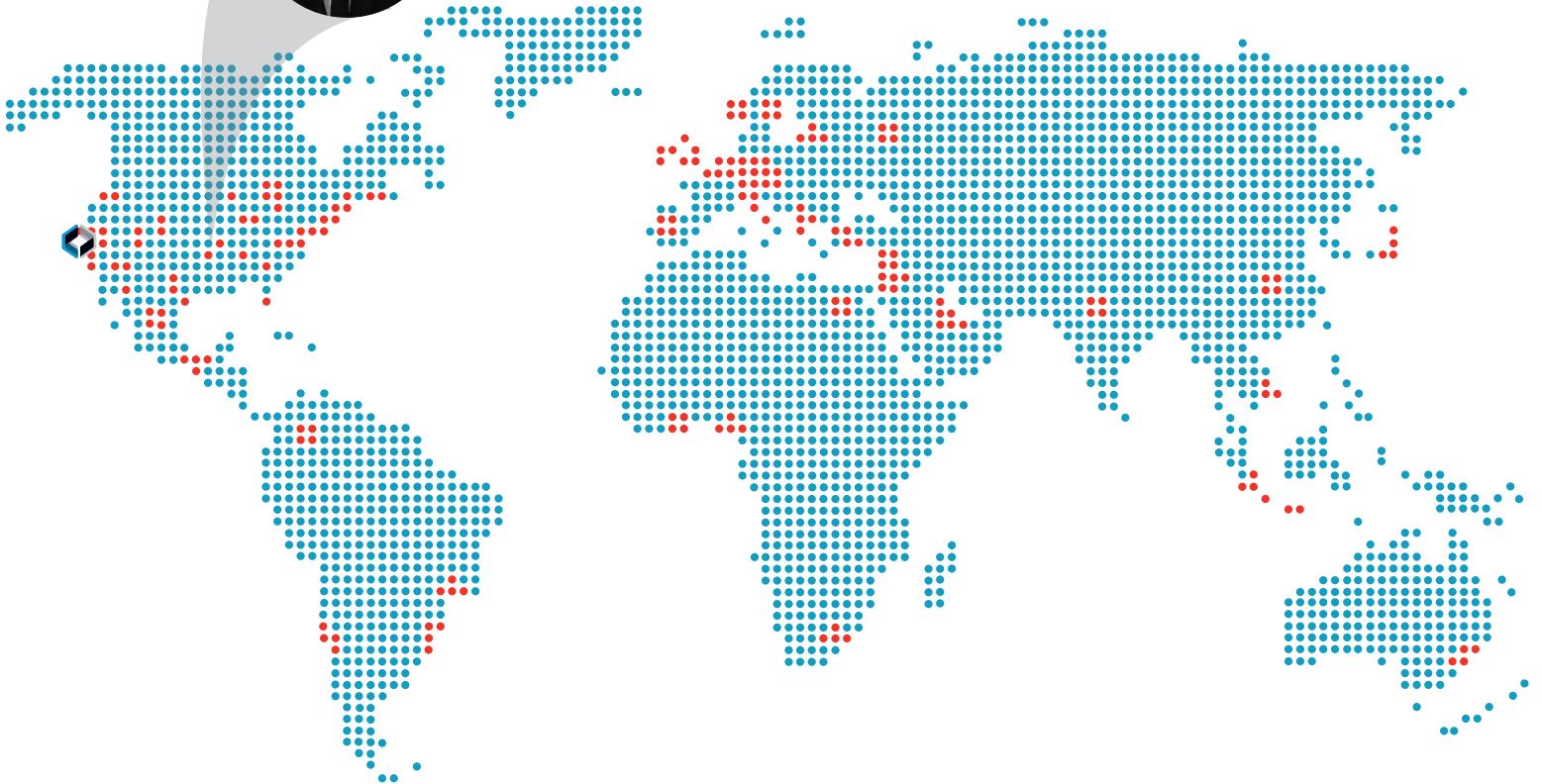




Kauffman Fellows **REPORT**

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The Rising Tide: A “Learning-By-Investing” Initiative to Bridge the Gender Gap

Juliana Garaizar

Class 18

About one-third of all small businesses in the United States are founded by women and yet only 7% of venture funds go to startups led by female founders.¹ The Diana Project from Babson College examined possible reasons why **only 15% of all venture-backed startups had women on their executive teams**.² Was it their lack of preparation—or motivation—to run high-growing businesses? Not at all: companies with women on the executive team are just as successful (if not more successful) than companies with no women on their teams.

