four or five sources that every VC uses in deal flow....But the best come from sources that are actually qualified, can be from a portfolio company entrepreneur, or an angel, or another VC you know.

(Tim, Analyst at a New York firm)

I think establishing relationships is really important. Entrepreneurs should get to know a lot of people in and around the venture world so that they are “warm leads” by the time they want to fundraise.

(Elizabeth, Partner at a California firm)

I think [our firm] is super accessible. And it also really helps to have a warm introduction no matter what. And since most of the companies we back are run by guys, it's typically a guy making that introduction, but if they happen to know women founders—which happens—they pass it along to us.

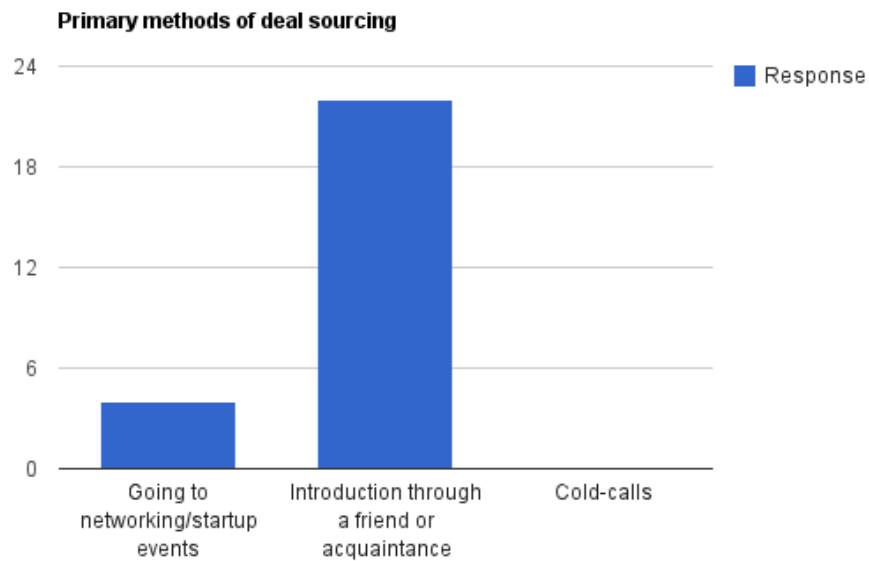
(Owen, Analyst at a Boston firm)

Q: How were you connected with [Portfolio Company X]?

A: That was through a trusted connection through our network. The founder met some guys who put on events for entrepreneurs. These event organizations know us, and they came to us and said “Hey, we're look at investing in [Portfolio Company X] for these reasons, and we know you, and know that you are doing some e-commerce stuff, so would you be interested? Because we appreciate your expertise and we trust you and know you.” Something along those lines. So we were introduced to the founder through this mutual contact and we had a great conversation with him. Most entrepreneurs get funding through introductions. A warm introduction is one hundred times more important than a cold email.

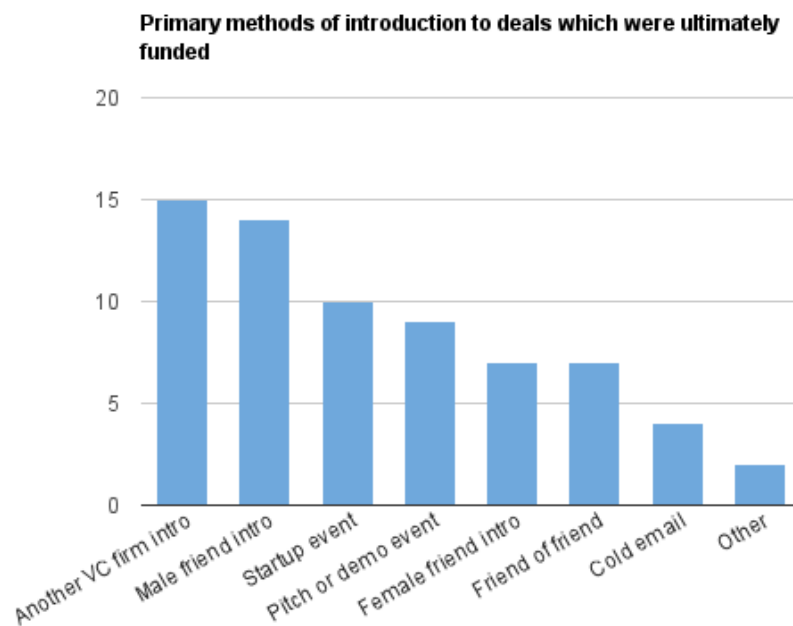
(Trevor, Associate at a Boston firm)

Figure 6.1 Survey results: VC firms' primary methods of deal sourcing.



Source: Survey data.

Figure 6.2 VCs primary methods of introduction to deals which were ultimately funded in the past year.



Source: Survey data.

These findings confirm my hypothesis and past research that suggests VCs rely on their social networks in deal sourcing, yet also suggests that both male and female VCs rely on mostly male referrals. In addition, the survey data shows that most VCs rely heavily on “another VC firm” to introduce interesting deals. As only 10% of VCs are female, other VC firms probably comprise of mostly male VCs. Thus, this leaves us with the same conclusion that VCs receive referrals from mostly males.

In fact, interviewees were quick to point out the structural constraints evident in the referral process, and that their reliance on male friends cannot be classified as a “gender bias” because the VC and start-up ecosystem is simply male-dominated. In other words, VCs believe this is a structural issue in which they have no other choice but to accept most referrals from male friends and connections because the industry is male-dominated. Carley, who is Partner at a Boston firm, echoes this sentiment; she states that less female start-up founders approach her for funding, but that this is a result of the male-dominated industry:

Q: Do more female founders approach you for capital?

A: No, they don't, it's interesting. I've been in this business for a while, yet a very small portion of the companies I've looked at are run by women....But I think whether these companies are run by men or women is irrelevant. I think you need to keep in mind that the venture capital industry is very small, and it's dominated by networks, relationships, and informal interactions between VCs and entrepreneurs....Much of our deal sourcing and recruiting happens through networking, so it's very male dominated.

In conflict with this structural argument is a statistic given to me by one female VC, Elaine. Elaine, who is a Partner at a Boston firm, claims her deal sourcing referrals come from both men and women equally, while the other partner of the firm, a man, has about 95% of his referrals coming from men. While Elaine was an outlier in my findings (most female VCs interviewed said they get referrals from mostly men), her example suggests that

the male-dominated landscape of the VC and start-up communities does not automatically equate to receiving more referrals from men when deal sourcing.

INBOUND DEAL SOURCING: CAN THE INTERNET AND SOCIAL MEDIA HELP OVERCOME STRUCTURAL BARRIERS?

The Internet has shifted the ways in which founders can connect with potential investors. For instance, database-style websites such as AngelList or Crunchbase have made it easier for startup founders to research potential VC or angel investors and understand their investment preferences. Social media channels such as Twitter have a large entrepreneur and VC presence, and often have a large entrepreneur audience base.

In addition to these online resources, there has also been a recent shift in the angel investor landscape as well, with the rise of “super angels.” Super angels are very wealthy, high-profile former (or current) entrepreneurs and Silicon Valley executives who invest in large sums, typically \$250,000 to \$500,000³⁴. To put this in perspective, in the past, investors have not been as visible (especially angel investors) unless they were a high-profile venture capital firm³⁵. Again, many of these “super angels” are also present on social media sites.

My findings show however that social media are poor channels for deal flow, as VCs paid little attention to “unfiltered” deals sent through the firm’s website or through a

³⁴ For more information, see FastCompany article by Farhad Manjoo titled "How 'Super Angel' Investors Are Reinventing the Startup Economy," published on January 12, 2011. <
<http://www.fastcompany.com/magazine/152/rise-of-the-super-angels.html>>

³⁵ From Mason and Harrison (2007): “The difficulties in identifying and obtaining information from business angels are well documented (e.g., Mason & Harrison, 1994, pp. 71–76). Business angels are an invisible population. They are not listed in any directories, and the market as a whole “operates in almost total obscurity” (Prowse, 1998, p. 785).

Twitter³⁶ or other social media account. Though startup founders often seek to connect with VCs by sending a message through Twitter or by commenting on their blog, these are not considered valuable deal sourcing channels for VCs because they are not “warm leads.” For example, Elaine says:

People I get inbound from -- like random people on Twitter, total cold call -- those are pretty much all men. But I don't know if I would even count that because I don't really pay attention to that, because I think it's just...there's no warm lead there at all.

Though these social media channels appear to be ways in which female founders can gain access to VCs, my findings suggest they are not effective ways to do so. Because social media cannot offer more access, the only option female founders then have is to gain referrals for a warm introduction to a VC. However, because past research suggests women are less likely to be embedded in a man's social network (Aldrich 1989), this leaves many women at a significant structural disadvantage. Tim however, believes that social media is a great tool in providing startup founders of both genders access to investors, but again highlights that it is less ideal than a warm introduction:

Just because none of the companies we invested in came from social media, doesn't mean that it's impossible to get someone's attention over social media. I will take a meeting with anyone who reaches out to me via social media. The problem is that it just so happens that of the hundreds of deals that we look at, the ones that are most highly qualified are the ones that come through a filter....As a female entrepreneur, if you have a good company, there is no reason you cannot reach out through social media.

(Tim, Analyst at a New York firm)

OUTBOUND DEAL SOURCING

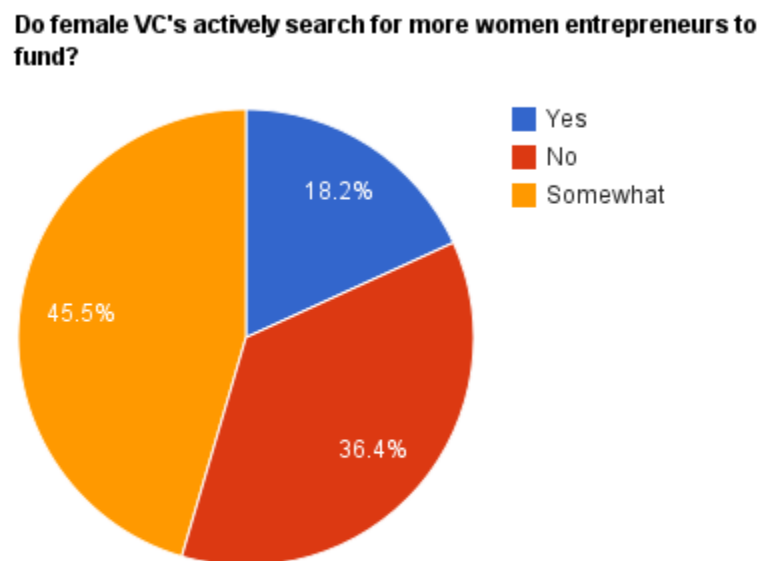
If warm leads are the most important inbound referrals for VCs, how do VCs perform outbound deal sourcing and how might these processes be linked to gender? Based

³⁶ Twitter is an online social networking and microblogging service that enables its users to send and read text-based messages of up to 140 characters.

on my personal experience in venture capital along with research which suggests women have more women in their networks (Aldrich 1989), I hypothesized that female VCs would be more likely to seek women-led ventures.

