Why It's Harder For Women to Raise Venture Capital Funds
By: Lisa Falzone

There is gender bias in the startup community. There is no doubt about it. Women currently hold only 4.2 percent of Fortune 500 CEO positions and 4.5 percent of Fortune 1000 CEO positions. And very few have founded a company to a billion dollar valuation. Despite the growing number of women entrepreneurs, only 3 percent of women-owned businesses have revenues of $1 million or more compared with 6 percent of men-owned businesses. Not only that, but when I look around at my peer group, I stand as a minority with only 6 percent of CEOs being women. This needs to change.

In order to level the gender playing field, it starts with women having a great idea and being able to fund that idea. Securing financial backing is not only validation of the idea. It’s a critical step for any entrepreneur to create a quickly growing company. Unfortunately, the Venture Capital landscape today makes this very difficult for women to achieve. As a result, it’s also hurting our economy. To put this into perspective, according the Economist, if women entrepreneurs in the US started with the same capital as men, they would add 6 million jobs to the economy in five years -- 2 million of those in the first year alone.

When I was securing our first round of funding for Revel, during VC pitch meetings, the receptionist would be the only woman I would see. There were rarely any female associates or partners. People tend to succumb to self-selection bias, meaning they tend to give funding to someone similar to themselves. Women represent just over 15 percent of angel investors, but a mere five to seven percent of partner-level high-tech venture capital investors in the U.S., according to a 2011 report, Women’s Economic Empowerment. If the majority of people who work at VC firms are men, they tend to give funding to other men. From the get-go, women founders are at a huge disadvantage. If they can’t secure funding, they won’t be able to make their dream a reality.

VCs make investment decisions based on past performance and the precedent for funding female-run startups is not as established as their male counterparts. I spend a lot of time establishing credibility through our results at Revel Systems, because by default, investors may have never seen a woman really take on something big.

What can we do to solve the gender-bias and inequity within the startup community? The typical answer here is to try and start with staffing. But I argue that this is the wrong answer. It is still important to hire the best people in a startup and show no gender bias on either front. But if you hire a woman just because she is a woman that may actually hurt in the long run if she doesn’t have the skills and experience necessary to excel. In my experience, I’ve found you have to hire the best people, no exceptions. If that hire happens to be a woman, then great.

So what’s the solution? Start earlier -- way earlier. People say, “You need more women who are engineers or programmers.” That’s a great start but that won’t help break the infamous glass ceiling. The ceiling has not budged more than a few inches over the last decade. I want to change that and so should other women. I am not a coder and a lot of great entrepreneurs aren’t either. My strength is in leading people and having the ideas and conviction to start something and make it grow. And I want to teach other girls to do the same.

As a female founder, the best thing I can do to change this cultural imbalance is to mentor women’s groups and high school students to get them interested in entrepreneurship and business. Like many other successful women, I meet with high school girls and let them know my story and that they too can start their own company, if that’s what they want to do. It’s not easy, but great things in life rarely are. There are also amazing groups and initiatives like The Next Women and Women2.0 to encourage young women to pitch and pursue their next big idea. Change comes by encouraging woman to go for it.

This gender issue and bias is due to part inspiration and part awareness. It’s important to be aware that girls want to grow up and create things just as much as boys do. It’s up to the current startup founders to encourage this next generation to be involved in the VC process and startup movement. The bias will eventually even out, but we can take steps to help accelerate that process.

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