Since the women entrepreneurs themselves are not the problem, **what can we do to change the attitudes of investors?** As women grow in terms of wealth creation and control (in the United States alone, women control \$11.2 trillion, or 39%, of the country’s investable assets³), their interest in helping

other women shows up in their investment decisions.

Women tend to invest more in women than men do. In fact, VC firms with women partners will invest in startups with a woman on the executive team at a rate that is nearly 3 times that of venture firms with only male partners (34% vs. 13%), and they are nearly 4 times as likely to invest in companies with women CEOs (58% vs. 15%).⁴ The Kauffman Foundation found that women are also more likely to get further engaged by taking a board role in the companies in which they invest.⁵

As women invest in greater numbers, the number—and kinds—of companies headed up by women will also rise. According to the CEO of Womenable, Julie R. Weeks, **“adding women to the equation certainly broadens the view of what’s worth investing in.”**⁶ In this article, I outline one way for the investment community to take steps toward more equal participation for women—through angel investing—and then describe my

¹ Alison Wood Brooks, Laura Huang, Sarah Wood Kearney, and Fiona E. Murray, “Investors Prefer Entrepreneurial Ventures Pitched by Attractive Men,” *PNAS* 111, no. 12 (2014): 4427, para. 4, <http://www.pnas.org/content/111/12/4427.full.pdf>.

² *Diana Report*, 6. To improve readability, data sources are abbreviated in footnotes; see this article’s appendix for full references.

³ Sylvia Ann Hewlett and Andrea Turner Moffitt, *Harness the Power of the Purse: Female Investors and Global Opportunities for Growth* (Center for Talent Innovation, 2014), 3, http://www.talentinnovation.org/assets/HarnessingThePowerOfThePurse_ExecSumm-CTI-CONFIDENTIAL.pdf.

⁴ *Diana Report*, 11.

⁵ Ewing Marion Kauffman Foundation, *Women and Angel Investing: An Untapped Pool of Equity for Entrepreneurs* (April 2006), http://sites.kauffman.org/pdf/women_and_angel_investing_100906.pdf.

⁶ Meghan Casserly, “Tipping The Scales: Women Angel Investing Reaches All-Time High,” *Forbes*, 25 April 2013, para. 6, <http://www.forbes.com/sites/meghancasserly/2013/04/25/tipping-the-scales-women-angel-investing-reaches-all-time-high/>.

own efforts to do so through the Rising Tide initiative.

The White Space: Angel Investing

Angel investing is currently in growth-mode and has become an attractive source of capital for women- and minority-owned firms that do not necessarily have the high-profile connections to pursue venture funding. Almost 305,000 angels invested \$24.6 billion in 71,100 companies in United States in 2015⁷—over 40% of the total money that venture capitalists invested in the same year.⁸

Angels are far more likely to invest in seed-stage and startup companies than traditional VCs, and since women entrepreneurs have a tougher time connecting with venture capital, [closing the angel investment gap can help close the funding gap faced by female founders](#). In *Harness the Power of the Purse*,⁹ Andrea Turner Moffitt interviews women entrepreneurs: as these entrepreneurs become successful and begin engaging in investing, angel investing allows them to select, support, and guide women-fronted organizations.¹⁰

Unlike venture capital’s track record with women, [the new angel numbers are extremely promising](#). For nearly all metrics, the numbers hit record heights in 2014 and 2015: the number of female angel investors showed a 33% increase from 2013 to 2015 versus their male counterparts’ 5% decline ([figure 1](#)).