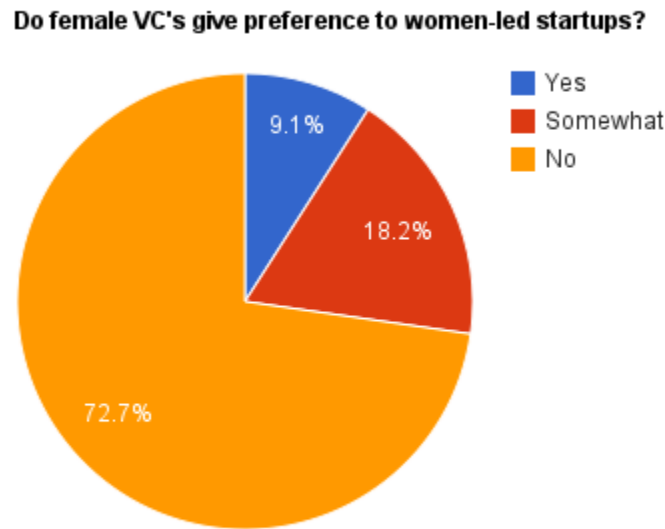
My findings were mixed. Most female VCs interviewed stated they do not search for women-led ventures specifically; two female VCs stated they do try to look for more women-led ventures. Meanwhile, the majority of female VC survey respondents (5, or 45%) said they “somewhat” search for more women-led startups, while only two said they do search for more women-led start-ups (see Figure 6.3 for survey results). In terms of evaluating start-ups, almost all female VCs (73%) said they do not give preference to women entrepreneurs (see Figure 6.4).

Figure 6.3 Survey results: Do female VCs seek out women-led ventures?



Source: Survey data.

Figure 6.4 Survey results: Do female VCs give preference to women-led ventures?



Source: Survey data.

Other methods of outbound deal sourcing were noted by a few interviewees. First, some VCs stated their firms use a “top-down approach” by defining a domain of interest or expertise, such as biotechnology or e-commerce, and search for appropriate start-ups in this manner. Second, some VCs mentioned attending start-up events in their region to meet and establish relationships with entrepreneurs. These two methods were only mentioned by a limited number of VCs, suggesting they are not the primary methods VCs use to source deals.

SOCIAL CAPITAL: A STRUCTURAL BARRIER FOR WOMEN ENTREPRENEURS?

My findings confirm past research that asserts the importance of social capital in accessing VC funding. Moreover, my findings also suggest that female start-up founders

may be at a significant disadvantage because VCs exist in male-dominated social networks and depend on male connections to find out about interesting deals. Furthermore, most female VCs do not give special preference or attention to female-led start-ups. All these factors combined suggest that female start-up founders face seemingly insurmountable structural barriers to VC funding. Past research asserts that women entrepreneurs are not embedded in the social networks of men, placing them in this disadvantaged position.

However, my interview data suggests these barriers are not insurmountable, at least when viewing the financing question from the standpoint of getting the initial connection to VCs. After all, most female start-up founders I interviewed had successfully obtained VC funding. Part of this may have to do the human capital factors I discussed in Chapter Five—many of these women are highly accomplished, have exceptional educational backgrounds, and thus have probably established a network of many useful individuals, such as other entrepreneurs or financiers. In fact, many described the process of obtaining the initial connections and introductions to VCs as painless. Beyond the initial connection, they said, the problem lies in “getting taken seriously” as a start-up founder, an issue I will explore in the next chapter.

— VII —

THE SOCIAL CONSTRUCTION OF GENDERED VALUATION

In this chapter, I will first provide a case study of the existence and pervasiveness of gendered valuation by examining the reception of “feminine” start-ups by the VC and start-up community. Next, I will illustrate the masculine ideal against which all entrepreneurs and start-ups are judged, and how this creates a distinct comparison of the feminine with the masculine. Further, I will explore the devaluation of the feminine in depth while also presenting the finding that gendered valuation is not an oppressive tool wielded by males; rather, it is a pervasive cultural-cognitive framework by which individuals create meaning and understand reality. I will then highlight one of the key findings of my study, which was the fact that the cultural belief of gendered valuation is a passionately contested issue among all actors within the VC and start-up ecosystem; I will discuss the implications of this contestation and its effects on female start-up founders. Next, I will discuss how women VCs perceived and constructed gender, and how their positions are also complicated by gendered valuation.

After discussing gendered valuation and these perceptions and constructions of gender among VCs and start-up founders, I will then discuss three main *mechanisms* by which gendered valuation is created and perpetuated: the gendered division of roles, symbolic systems and narratives, and the masculine culture of the start-up ecosystem. I will conclude this chapter with some thoughts on what this gendered landscape means for inciting institutional change, and how change could transpire.

CUPCAKE START-UPS AND MOMPREENEURS

In order to illustrate the cultural belief of gendered valuation, I will first highlight the phenomenon of the terms “cupcake start-up,” “mompreneur,” and “pink-collar tech ghetto.” These terms embody gendered valuation: they are monikers applied to “feminine” start-ups that have been founded by women (often by mothers, as the term “mompreneur” suggests) and imply the inferiority of the feminine to the masculine. On March 22, 2011, *Forbes* magazine published an online article featuring this phenomenon titled, “Female Founders: Overcoming The Cupcake Challenge And ‘Mompreneur’ Stigma.”³⁷ The article pondered why most VC investments go toward male entrepreneurs, “even for businesses with a female consumer base.” These stigmas, the article details, have even sparked a recent U.S. Chamber of Commerce panel on overcoming “The Cupcake Challenge.” This challenge is particularly daunting for women seeking VC funding because, the article states, the “girly, mom-based or woman-focused” start-up is “seen as less important than talent, skill, or technical expertise to potential investors.”

This article highlights one of the main arguments of this thesis: that “gendering” (making gender-based distinctions) is not exclusively reserved for individual bodies. Instead, gendering or gendered valuation is applicable to many material and immaterial concepts—start-ups included. This elastic definition of gendering and gendered valuation entails that the VC and start-up landscape is not only a site of gender disparity, but that it also possesses an entire social order and structure based on gender distinctions. Gendered valuation, by giving rise to a superior *value* of the masculine over feminine, results in a gendered social

³⁷ Article link: <http://www.forbes.com/sites/meghancassidy/2011/03/22/female-founders-cupcake-challenge-gilt-groupe-learnvest-zipcar/>.

order in which women occupy the lower rungs and the more disadvantaged positions by virtue of their sex.

Indeed, the devaluation of the feminine within the entrepreneurial landscape ties in with past literature which has asserted that entrepreneurship is a male-gendered, masculine concept (Mirchandani 1999; Ahl 2002; Bruni et al. 2005); the words “entrepreneur” and “male” are essentially interchangeable. This is despite individuals who describe the VC and start-up landscape as “gender-neutral”; in reality, all elements within the landscape are measured against a masculine standard which causes the drawing of distinctions between the masculine and the feminine. Deviance from the masculine “norm” is seen as deviance from successful entrepreneurship.

Because the VC investment process is essentially a process of evaluation, in which VCs must discern between the “good” and the “bad” investments, the concept of gendered valuation and the masculine standard is ever more salient. VCs in vetting start-ups inevitably evaluate against this ideal standard of masculinity, thereby effectively devaluing the feminine—or the “cupcake start-ups” of the world.

THE MASCULINE STANDARD

In this sub-section, I will examine how gendered valuation and “the masculine standard” have been made manifest in the VC evaluation process. Indeed, many of the female start-up founders I interviewed experienced first-hand the devaluation of their female-targeted start-ups by VC investors. For instance Natalie, the young founder of a technology and media company aimed towards women, said:

There have definitely been situations that we have experienced with different partners and potential investors...I feel like in the beginning, people thought our idea was fluffy, definitely. And it didn't get taken seriously until it got traction.

(Natalie)

Natalie, whose start-up is now successful, encountered initial skepticism about the growth potential of her "feminine" start-up. It was not until she could produce observable metrics that investors began to take her and her "fluffy" start-up seriously.

In another example, Jackie, a founder in her twenties of another female-targeted technology and media start-up, says:

The conversations with the women [investors] started twenty minutes ahead than it did with most guys. With guys, I had to spend the first half-hour or fifteen minutes of most meetings defending why there is a need for this...And I never had to do that with any of the women that I met with! With the women, they wanted to get right into talking about the important and interesting stuff about competitive advantage, etc. A lot of the men were saying things like, "How many women really care about [omitted topic] in the U.S.? That doesn't really seem like a big market." It's really funny, because they'll invest in like an iPhone app or something super techie. I definitely got the standard comments like, "I should ask my wife about that." There was one investor who I was introduced to by the President of one of the top media companies in the U.S. The investor replied and said, "My wife handles investments like that." I mean_yeah, his wife is an investor, but she doesn't have anywhere near the name recognition and is nowhere near as powerful as he. He had the idea that I could only talk to her. He wouldn't even take a meeting.

(Jackie)

In this quote, Jackie explains the difficulty in helping male investors understand the value of her female-targeted start-up, because of the fact that they were male. Jackie's perception that male investors will invest in "an iPhone app or something super techie" suggests that she too is aware of the gendered valuation which occurs in her meetings with investors: anything feminine (her female-targeted start-up) is devalued, while anything masculine ("something super techie") is valued³⁸.

³⁸ Past research has established the word "technical" as something "masculine" or "male." See Cockburn (1998), Turkle (1984, 1988), Hacker (1990), Wright (1996), Kendall (1999, 2000).

In contrast to these anecdotes, one of the four male founders I interviewed attributed his ability to close a deal with a VC to his masculine, aggressive qualities:

Q: It sounds like you didn't have any difficulty at all in getting connected to investors.

A: Not really. I was sort of in the early stage venture community, so I knew all the right people to talk to. And I also a very strong sales background, so I'm very aggressive and unmethodical with closing with people and closing a deal.

(Scott)

Here, Scott embodies the masculine standard—he has an aggressive personality which proved helpful in his dealings and relationships with other men in the VC industry.