Overall, the total numbers of women seeking and receiving angel funding both increased substantially in recent years, particularly in comparison to men ([figure 2](#), next page). Women’s gains on both the entrepreneur and angel sides of the equation, however, did show a slight dropoff in 2015.

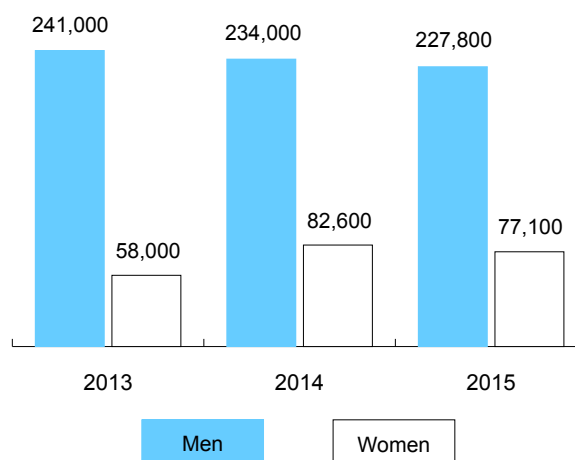


Figure 1. Male and Female Angel Investors, 2013–2015. Author’s figure; data from *Angel Market 2014*, 1-2; and *Angel Market 2015*, 1-2.

Looking back over the decade of 2005 to 2015 reveals these positive trends in women’s investing and entrepreneurship even more strongly, with 4 times the number of women angels as a decade ago ([figure 3](#)); on the startup side there are now 6 times the number of women entrepreneurs seeking deals, and triple the number of women receiving funding ([figure 4](#), next page).

This staggering growth in women angels and women receiving funding over the last 10 years is [the perfect setting for new initiatives striving to increase women’s presence in investing](#)—

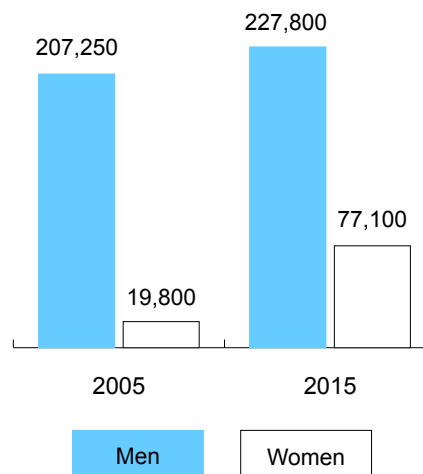


Figure 3. Male and Female Angel Investors, 2005–2015. Author’s figure; data from *Angel Market 2005*, 1-2; and *Angel Market 2015*, 1-2.

⁷ *Angel Market 2015*, 1.

⁸ National Venture Capital Association (NVCA), “2016 NVCA Yearbook Captures Busy Year for Venture Capital Activity” (press release), 8 March 2016, <http://nvca.org/pressreleases/2016-nvca-yearbook-captures-busy-year-for-venture-capital-activity/>.

⁹ Andrea Turner Moffitt, *Harness the Power of the Purse: Winning Women Investors* (Los Angeles: Rare Bird Books, 2015).

¹⁰ Geri Stengel, “Angels Change the Ratio for Women Entrepreneurs,” *Forbes*, 27 May 2015, 2 para. 4, <http://www.forbes.com/sites/geristengel/2015/05/27/angels-change-the-ratio-for-women-entrepreneurs/>.