SECRETARIES, WIVES, GIRLFRIENDS

Jackie's anecdote highlights another pattern in my interviews with female founders: many male investors felt the need to understand a feminine product or idea by relating it to their secretaries, wives, or girlfriends—women in their lives who hold supportive roles. By stating that one should “ask his wife” about a feminine start-up makes it unclear whether this is a dismissal of an investment opportunity or a sincere notion of confoundedness in which an investor must rely on his wife for information and investment recommendations. The devaluation of the feminine by relating these with supportive roles is further explored in this quote from Joselyn, a young founder of a female-targeted start-up:

We would go to these meetings [with VCs] with boxes of [omitted] samples. Some guys didn't touch them. They didn't get it. “But don't women get sick of this stuff?” They would call in their secretaries into the room for their opinions. One investor made us walk two blocks to meet his wife.

(Joselyn)

The fact that male investors utilize non-investor females to arrive at an investment decision on a female-targeted start-up further perpetuates and maintains the idea that feminine start-ups might be less valuable than male-gendered start-ups. One male VC

interviewed, Tim, admitted bypassing an investment opportunity after asking the opinions of some of the “most important women in his life”—his mother, girlfriend, and female friend. While male investors deem this “market research,” my findings show that it can be construed as a form of dismissal at the idea that such a feminine start-up idea could be indeed valuable. It is evident in Joselyn’s quote that she herself was perplexed, perhaps even annoyed, that one male VC made her walk two blocks to meet with his wife, who is clearly not an investor or a VC herself. In Jackie’s anecdote, it is automatically assumed that her start-up, because it is “feminine,” is not worth the time of a male investor, who instead defers her to his wife, a less valuable investor. These anecdotes are representative of a number of women interviewed who felt marginalized or dismissed simply because of their feminine start-ups.

These anecdotes also highlight a supply-side, or investor-side problem: the lack of female VCs. For instance, Jackie notes the dramatic difference between the reception of her start-up by female VCs. Another founder of a female-targeted start-up, Evie, highlighted the dramatic difference between interactions with female VCs and male VCs:

Someone said something like, "What's the big deal?" totally not getting it. Many times people would say "Let me ask my daughter, let me ask my wife." Yeah one of my investors is a female. She was great - she totally understands the love of fashion. And that's really helpful, whereas my male investors - I have to sell them the idea that the love of fashion is enough for a story. I think yeah, people look for people who look like them. I think that helps you feel comfortable with someone. The more similarities you have with a young startup person, you feel like you are taking more of a risk with them. I've met male founders who have told me that their investors have said that they feel like they're living through them in a way. I think it's slightly different in a male-female relationship.

(Evie)

Here, Evie is cognizant of the masculine standard and the male-dominated industry and how this has hindered her ability to connect with investors and obtain their buy-in for her start-up.

She also seems cognizant of the fact that because the VC industry is male-dominated, investors often “look for people who look like them,” implying the industry runs on homosocial reproduction, a concept coined by Kanter (1977) which implies that individuals in positions of power in the workplace develop more managers who share characteristics such as sex or race; in this case, it is not the development of more managers but rather the development of more investees. As one female founder put it, some male investors seem to want to “live vicariously” through the entrepreneurs they fund.

BLATANT DISCRIMINATION VS. CULTURAL-COGNITIVE FRAMEWORKS

By definition, gendered valuation means that these male investors’ reactions are not the result of blatant discrimination or sexism. Rather, they are the result of a cultural-cognitive framework, formed through the production and reproduction of practices within the VC industry and start-up industry over many years, that has presented the masculine as the standard³⁹. This framework causes VCs to construct the female entrepreneur and “feminine” as less valuable than the male entrepreneur or a “masculine” start-up. Indeed, all the male VCs I spoke with were adamant about the meritocracy of their work. Tim, the VC mentioned above, noted several times that, “All I care about is team and traction—nothing else.” Thus, most actors within this ecosystem are not cognizant of gendered valuation; it has become embedded within the objective facticity of their reality.

³⁹ In recent media discourse, this production and reproduction of gendered valuation is termed “pattern recognition”: the idea that investors see a pattern of successful entrepreneurs (young, male, technical, etc.) and base investment decisions on this. See “The Problem With Investing Based on Pattern Recognition,” a blog post by Chris Dixon, investor and start-up founder: <http://cdixon.org/2012/03/07/the-problem-with-investing-based-on-pattern-recognition/>.

THE MYTH OF MALE OPPRESSION

Gendered valuation is pervasive not only within males' interactions and perceptions of the feminine. It can also be pervasive among and perpetuated by females. I found, through content analysis, that women also subscribe to the cultural belief of gendered valuation; these women believe that women who found feminine start-ups are “embarrassing” other women, damaging the legitimacy of the female sex within the entrepreneurial landscape. For example, the message featured in the image below caused indignation⁴⁰ across the web:

Figure 7.1 A woman's gendered valuation of female-targeted start-ups.



Source: <http://twitter.com/jolieodell>.

As another example of the female perpetuation of gendered valuation, below is a quote from Kaitlyn, the technical founder of a start-up, on the barriers women face in VC fundraising:

When you think about some of the projects that [women] are working on, they might be more educational based, or for moms. I think they [women] *could* be technical. But mostly it's not obvious that it could be a huge business. It's more about what kind of problems interest you. I think there are more talks about

⁴⁰ For instance see: “Your Startup Is Inferior to that Guy With the Mobile App for Golfers”, September 19, 2011, Feministe. < <http://www.feministe.us/blog/archives/2011/09/19/your-startup-is-inferior/>>.

various angels as opposed to VCs because angels fund more the smaller projects where it doesn't need to be a \$100 million business.

(Kaitlyn)

Here, we see the general belief that women create start-ups that are less technical in nature and have to do with education or motherhood—concepts that are stereotypical and further devalue females and the feminine. It is evident that it would be inaccurate to say then that gendered valuation is an oppressive tool wielded only by men. The view of organization as a construction or tool of oppressive male dominance aligns with a radical feminist critique (Acker 1990; Ferguson 1984); yet through these anecdotes, we can see that this is simply not the case in the VC and start-up landscape because women too can subscribe to and perpetuate the cultural belief that anything feminine is worthless or less valuable than something masculine.

GENDERED TYPIFICATIONS

Throughout my interviews, I noticed the recurrence of particular words or phrases associated with males and females. These descriptors provide a better picture of the gender distinctions made within the start-up landscape; oftentimes, the masculine is associated with typically successful behaviors and outcomes in the start-up world, while the feminine is not. For example, one male VC, Xander, stated that female founders are less able to raise VC funding because they are significantly “less aggressive” whereas male founders are “more persistent.” Table 7.1 summarizes the gender associations I encountered.

Table 7.1 Masculine vs. feminine descriptors, as found through interviews

Masculine	Feminine
Technical or “Techie”	Retail, Fashion, Shopping, Babies, Education
Large investment opportunities	Small investment opportunities
Entrepreneur / Venture Capitalist	PR, Marketing, Operations, HR
Confident, Aggressive	Timid, Storyteller

These gendered typifications and associations are grounded in and reproduced through various mechanisms. One such mechanism is social interaction, a mechanism through which actors within institutions create meaning (Berger and Luckmann 1966). In the following sections, I will describe how interviewed individuals perceived and constructed gender and whether they could acknowledge the existence of gendered valuation. Doing so will help the reader understand the contested nature, and by extension the salience, of gender and gendering within the VC and start-up industries.

THE PROBLEM OF COGNIZANCE AND CONTESTATION

In my interviews, I found a complex array of perceptions and constructions of gender. For instance, many female start-up founders attested to the gender-neutrality of their VC fundraising experience, while other founders were more cognizant of the role their gender (or the gender-type of their start-up) played in the process. In all, most interviewees held firm convictions on the salience of their gender based on their own personal experiences, some of which I will highlight in this section.

THE FEMALE-AS-ADVANTAGE MINDSET

Perhaps one of my most surprising findings was the notion among female interviewees that being a female in the entrepreneurial landscape was an advantage rather than a disadvantage. Interviewees pointed to a few different reasons, but most attributed the advantage to the very fact that less female founders exist in the landscape overall, and thus they are able to “stand out.” For instance, one technical female founder, Jade, said:

My view is that I don't think there's much discrimination occurring in the Valley [Silicon Valley] or the tech arena. I know there are stories out there about women being discriminated against, and there's that type of behavior that people tells me happens sometimes. Other people say, “I'm less likely to get funded because I'm a female.” I just find there are not a lot of capable women in technology....I think if they had the skills and they went to the Valley to get money, you actually have an advantage.

(Jade)

Here, Jade highlights the fact that women who “have the skills” are actually at an advantage. Furthermore, she repels the idea of gender discrimination in Silicon Valley and deems it a rare occurrence of myth. Similarly, Michelle stated gender was not an important factor in her quest for VC funding:

Honestly I didn't notice anything –at least overtly. You never know what people might be thinking or talking about when the door is closed...the thing that really helped us was that we had proven success, traction, revenues, etc. So I think that possibly if you've already proven it to them –maybe some of those concerns go away. Negotiation skills are also really important, being a salesperson and getting the investors really excited about your vision and your story.

(Michelle, technical founder of a marketing platform start-up)

Here Michelle says that she has never faced discrimination on the basis of her gender; yet she also realizes that it is a *possibility* behind closed doors. She then emphasizes a masculine characteristic that may have helped her gain favor with investors: her ability as a salesperson. Past research has asserted that a sales job “requires aggressiveness in

persuading customers to buy, a trait culturally associated with masculinity” (Leidner 1993:201). Yet overall, Michelle perceives the landscape as gender-neutral.

To summarize, many women felt that gender was either not a factor or an advantage in the VC fundraising process. From my interviews, it seemed that many women were frustrated with other women who made gender their “excuse” for not being able to obtain funding. For instance, consider this quote from Dina:

Starting companies requires a lot of time/dedication...it's hard to sacrifice that. It's easier to make excuses. A lot of women give these excuses like, “Men aren't going to take me seriously.” That's the kind of thing that's a self-fulfilling prophecy.

(Dina)

Here, Dina effectively subscribes to gendered valuation in stating that most women “make excuses”; she frames women as weak complainers who are not able to simply overcome the barriers they are faced with. With the concept of gendered valuation, however, we can see that these barriers are not simply surmountable on the basis of individual exertion. Instead, these barriers are objectively-perceived cultural-cognitive frameworks which devalue females and the feminine. Changing these cognitive frameworks is no simple task, and individual determination is not sufficient to change the way investors perceive the world.