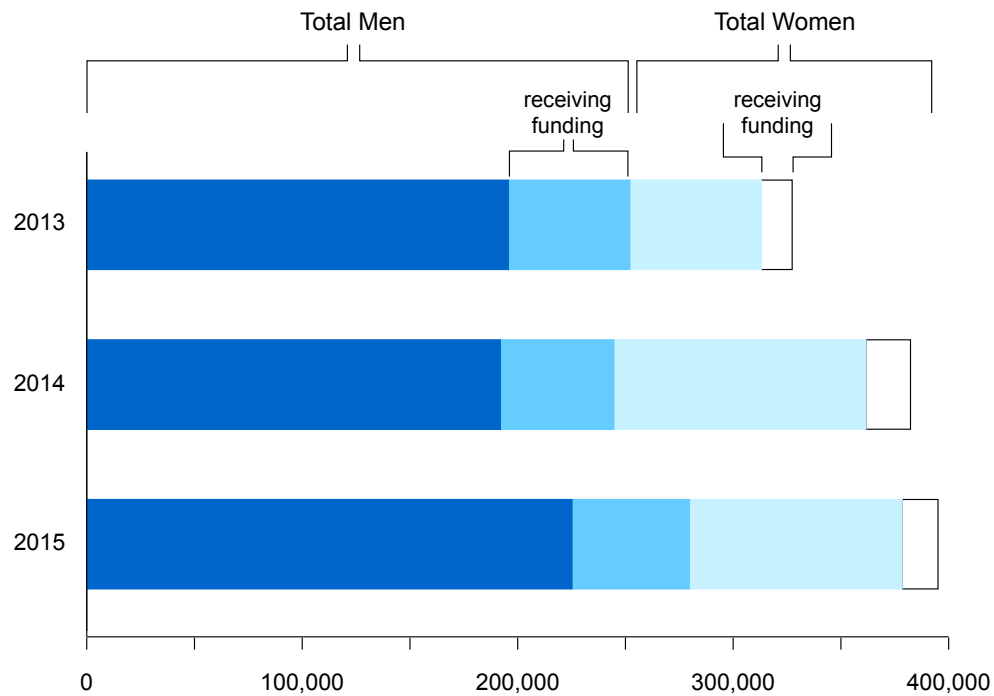


Figure 2. Male and Female Entrepreneurs Seeking and Receiving Angel Funding, 2013-2015.
 Author's figure; data from *Angel Market 2014*, 1-2; and *Angel Market 2015*, 1-2.

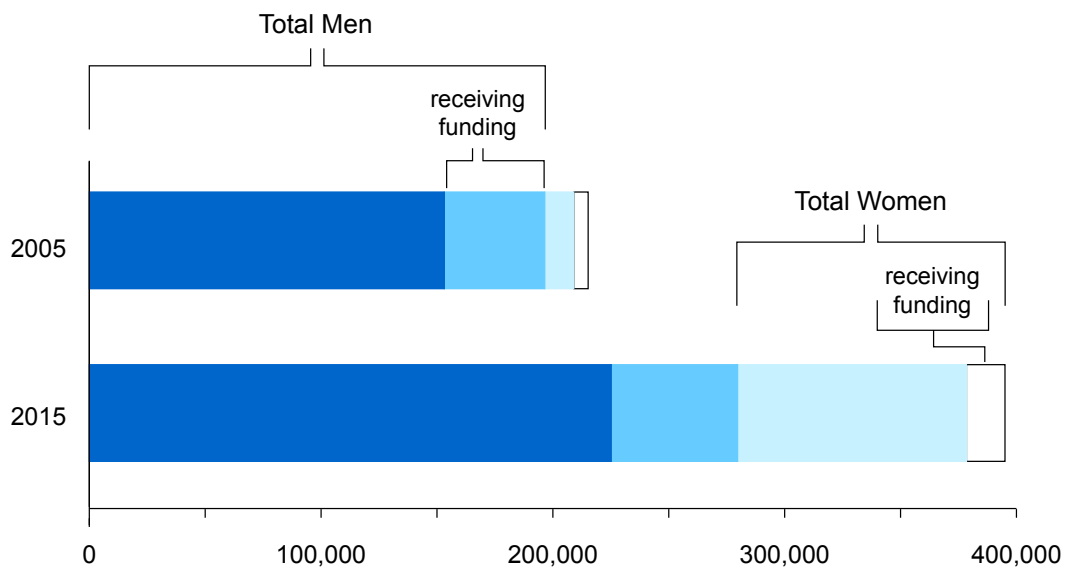


Figure 4. Male and Female Entrepreneurs Seeking and Receiving Angel Funding, 2005-2015.
 Author's figure; data from *Angel Market 2005*, 1-2; and *Angel Market 2015*, 1-2.