THE FEMME FATALE MINDSET

Another founder, Tami, believed overtly feminine qualities and sexuality help female founders gain meetings with investors:

Q: Have investors ever had sketchy reasons for meeting with you?

A: Absolutely, yes, absolutely. But you know what? Everybody has to use what they have. If someone is going to give you a meeting because you're a girl and they deal with investment bankers in suits, then you would be foolish to stand on some moral high ground...Of course you have to maintain professionalism, and don't give people the wrong idea. But when it comes to opening doors, there is no reason not to...I think it's easier when you're a female founder. Because most of the people in SV or Boston are dealing with men - male founders who are probably more

aggressive or really like, they have one agenda. The female founders I've met are more relaxed and less intimidating. And so I can get more meetings with VCs. And it'll be more casual, it won't be more stressful like a business meeting. I'll have drinks with people, coffee, dinner with people. It's a huge leg up.

(Tami)

While Tami's "femme fatale" attitude was not representative of most interviewees, her perspective still provides some relevant points on how the female-as-advantage perspective can be damaging for female start-up founders and help perpetuate the cultural belief of gendered valuation. It is evident these investors are meeting with her for "sketchy" reasons and not because they believe her start-up is valuable. These investors believe her value lies in her attractiveness. Moreover, instead of perceiving Tami as an "entrepreneur" she is "the Other," sexualized being for these male investors. Such an interaction and perception of female founders, if repeated and reproduced over time, devalues and debases women in the VC and start-up ecosystem.

Similarly, a male founder stated that women should use their "feminine wiles" to woo investors into meetings:

I've had a lot of conversations about the female presence in Silicon Valley and entrepreneurship... honestly I think it's pretty deplorable for a lot of reasons. A lot of it is just the engineers in general and not just fundraising... There was an interesting discussion that I wasn't there for, on whether women should use their "feminine wiles," for lack of a better term, to their advantage in the same way that I had a lot of advantages from a couple of people because I was Jewish. There were one or two people I met around Rosh Hashanah and I would go and say "*Shana Tova*" and then we'd joke around a little bit. If you were a fan of the same football team as an investor, you would kind of get to have that commonality, and then they'd be more likely to invest because they see a little bit of themselves in you.

(Ashton)

Ashton identifies the fact that it's not just the fundraising process by which females are getting devalued, but also by "engineers" and the entire start-up and VC ecosystem overall. Next, Ashton discusses the use of "feminine wiles" in female founders and how people in

the community have agreed that females should utilize their “feminine wiles” to their advantage. This too is related to gendered valuation because here, femininity is viewed as a sexual tool rather than a valuable characteristic. However, Ashton’s example of his Jewish heritage is not congruent to utilizing “feminine wiles” because he is not selling his sexuality and his body simply to obtain a meeting with an investor. The view that women should utilize their sexuality to gain meetings suggests that women are only good for or valuable in situations in which sex is involved. This again perpetuates the “othering” of the female founder from the VC and start-up ecosystem and helps maintain the cultural belief of gendered valuation. In addition, sexualization can be considered a form of male hegemonic social control.

NEGATING GENDERED VALUATION WITH THE MASCULINE

In my interviews with technical female founders, I asked if possessing technical skills can shield a woman from any gender bias. Pamela, a technical founder in California, said:

[Being a mother] is not something that comes up very frequently in conversation [with investors], and it was never like, “Well, what if she goes off and has kids?” Because well, I already have two! *[laughs]* You know, how much worse can this get? And I am an established entrepreneur so I think that also helped convince people....

Q: Does having a technical background shield you from any sort of gender bias?

A: Good question. Let me ponder. Um, it's hard to know because there are so many factors that influence my particular background. I mean actually, it's something that I think unconsciously is one thing VCs look for. Some VCs are well known for really trying to create a platform for women—I think a lot of people are aware that there are fewer women in the technical community—but I don't think anyone says, “Great, you're a female founder! Let's fund you!”

(Pamela)

From this, it is implied that Pamela believes her motherhood was not an obstacle in obtaining VC funding because she had a technical background, a typically masculine trait (Collinson and Hearn 2005; Gorman 2005; Kilduff 2000). This finding suggests that any “masculine” trait will help overshadow any “feminine” traits a female founder might have.

From these anecdotes, we can see that gender is passionately contested among female founders; no collective ideology or solidarity of opinion exists, precisely because every female founders’ experience and interactions within the ecosystem have been different. In addition, the toxic cultural belief of gendered valuation has trickled into the consciousness of many women who have unknowingly subscribed to the masculine standard.

WOMEN IN VC: TOKENS OR ADAPTORS?

The contested perceptions and constructions of gender and gendered valuation among start-up founders are further reflect among female VCs. In this chapter, I will discuss how female VCs perceived the salience and construction of their own gender. First, a few female VCs noted that their female gender only became salient in scenarios in which “feminine” start-ups were being evaluated, providing evidence of tokenism of women in the VC environment. Second, most female VCs were cognizant of the male-dominated and masculine environment in which they worked (most were the sole female investor within the firm), and as a result felt the need to adapt their behavior to the masculine standard. None however framed the masculine environment negatively, but simply as “the way things are.”

TOKENISM: EVALUATING FEMALE-TARGETED START-UPS

Chelsea, a young VC in New York, suggests that female entrepreneurs or founders pitching female-targeted products will pay more attention to her:

Q: Do you ever feel that women entrepreneurs want to connect with you more than others, simply because you are female?

[silence] Maybe. I mean...yes. Yeah, sure. I don't think it happens regularly. A lot of what a pitch is, is knowing your audience right. If you're pitching a travel company, you play up the fact you backpacked across Europe or something. You will naturally try to find the people who will most respond. I was in a room hearing [Female Founder X] presenting [Female-Targeted Start-up About Children]. I was there with one other guy and one other woman. I don't have any kids. I am not her target audience. The other woman did and was so excited and asked questions, etc. I could extrapolate from my experiences for my mom. The smart thing for [Female Founder X] to do was to focus on [the other woman]. Because if we invest, she'd be the one on the Board [of Directors]. It's not pitching because she's a woman, it's pitching because she understands the product and the market.

(Chelsea)

Here, Chelsea resists the notion that founders will come to her because of her gender, but does concede the fact that female founders with female-targeted start-ups will pay more attention to female VCs because they “understand” the product and the market. This is evidence of gendered valuation: the female investor only becomes valuable when the start-up presented is feminine; otherwise, she may be ignored. However, Chelsea seemed very hesitant to admit to any influence gender has had in her own experience, again highlighting the contested nature of gender in the entrepreneurial ecosystem.

Another VC, Melissa, relays her own similar anecdote regarding female-targeted start-ups or products:

Q: As a female VC, have you ever had a male entrepreneur ignore you?

A: Men tend to look at whoever is the decision maker. It was definitely the case that people will pay attention to people writing the checks. I have been mistaken for someone much more junior than I am. Sometimes they only reference me in weird ways. I have some anecdotes... There might be a case when an entrepreneur is selling something, and presenting to the group and not really talking to me – but when they are talking about building a mobile app for Ann Taylor – they start looking at me. There are times when they are selling things for women and no one

asks me for my opinion until the company leaves. It is interesting to be a single outlier in many ways.

(Melissa)

Like Chelsea, Melissa mentions the salience of her gender as a female VC during the VC fundraising process. Founders—not necessarily female founders—with female-gendered start-ups will direct the conversation to her with the expectation that Melissa will be able to better understand that particular start-up. Questions of expectations and roles are again brought up; Berger and Luckmann's theory of social construction states that roles are created once common assumptions are created about a type of actor behaving in a certain manner (1967). Here, the assumption is that a female investor will better understand a feminine start-up or product. Melissa and Chelsea's anecdotes also suggest that gendered valuation depends on context. From the data hitherto discussed, that context seems to be cases in which females are in the severe minority

These anecdotes highlight the “tokenism” applied to many female VCs in the industry (Kanter 1977; Turco 2010). As mentioned before, many of these women were the sole female investors within their firms. Token theory implies that when an individual is in the minority of a group, his or her stereotypical characteristics are emphasized. From these anecdotes, we can see that in cases of evaluating feminine start-ups or female founders, female VCs' female sex was emphasized because of their perceived relatability to feminine concepts.

“DOING GENDER” AND THE INTERNALIZATION OF THE MASCULINE

Berger and Luckmann's conceptualization of the social construction of reality includes three phases: externalization, objectification, and internalization. Externalization is

“the production, in social interaction, of symbolic structures whose meaning comes to be shared by the participants” (Scott 2008:40). Objectification is the process by which this production becomes an external fact outside of oneself, as “a reality experienced in common with others” (2008:40). The last phase, internalization, is “the process by which the objectified world is ‘retrojected into consciousness in the course of socialization’” (2008:41). It is this last phase, internalization, which I discuss in this sub-section. Specifically, I discuss the internalization of the cultural belief of gendered valuation by female VCs. This internalization then emerges in their actions, behavior, language, and general self-characterization as a masculinized version of themselves. Female VCs reported utilizing these strategies in order to adapt to the male-dominated environment of their VC firms. The literature calls this process of producing and reproducing certain gendered behaviors as “doing gender” (West and Zimmerman 1987). In this case, female VCs are “doing the gender” of the opposite sex. For instance, Melissa who is an Associate at a Boston firm with over 20 male investors and 1 female investor, says:

I would say that [the male-dominated environment] doesn’t bother me to the extent that I can’t function in it. It bothers me on principle. It means that a particular type of interaction becomes the norm. I think in having a male dominated workplace, what’s considered talk is something that is trying to be much more confrontational.

(Melissa)

Here Melissa expresses that she is cognizant of the way the male-dominated environment imposes certain norms, such as more confrontational ways of speaking. However, this does not seem to be a problem or hindrance for Melissa, who has perhaps internalized the masculine norms herself and adapted her behavior accordingly. Human capital factors may also play a part in this scenario – Melissa received an engineering degree from a top

university, and thus has probably been accustomed to male-dominated environments for some time.

In another case, Carley, who is a partner at a California firm says that the male-dominated environment places more pressure on women to adapt and navigate the environment on their own:

I think the venture capital industry in Boston especially reflects the old boys' network. You certainly have to adapt in order to fit in as a woman. For instance, I know I look different from the guys, so I've had to develop my own style and my own networking techniques in order to get ahead. That's not anyone's fault and I don't think it's intentionally sexist or anything like that. It's just a male dominated world so you need to figure out how to make it on your own.

(Carley)

In this statement, Carley is very careful not to blame the men, but instead insists that women must exercise greater agency. Her statement is a good example of how a system of cultural beliefs can become internalized as “fact”: she embraces a resigned attitude in terms of changing the masculine culture and instead suggests that women develop alternative communication and networking strategies to overcome barriers. She also hints at “doing gender” by describing how she adapts her own behavior to match those of her male colleagues. Similarly, Olivia, a partner at a New York firm and the mother of two young children, also believes women should learn to adapt to the male-dominated environment:

I think we as women have to win our own place. You can't expect people to open doors for you. It is unfair because men have not lived that way. They easily get the nod. But accept that and keep going.

Like Carley's statement, Olivia's is interesting because she understands the challenges the male-dominated environment presents, yet does not expect the culture to change.

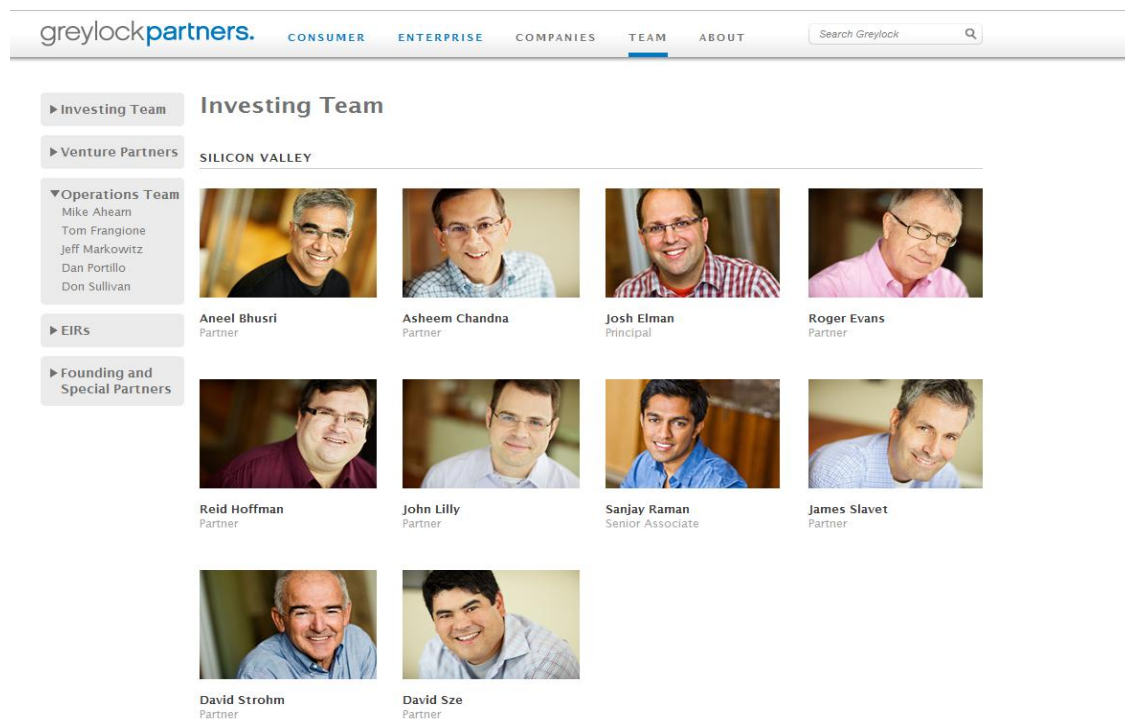
GENDERED DIVISION OF ROLES

One way in which the gendered valuations of women in the start-up and VC community are made manifest and subsequently perpetuated is in the types of job roles men and women fulfill in VC firms as well as start-ups. Roles in the process of institutionalization “arise as common understandings develop that particular actions are associated with particular actors” (Scott 2008:58). My data suggest that gendered roles are evident in the institutions of the VC industry and the start-up community in that males possess investor roles while women do not. Thus, men literally occupy positions of greater economic power and value (they are the ones “writing the checks”), while women fill supportive roles. In this section I will demonstrate that this division of gendered roles is prevalent in *both* VC firms and start-ups; I argue that this is evidence of not only an intra-organizational adoption of cultural beliefs, but rather an inter-organizational phenomenon between two institutions that are greatly intertwined with one another. Such an inter-organizational process reinforces and reproduces gendered valuation.

I analyzed the content the websites of high-profile, early-stage growth VC firms in order to obtain data on the firm’s employees (see Figure 7.2). I recorded not only the number of female investors at the firm, but also the number of females in non-investor roles. This data led to three conclusions. First, I found the obvious: many firms do not have any women; some have only one woman investor. Second, in many firms, the only women present occupy typically female positions in Public Relations, Marketing, Human Resources, Operations, or Administration. Third, in many firms, the number of female non-investors outnumbers those in investor roles.

From this content analysis⁴¹, I found that 9 out of 27 top VC firms⁴² (33%) have a number of female non-investors greater than or equal to the number of female investors. Generally, males did not fill non-investor, operational roles. Within start-ups⁴³ the majority of employees are male, and the few females within start-ups occupy marketing, sales or other supportive roles. I argue that the prevalence of women in non-investor roles in these firms perpetuates and maintains the idea that the “feminine” or “female” is devalued in the start-up ecosystem, and that females are more suited for supportive roles, but never the *lead* roles of VC or founder.

Figure 7.2 The absence of women at Greylock Partners.



Source: Greylock Partners website, <http://greylock.com/teams>.

⁴¹ Many thanks to Whitney Hess for her analysis of the number of women investors in the top VC firms. In addition, I define “top VC firms” based on her list of “high profile early-stage VC firms”: <http://whitneyhess.com/blog/2012/01/31/the-plain-numbers-about-women-in-tech-the-vcs/>.

⁴² I say “at least” because many of the VC firms’ websites did not provide any information on positions within the firm that were not investor roles. This is yet another mechanism by which anything feminine in the VC and start-up ecosystem is devalued or in this case, invisible.

⁴³ This data is from Whitney Hess’s blog, used with permission. She analyzed 22 high-profile tech start-ups.

This argument is strengthened by this quote from Dina, a start-up founder, about a start-up event at which she pitched to potential investors:

I presented at [Accelerator Program X]. I was not only one of two female CEO's of 35 companies, but also the youngest. So when I showed up, they were like, "Who are you?" They gave me a weird look when I said I am presenting. Also, I was holding a cup of coffee. The guard said, "No drinks in the auditorium." And then this other man said, "And no women allowed in the auditorium either!" Lastly, there was a cameraman from the press walking around. He comes up to my area, and so [Male Co-Founder] my CTO and I were trying to get into the camera frame. He said, "Wait, why are you guys trying to getting into the camera? Isn't that what *she* is for?"
(Dina)

This anecdote provides strong evidence of the gender stereotyping of women into supportive roles. Dina did not “look” the part of a start-up founder (that is, male) and was thus typed as a “PR girl.” Furthermore, she faced blatant gender discrimination as a man facetiously told her “no women are allowed.” As noted in my content analysis, because females are rarely entrepreneurs or investors, thus individuals at informal events assume they are not.

A final example of the division of gendered roles comes from an anecdote from Brooke, and further reinforces the themes of feminine and masculine words as discussed in the previous section:

[The investor] didn't want me to be the CEO, so I asked him who would be the CEO. I told him “If you don't think I can run the company, then what should I do?” And he suggested doing marketing or something... The incubator also assigned me a technical advisor; he's very negative and says things like, “You sound ignorant when you talk about technical stuff.” ... I'm in a tank with a bunch of sharks.
(Brooke)

Here, we can see the direct effects of gendered roles: because women typically fill supportive roles within start-ups, this male investor suggested she was not capable of running her own company, but that she should instead opt for a marketing position. Brooke

expresses her frustration by describing the situation as a shark tank—inescapably hostile and critical of women and their qualities.

The gendered division of roles in organizations is consistent with past research on gender stereotyping in hiring. In particular, it has been argued that “when selection criteria include a greater number of stereotypically masculine characteristics, women constitute a smaller proportion of new hires, and that, conversely, when criteria include more stereotypically feminine traits, women are better represented among new hires” (Gorman 2005:702). While this study did not analyze the language of job descriptions for VC firms and start-ups, this research and my own findings suggests that VC firms may choose new hires who map onto more masculine characteristics.

To add to this, I argue that this process may not simply be a matter of gender stereotypicality but may imply the actual *valuation* of one gender over another – an objective belief that the masculine is more valuable than the feminine. Thus, the division of roles is more than the result of intra-organizational, structural mechanisms which exist in job descriptions and recruitment processes, but rather an all-encompassing, inter-institutional cultural-cognitive framework which individuals in both the VC and start-up industry have embodied and manifest through such hiring practices. The absence of women throughout the industry strips them of power and legitimacy.

SYMBOLIC SYSTEMS

Aside from the gendered division of roles, gendered valuation can also be perpetuated through the mechanism of symbolic systems. Symbolic systems are mechanisms by which cultural beliefs are identified and acknowledged both internally and

externally, reinforcing and reproducing those beliefs. Symbolic systems entail abstractions such as language or images. In this section, I argue that such symbolic images exist in the VC and start-up worlds, and that these images help perpetuate and reproduce gendered valuation. One example of such symbolic narratives is that of the “heroic individual” which reigns within VC firms.

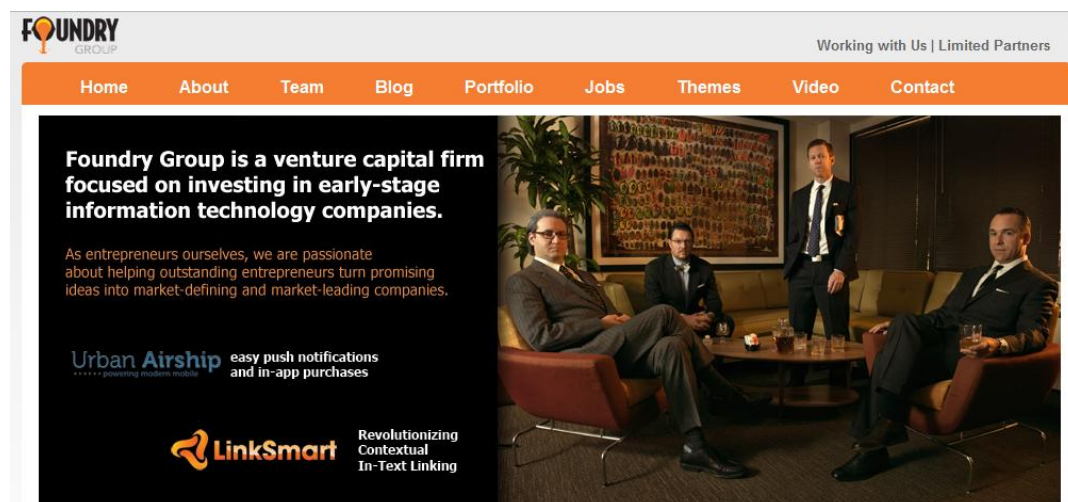
MASCULINITY AND HEROIC INDIVIDUALISM OF THE VC

VC firms produce and perpetuate images of the masculine “heroic individual” (Ely and Meyerson 2000). The dichotomy between individualism and collectivism as conceptualized by Ely and Meyerson (2000) entails “narratives, images that portray competence as heroic individualism; rewards for producing immediate, visible results; lack of recognition and rewards for collaborative, developmental (i.e. ‘relational’) work” (2000:124). This theme upholds “individual achievement” and a “meritocratic system of reward and stratification” (2000:124). The concept of “heroic individualism” that is associated with men and masculinity can be very well applied to the content I observed on VC firms’ websites. On most firms’ websites, a key section is called the “Team” page; most of these pages “showcase” the faces (or entire bodies) of the mostly male VCs at the firm (see Figure 7.3). Often, individuals in relational or supportive roles (which are often filled by women) are not as noticeable, or worse, kept invisible and not placed on the website at all. Under the biography section of VCs, it is common to see a list of start-up companies in which they have invested or have sat on the boards of, along with any exits these companies may have had, thereby highlighting the “individual achievement” of each investor.