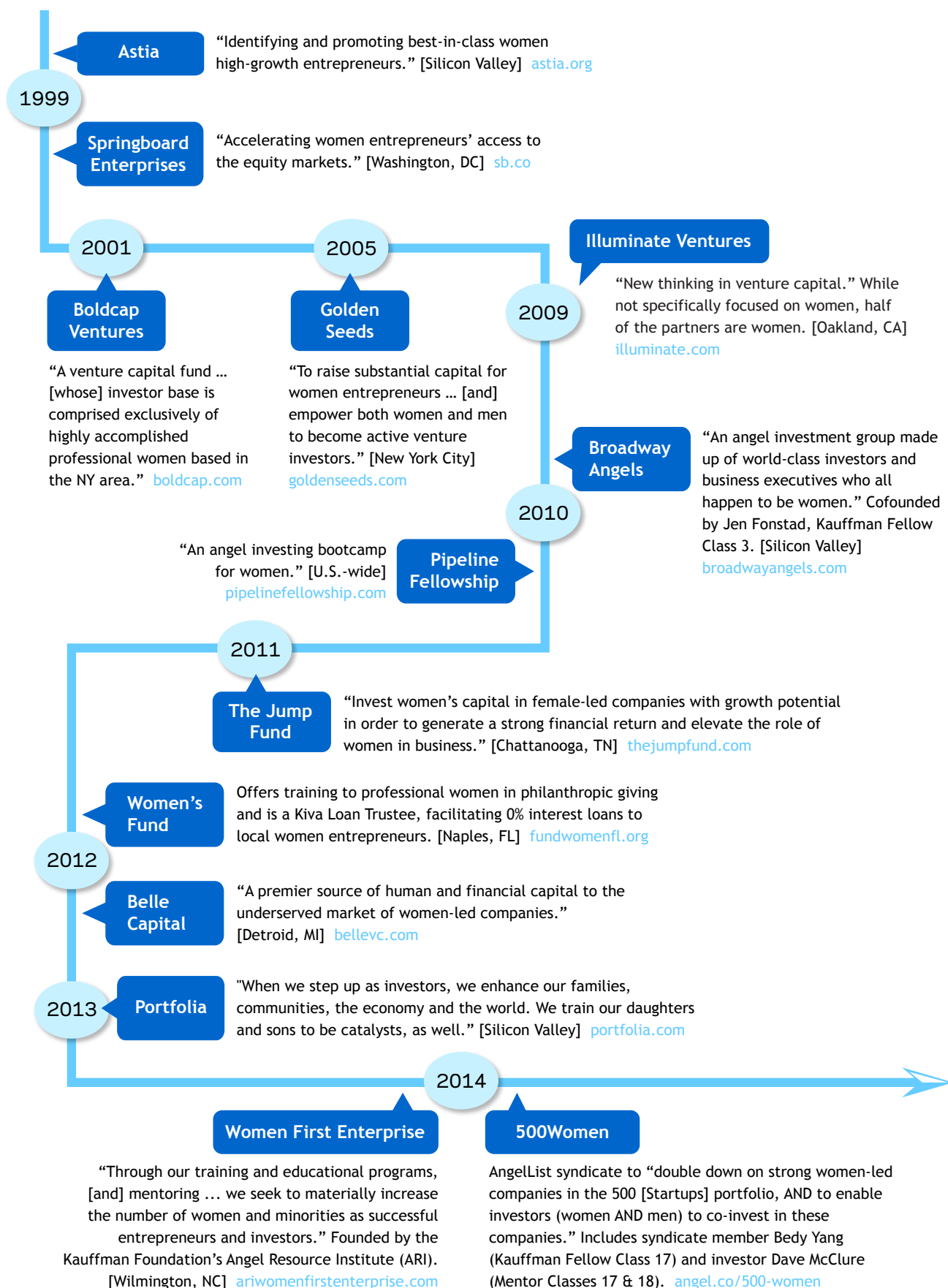


Figure 5. Women-Led and Women-Focused Investment Initiatives, 1999–2014. Author’s figure.