Thus, the VC industry is one that valorizes the “heroic individual” and their accomplishments – which, as Ely and Meyerson assert, has been associated with men and

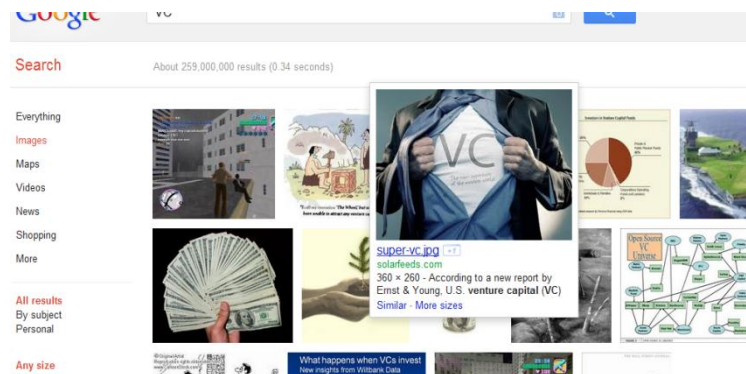
masculinity. Indeed, a Google Search for “VC” will yield the image of a man, ripping apart his suit and showcasing his chest, revealing the word “VC”; this image is much akin to one of superman (see Figure 7.4). The masculine heroic individual then can be seen as an image, part of the “symbolic systems” of reality as Berger and Luckmann mention, that is not only produced internally within an organization but is acknowledged externally, helping to reinforce and reproduce gendered valuation.

Figure 7.3 Example of the main page of a VC firm’s website: the new old boys’ club?



Source: The Foundry Group, <http://foundrygroup.com>.

Figure 7.4 Masculine heroic individualism embodied in the VC.



Source: Google Image Search.

THE MASCULINE CULTURE OF START-UPS

The VC and start-up worlds are created, maintained, and dominated by males.

Informal social gatherings are especially often shaped by men and exclude women by the male-gendered nature of their activities. The absence of women in these male-created, male-oriented events helps perpetuate and reproduce the cultural belief of gendered valuation.

One such example of the male-created, male-gendered nature of social events comes from Jacob, a start-up co-founder in California:

G: We've been pretty instrumental in getting people together and creating a social hub where people could just congregate around. That involves us being present at a lot of the events that are already being run for the startup community but it also revolves around planning events. We used to do a Game Night on every other week where we'd invite the community to come in and have some drinks and play foosball and board games and stuff like that. And every other Friday we would open our office for a Happy Hour. It was an open invitation for the entire community. So part of it was engaging ourselves and basically creating a platform and way for people to get together. But the second thing is also in the way that we promoted it. When we gave interviews or took opportunities to talk about it, we've talked about how [City X] needs a great start-up story. It actually ended up pretty successful because a lot of the local press wants to write about the start-up community here.

(Jacob)

Jacob's anecdote displays the ways in which culture and community are shaped by men according to typically masculine interests, perhaps excluding female founders.

Furthermore, I will highlight anecdotes from female founders that describe the male-oriented events which they have encountered. I define "male-oriented events" in this context as social events within the start-up community which center around typically "male" or "masculine" activities such as poker, golf, etc. I argue that such male-oriented events are shaped by the dominant group (males), promote homophily within the dominant group, and thus perpetuate the cultural belief that females are invisible, largely absent from the start-up ecosystem. This devalues the contribution of women to the VC and start-up social structures,

which trickles into the cognitive frameworks adopted by VCs—that “females” or the “feminine” is not valuable. I am not saying that female founders are completely invisible from the scene. Instead, female founders are often present.

Below are some examples from my interview data and content analysis which explore the phenomenon of the male-created, male-oriented event in the start-up ecosystem. One founder, Cheryl, mentions the male-oriented activities planned by the start-up incubator program of which she was part:

I met a lot of investors through the incubator program and through VC Pitch Days. One of my friends was telling me about this basketball game or whatever for VCs or entrepreneurs...the person she invited was a woman and she didn't want to go to that. Also the incubator space was pretty dirty and gross, the bathroom was gross. The activities they had were like ping pong and stuff like that...pretty not girly. There were also Beer and Poker Nights.

(Cheryl)

Similarly, Jackie relays this anecdote of attending a “Poker and Whiskey Night” and being the only woman present:

I was talking with a guy who wanted to invest in my company, and he invited me to a Poker Night, which had a mix of founders, VCs, and angels present. It is a monthly social event where a whole bunch of entrepreneurs and investors meet up to drink whiskey and play poker. I actually didn't know how to play poker. I ended up being just a couple of minutes late. I walked into the room and it was 19 guys and me. Everyone just turns and stares at me. They said, "you're in the wrong place, right?" I ended up winning the game...I had been introduced to one of those guys there via email right beforehand, and none of them replied or were friendly. But after the Poker Night, he was tons, tons more warm and helpful to me because we had that shared social experience.

Here, Jackie explains that immersing herself in this male-oriented environment benefited her quest for VC funding. Her story is evidence of how women's agency may help them overcome these cultural barriers which exist in the VC and start-up industries. However, it is apparent that it required immense willpower for Jackie to place herself in this potentially uncomfortable situation. Although eventually she was able to “fit in” with the men in this

scenario, at first her female gender was the most salient characteristic that the men perceived.

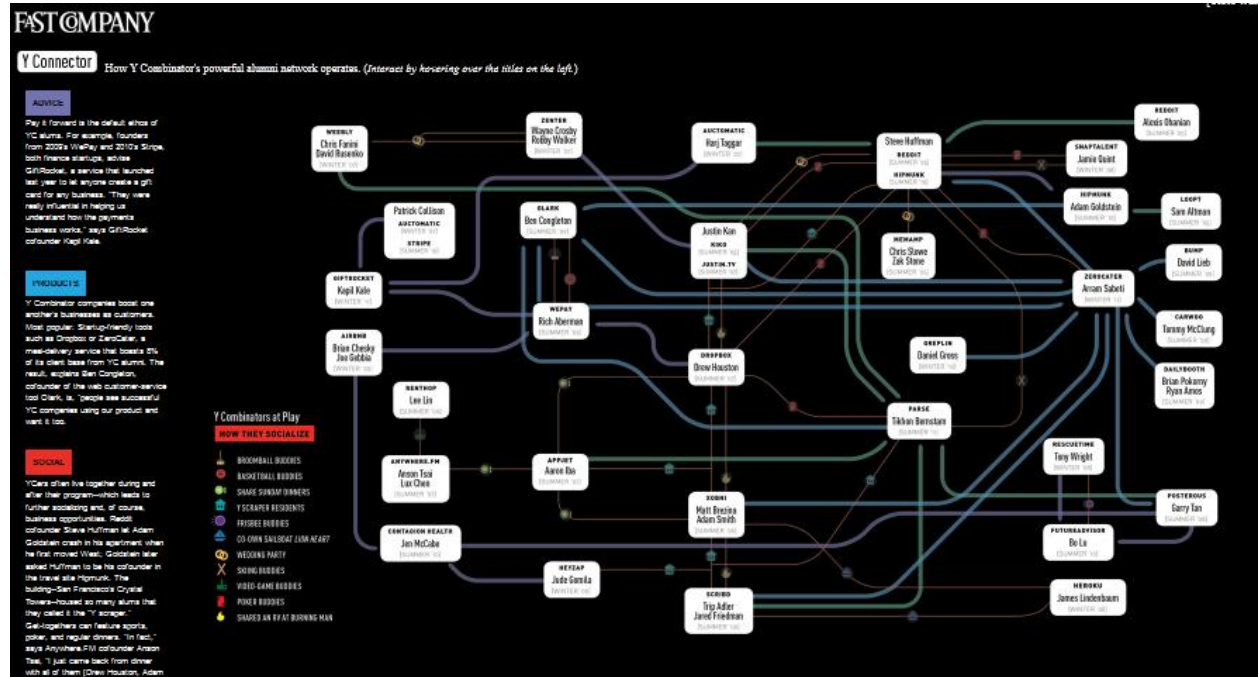
The homophilous social networks of male entrepreneurs have been very poignantly documented by a recent FastCompany infographic titled, “Y Connector: How Y Combinator’s Powerful Alumni Network Operates” (see Figure 7.5).⁴⁴ This image is striking for two reasons. First, the networks show only male entrepreneurs. Second, the graphic typified the mechanisms of the network ties and presents four main categories: (1) “Advice”, (2) “Products”, (3) “Social”, and (3) “Investments.” Of note for this section is the “Social” component, of which I provide an excerpt here:

YCers often live together during and after their program--which leads to further socializing and, of course, business opportunities. Reddit cofounder Steve Huffman let Adam Goldstein crash in his apartment when he first moved West; Goldstein later asked Huffman to be his cofounder in the travel site Hipmunk. The building--San Francisco's Crystal Towers--housed so many alums that they called it the “Y scraper.” Get-togethers can feature sports, poker, and regular dinners. “In fact,” says Anywhere.FM cofounder Anson Tsai, “I just came back from dinner with all of them [Drew Houston, Adam Smith, and Aaron Iba] to discuss how we can take over the world.”

A few examples of the social events listed are: “basketball buddies,” “frisbee buddies,” “video-game buddies,” and “poker buddies.” These activities are, of course, typically masculine. Thus, the infographic provides evidence of another way in which gendered valuation can be perpetuated – both through the absence of women in these social networks and the masculine activities which reinforce the idea that women are largely invisible, and thus less valuable, in the start-up (and by extension, VC) landscape.

⁴⁴ YCombinator is a high-profile start-up incubator program. Image source: <http://infographics.fastcompany.com/magazine/163/y-connector-xl.html>.

Figure 7.5. FastCompany's depiction of entrepreneurs' social network ties.



Source: FastCompany.

The masculine culture of start-ups is thus striking. Not only is this entrepreneurial ecosystem dominated by men, but the very social practices, however informal, are created by men and maintained by them. The graphic above attests to the strong bonds created between men during such informal activities; as mentioned before in this thesis, social interaction and relationships can yield fruitful business opportunities, including the chance to meet and interact with potential investors. Therefore, fact that women are largely absent from such social networks poses a significant structural barrier in their quest for not only VC funding, but for power and legitimacy within the entrepreneurial landscape. They are invisible, thus they are deemed not valuable. When they are visible, they are stereotyped as the “girlfriend,” “the secretary,” or “the PR girl.”

INSTITUTIONAL CHANGE

In this chapter, I have outlined the various perceptions and constructions of gender by both VCs and start-up founders. I have emphasized the fact that gender and gendered valuation is a controversial and contested issue among both males and females in this ecosystem. The fact that gendered valuation is cognizant for some yet remains imperceptible to others poses a significant challenge to institutional change. By “institutional change,” I mean the negation of gendered valuation within the VC and start-up industries.

The dissent in opinion among female start-up founders especially poses challenges for institutional change because feminist theory on women’s social movements tends to emphasize collective identity, ideology, and behavior, thus implying unity within a marginalized group (Pelak 1999:149). Thus, collective action requires a “sameness” among women; yet within the entrepreneurial landscape, we see that the experiences of women are vastly different, depending on their human capital, social ties, and willingness to adapt to the masculine standard.

ECONOMIC RATIONALITY

Some female start-up founders interviewed asserted that institutional change is indeed already taking place and that female founders are finally gaining deserved attention from VCs and other investors. For instance Alexandra, a young founder of a fashion start-up, asserted that, “I think it's a really exciting time for women in the tech world.” Indeed, there has been a recent rise in the number of technology start-ups founded by women, and the media has been hungry to cover their stories. Upon closer examination however, there are

some critiques to be made. I will highlight one response from Joselyn, a young start-up founder to make my point:

But at the same time, VCs know that there is a bias. And if they *can* invest in female-run start-ups then they might have an advantage because they are underrepresented. Eighty percent of household spending is controlled by women – this was a favorite statistic they would quote.

(Joselyn)

This quote from Joselyn highlights the idea that investors approach investments in female founders in a very rational-economic manner. The recent rise in the number of female-founded start-ups doing well and achieving impressive valuations has signaled to investors that female founded startups are valuable investments—value in terms of economic value.

I argue that this is not a shift in cultural belief and thus not a fundamental institutional change. It is instead a response to an external economic occurrence. It is quite possible then that without the external economic signaling of the success of a few high-profile, female-led start-ups that VCs could return to the cultural belief of gendered valuation. I end this sub-section with the following quote from Olivia, which nicely highlights issues of solidarity amongst women in this landscape, as well as the rational-economic view some investors may take with female-led start-ups:

Q: Do you think female VCs tend to source more female led ventures?

A: I think there are two camps of women out there. There is one camp that whenever these gender issues come up, they are the first ones to raise their hands and call bullshit. They say, “I’ve never had people treat me differently because I’m a woman,” etc. I think they’re saying that you can’t be in the boys’ club if you raise the chick card. In the back of their minds, they just want to play with the boys. They pretend they’ve never experienced that. Meanwhile, Camp Two is super “rah rah, pro women.” And then when I decide not to fund them - they’re like “Ugh.” But they’re not a good business! And then there’s a middle ground camp where we are more commercial about it, we’re interested in what women are doing so we go to events where there are women. The first group that I mentioned tend to avoid those groups. They’re thus not investing in women because they are not trafficking them.

(Olivia)

A COLLECTIVE FEMINIST CONSCIOUSNESS

The question then remains of how institutional change might occur. Feminist scholars have noted that aside from political and organizational resources, a collective “feminist consciousness” is “an important ingredient of women’s movements” (Pelak 1999:150). Recently, such consciousness-raising groups have emerged in a women’s social movement of sorts in the entrepreneurial landscape. Examples of such groups include the “Change The Ratio”⁴⁵ movement, Women 2.0, and the Pipeline Fellowship; these groups exist to raise awareness of the gender disparity in the technology start-up landscape and they also provide resources for women entrepreneurs and investors. Yet even these groups have been met with skepticism among women in the landscape, as represented here by Brooke and Alexandra:

One thing I forgot to tell you is that these groups like [Women Angel Investor Group] pisses me off like you have no idea. No entrepreneur should ever have to pay to pitch or join any group to learn to pitch and get access to investors... No disrespect to the women who felt backed into a corner and had no choice, but I've been told that only do this if I have no other hope. Now that is sad to get that type of advice. Not even the funding community takes those groups seriously. They participate the way people participate in 'diversity' programs. Because they have to. It looks bad if they don't support the cause....

(Brooke)

I think [networking events for women] are hit or miss. My gut instinct is to be repelled by them. It's important in education and it's great to network but I do get annoyed when women just complain.

(Alexandra)

The task of raising a collective feminist consciousness is thus difficult; the experiences of women I have examined in this chapter provide evidence of the dissent in opinion among women on the issue of gender alone, so this does not come as a surprise. The woman’s place within this landscape is a complicated issue—the subscription to gendered valuation persists

⁴⁵ See <http://changetheratio.tumblr.com>.

not only among the male investors and entrepreneurs who dominate the ecosystem, but also among the women who face obstacles as a result. Inciting institutional change in this contested landscape is no small task—rather, it will have to be a revolutionary feat.

— VIII —

CONCLUSION

In this study, I examined the lack of female start-up founders receiving venture capital (VC) funding and the overall influence of gender in the VC fundraising process. Using “gender” as both a variable and analytic framework, I explored how VCs and start-up founders perceive and construct gender, and how this may affect female start-up founder’s access to VC. In doing so, I found that in the VC and start-up industries there exists the shared, common cultural belief of “gendered valuation,” a socially constructed, cultural-cognitive framework that holds the “masculine” as more valuable than the “feminine,” thereby affecting individuals’ perceptions, interactions, and ultimately the gendered social order of the VC and start-up industries.

In this chapter, I will provide with a brief overview of my key findings. Then, I will describe the limitations of my study and provide suggestions for further research. Lastly, I will examine this study’s implication on theory and on the practice of entrepreneurship.

OVERVIEW OF FINDINGS

HUMAN CAPITAL

My study found that certain human capital qualities can positively influence a female start-up founder’s access to VC funding. These qualities included an Ivy League degree (undergraduate or MBA), prior start-up experiences, and industry expertise. My findings suggest that technical skills, while helpful, are not required for female start-up founders raising VC funding.

SOCIAL CAPITAL

My study confirmed and expanded research on the deal origination processes of VCs which suggest having social ties to a VC positively impacts the acquisition of VC funding. I found that VCs rely on warm introductions, usually from males, to discover potential deals. On the other side of the table, I found that most start-up founder interviewees possessed social ties with VCs personally or through a friend.

However, many women asserted that obtaining the connection or introduction to a VC firm was not the most difficult part of the VC fundraising process, but rather the difficult lie in problems such as not “getting taken seriously” as an entrepreneur, gender stereotyping in informal situations, male-oriented activities, and so on. It was found that even women with traditionally “masculine” traits such as technical skills were also cognizant of the devaluation of the feminine across the ecosystem. This suggests that although human and social capital are certainly factors in the VC fundraising process, these characteristics must be contextualized within the overall structure and environment of the VC and start-up landscape in which women are “feminine and therefore of less value until proven wrong.”

GENDERED VALUATION

I found that the VC and start-up industries are not simply male-*dominated*; they are male-*gendered*, meaning they hold the cultural belief of *gendered valuation*, the belief that the masculine is more valuable than the feminine. I found that gendered valuation is produced and maintained through various social, structural, and symbolic mechanisms throughout both the VC and start-up industries.

Gendered valuation affects and shapes perceptions and evaluations (such as the evaluation of a “feminine” start-up or female founder), behaviors, interactions, and the

shaping of cultures. My findings show that gendered valuation is hotly contested by both males and females; individuals were either not cognizant of its existence yet unknowingly perpetuated it *or* individuals were cognizant of its existence but resisted attempts to change the social order and instead opted to adapt. I will frame this dichotomy more specifically: in the first group, both male and female VCs and founders believed the entrepreneurial landscape is gender-neutral, but their actions or inaction toward masculine superiority helped perpetuate the belief of gendered valuation. In the second group, both male and female VCs and founders acknowledged the landscape is indeed skewed towards a preference for the masculine, but refused to resist or take action. Both these groups subscribe to the objectivity of gendered valuation—the attitude that “this is simply how things are” and individuals must learn to adapt. Any disturbance in the system to attempt changing the social order is met with negative sanctions.

Given this contestation, the woman’s place within the VC and start-up landscape remains complicated. She is signaled to change and adapt to the masculine standard; meanwhile other women’s behaviors cause “embarrassment” or disdain. Women are left to choose either the masculine or the feminine, with the knowledge that the latter can cause ostracization and devaluation. Still yet, others held the belief that the landscape is changing for the better, and that VCs have become sensitive to the issue of the lack of women participants in the start-up industry.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study presents some methodological limitations. First, the sample size of survey respondents obtaining VC funding was small, affecting the generalizability of the results.

Second, the interview sample of female start-up founders skewed towards younger women in their mid- to late-twenties. Thus the sample was not representative of the experiences and issues that may be faced by older women, particularly those with children who must balance motherhood with entrepreneurship. Third, the interview methods used gained insight into individuals' perceptions of the past; this may have caused some interviewees' answers to be skewed towards opinion rather than fact. Lastly, only four male start-up founders were interviewed, and most were associated with one particular start-up incubator.

I suggest that future research expand and build upon the study of women and entrepreneurship by utilizing the social constructionist view of gender as an analytic framework. The gender gap in VC firms is something to explore using this approach; this study has discussed the gendered division of roles and the absence of female investors within VC firms; future research can expand this discussion by studying VC hiring and/or recruitment methods, understanding how gender is perceived and constructed in recruiters and job candidates. Another research suggestion is to understand the *male* construction of gender in entrepreneurship specifically, and understand how gendered valuation might affect their behavior and perception of masculinity as well. Furthermore, studies of entrepreneurship should explore the social construction of other such as sexuality, race, or age. Such a study may help address the lack of diversity in the investor and entrepreneur pool.

IMPLICATIONS FOR THEORY

This study has several implications for theory on venture capital, entrepreneurship, and gender. First, past literature has mentioned the uncertainty of the VC investment process

and VCs reliance on arbitrary factors such as “gut feeling” (Zacharakis and Meyer 1998; Kollman and Kuckertz 2010); my study suggests gender should be considered as one of these “arbitrary” factors. In relation to this, my study found that gender can be salient not only in deal origination but also in the deal evaluation stages of the VC investment process; in contrast, social capital was most salient for female founders in deal origination, while human capital seemed to be most salient at the later stage of deal evaluation, at which VCs examine an entrepreneur’s personal traits, competence, and expertise during due diligence processes. Third, scholars should look beyond individual-level factors as my study shows that context and structural barriers can have a significant influence on the VC fundraising process.

The findings of my study are aligned well with Acker’s theory of gendered institutions, but some surprising differences were also found. Acker’s conceptualization of tokenism, for instance, is such that the “token women” (the few women in a male-dominated environment) are treated as feminine stereotypes. While my study found this to be true for female start-up founders, I also found that the opposite might be true for female VCs—that token women internalize masculinity and adopt masculine behavior in order to adapt to the male-gendered environment and gain legitimacy. Yet, the direction of the internalization of masculinity was unclear; it may have been that female VCs with masculine traits were recruited because of those traits, or it may have been that female VCs adopt masculine traits and behaviors upon recruitment in order to adapt. This is another topic for further research. Lastly, my study expanded Acker’s theory of gendered institutions by applying the concept of gendering to not only individual bodies but to organizations and start-ups.

CONCLUDING THOUGHTS

This thesis was inspired by disbelief—disbelief in the striking absence of women in an ecosystem that is so pivotal to the growth and innovation of our economy and of our lives. I challenge the venture capital and start-up industry to encourage the development and growth of women (and other demographics currently not represented) within this ecosystem, as everyone can benefit from the diversity of minds, experiences, and skills. The myth of male oppression is reflected in the myth of female agency—individuals who state that women must simply be “more confident” or “more aggressive” in order to obtain VC funding must look at factors beyond individual traits and characteristics and see that there are currently significant structural barriers which impede women from achieving success. These barriers are not often perceivable, as this study suggests. They are often embedded within our own cognitive frames; only when we are challenged to challenge our own assumptions and taken-for-grantedness can we begin to see the subtle biases which may be precluding other groups of individuals from participating in the entrepreneurial landscape.

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APPENDICES

APPENDIX A: SOLICITATION EMAILS

Sample Solicitation Email Used to Recruit Start-up Founders

Subject: Interview request for research on female founders

Dear _____,

I am a student at Harvard writing my senior thesis on female startup founders and their access to venture capital funding. I am wondering if you would be available in the coming days/weeks for an interview to talk about your own experience.

The interview is 100% confidential, takes about 30 minutes, and will contribute to original research. Here is some background information on my thesis:
<http://wherearetheladies.tumblr.com>. Please let me know if you might be able to help!

Thank you and looking forward to hearing from you.

Best,

Alisha Ramos
Harvard College Class of 2012
Degree Candidate in Sociology
adramos@fas.harvard.edu

APPENDIX B: INTERVIEW INFORMATION AND CONSENT SHEET

Interview Information and Consent Sheet for Venture Capitalists

Purpose of the research: To understand the experiences of VCs in sourcing deals and the processes they use to do so; also to understand how this may affect the experiences of start-up founders in raising VC capital for their ventures.

What you will do in this research: If you decide to volunteer, you will be asked to participate in one interview. You will be asked several questions. Some of them will be about general information about yourself. Others will be about your experience sourcing deals and investing on behalf of your firm. With your permission, I will audio record the interviews so I don't have to make so many notes. You will not be asked to state your name or any other overtly identifying information on the recording.

Time required: The interview will take approximately 30 minutes to 1 hour.

Risks: No risks are anticipated.

Benefits: This is a chance for you to tell your story about your experiences in the venture capital or angel investing world. Subjects may find it interesting or rewarding to look back on their experiences funding (or not funding) startups. Your participation will also contribute to original research that hopes to alleviate inequalities existing in entrepreneurship and venture capital. The results of the survey will go towards a research paper that may be shared with you, if you wish.

Compensation: There is no compensation for participating in this study.

Confidentiality: Your responses to interview questions will be kept confidential. At no time will your actual identity be revealed. You will be assigned a random numerical code. Anyone who helps me transcribe responses will only know you by this code. The recording will be destroyed as soon my senior thesis has been submitted and reviewed. The transcript, without your name, will be kept until the research is complete. All research data be retained until my thesis has been graded. The key code linking your name with your number will be kept in a locked file cabinet in a locked office, and no one else will have access to it. It will be destroyed when my senior thesis has been submitted and reviewed. The data you give me will be used my senior thesis and may be used as the basis for articles or presentations in the future. I won't use your name or information that would identify you in any publications or presentations.

Participation and withdrawal: Your participation is completely voluntary, and you may withdraw from the study at any time without penalty. You may withdraw by informing me that you no longer wish to participate (no questions will be asked). You may also skip any question during the interview, but continue to participate in the rest of the study.

To Contact the Researcher: If you have questions or concerns about this research, please contact: Alisha D. Ramos Phone: (910) 584-0439; 357 Leverett Mail Center, Cambridge, Massachusetts 02138; Email: adramos@fas.harvard.edu. You may also contact the faculty member supervising this work: David Ager, Director of Undergraduate Studies and Lecturer on Sociology; 616 William James Hall, 33 Kirkland St, Cambridge, Massachusetts 02138; 617-496-9091; Email: ager@wjh.harvard.edu. You may also contact the graduate student supervising this work: Erin Reid, Graduate Student in Organizational Behavior / Sociology; ereid@fas.harvard.edu.

Whom to contact about your rights in this research, for questions, concerns, suggestions, or complaints that are not being addressed by the researcher, or research-related harm: Jane Calhoun, Harvard University Committee on the Use of Human Subjects in Research, 1414 Massachusetts Avenue, Room 234, Cambridge, MA 02138. Phone: 617-495-5459. E-mail: jcalhoun@fas.harvard.edu.

APPENDIX C: INTERVIEW GUIDES

Interview Guide #1: Start-up Founders

1. Background

- a. What led you to found a start-up? Have you founded any in the past?
- b. How many co-founders are there? Are any of them women?
- c. Do you have any technical skills? Do any of your co-founders?

2. Funding For Your Start-up

- a. How are you funded (friends, bootstrapped, angel investors, venture capitalists)?
- b. Why did you decide to seek funding?
- c. Who did you go to first? How did you decide which VCs to reach out
- d. Did you discern between East Coast VCs v. West Coast VCs? Why?
- e. How did you figure out how to navigate angel investors or venture capitalists? How did you educate yourself?
- f. How were you connected with VC firms? Did you have a connection who acted as an advocate and really vouched for you? How many VCs did you talk to, and how was that experience overall?
- h. During pitches, how did you present yourself to VCs?
- i. How did you decide on which investors you wanted in on the round of funding?
- j. Do you think being a female with technical skills shields you from gender discrimination?
- k. How did you feel being a woman (or man) throughout this whole process? Any perceived differences?

3. Networking

- a. How did you identify likely investors? Through friends, through networking events?
- b. Cross-gender networking: Did male friends or female friends connect you to the people who have helped you the most?
- c. What sorts of networking events have you gone to? How was that? Why did you go? Was it because of a friend, or out of your own will? How did you find out about it?
- d. How often do you attend these networking events?
- e. Overall, do you feel that VCs are pretty accessible to you? Why?
- f. Who do you consider your mentors? And/or advocates?

5. Tell me about the recent change you've noticed with females in the tech scene, especially in New York or Silicon Valley. How would you describe what's going on? Do you think NYC is more female friendly than Silicon Valley?

Interview Guide #2: Venture Capitalists

1. Background
 - a. What is your background?
 - b. What led you to work at a VC firm?
2. The VC Firm
 - a. In what types of companies or stages do you invest?
 - b. How large is the firm, and are there any women at the firm?
 - d. What are the companies like in your current portfolio? Are any of them run by women?
3. Investment Process
 - a. Tell me about how you source deals. Through connections, networking events?
 - b. How do you identify likely investments? What common characteristics do they have?
 - c. How many women have pitched? What was that like?
 - d. Do you feel that you are accessible to entrepreneurs as a firm?
7. What are your thoughts on female entrepreneurs and the ways in which they seek capital? Any advice to give?

APPENDIX D: CODE FAMILIES

Below is the list of codes used in ATLAS.ti to analyze qualitative interview data.

Background

- a. Age
- b. Boston
- c. Business school
- d. Career management
- e. Consulting
- f. Exit or IPO
- g. Family
- h. Finance industry
- i. Ivy League
- j. New York
- k. Past start-up experience
- l. San Francisco
- m. Technical
- n. Track record of success
- h. Felt no gender discrimination
- i. Female was advantage
- j. Financing strategy
- k. Friends and family round
- l. Venture capital knowledge

IV. VC Investments

- V. Deal sourcing
- VI. Domain expertise
- VII. Evaluation
- VIII. Female VC seeking female entrepreneurs
- IX. Incubator
- X. Warm intros

II. Presentation or Interactions

- a. Aggressiveness
- b. "Invisible or patronized"
- c. Male-oriented events
- d. Males VCs not "getting it"
- e. Not impressed by female groups
- f. Pitching
- g. Presentation of Self
- h. Stereotyped
- i. Involved in start-up community

XI. Social Networks

- a. Advocates
- b. Easy access to network
- c. Entrepreneur friends
- d. Female-only networking groups
- e. Female advocate for male
- f. Homophily
- g. Mentorship
- h. Mutual friends
- i. Previous colleagues
- j. Role models
- k. Same-sex networking
- l. Social network make-up

III. VC Fundraising

- a. Angel investor majority
- b. Angel to VC round
- c. Bootstrapping
- d. Casual settings
- e. Choosing the right VC
- f. Commonalities
- g. Ease of funding

XII. Explanations for Lack of Women

- a. No technical women
- b. No women in pipeline
- c. No women in VC
- d. Size of the opportunity/big ideas
- e. VC firm gender ratio