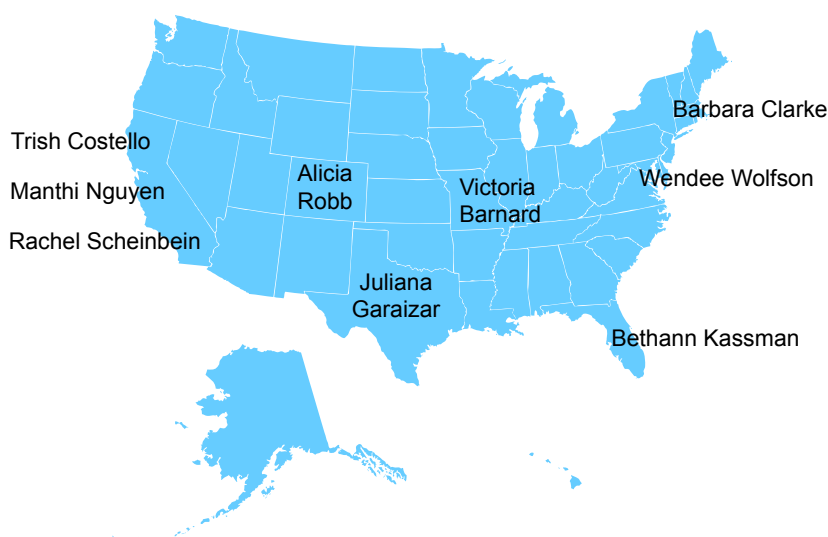


Figure 6. The Nine Senior Advisors for Rising Tide USA. Author's figure; data from Next Wave Ventures, "The Nine: Lead Angels for the Rising Tide Program—United States," 2015, <http://nextwave.ventures/the-nine/>.

and by correlation, funding more female entrepreneurs.

Investigation: Why Women Do Not Invest

Despite the many women-led and women-focused investment initiatives since 1999 (figure 5, previous page), we have not yet moved the needle in bridging the gender gap seen in figure 1. So, in 2015 when I joined a group of senior women investors interested in solving the angel investing gender gap, we began by investigating this vital question: why don't more women invest?

Through our preliminary research, we identified six main reasons why women's investing remains low:

- They don't know about angel investing and its opportunities
- They are not solicited to invest
- They feel ill-prepared for angel investing
- They are risk-averse and avoid this risky asset class
- They do not have the right network of angel investors
- They are not exposed to vetted deal flow¹¹

Armed with this understanding, we set out to design a way to address each item in the list.

¹¹ Next Wave Ventures, "A Brief Summary of the Rising Tide Angel Program," 2015, <http://nextwave.ventures/#post-risingtide>.

A New, Improved Initiative: The Rising Tide

The Rising Tide Program draws on the results of the research published by Alicia Robb in *The Next Wave: Financing Women's Growth-Oriented Firms*¹² and on the best elements of prior initiatives. This interesting new fund structure was launched in parallel in September/October 2015 in the U.S. (San Francisco) and Europe (Zurich).

The U.S. fund is sponsored by the Kauffman Foundation and managed by Alicia Robb (NextWave Ventures and Senior Fellow, Kauffman Foundation) and Trish Costello (Portfolia, Kauffman Fellows Founding CEO). Its nine Senior Advisors represent different angel groups/funds across the United States and include Barbara Clarke (Astia Angels, Massachusetts), Manthi Nguyen (Band of Angels, Sandhill Angels, Sierra Angels, California), and a group of leading women angels (figure 6)—including yours truly (Houston Angel Network, Texas).

Rising Tide's investment model is pretty simple by design; the intent is for it to be

¹² Susan Coleman and Alicia M. Robb, *The Next Wave: Financing Women's Growth-Oriented Firms* (Stanford: Stanford University Press, 2016).

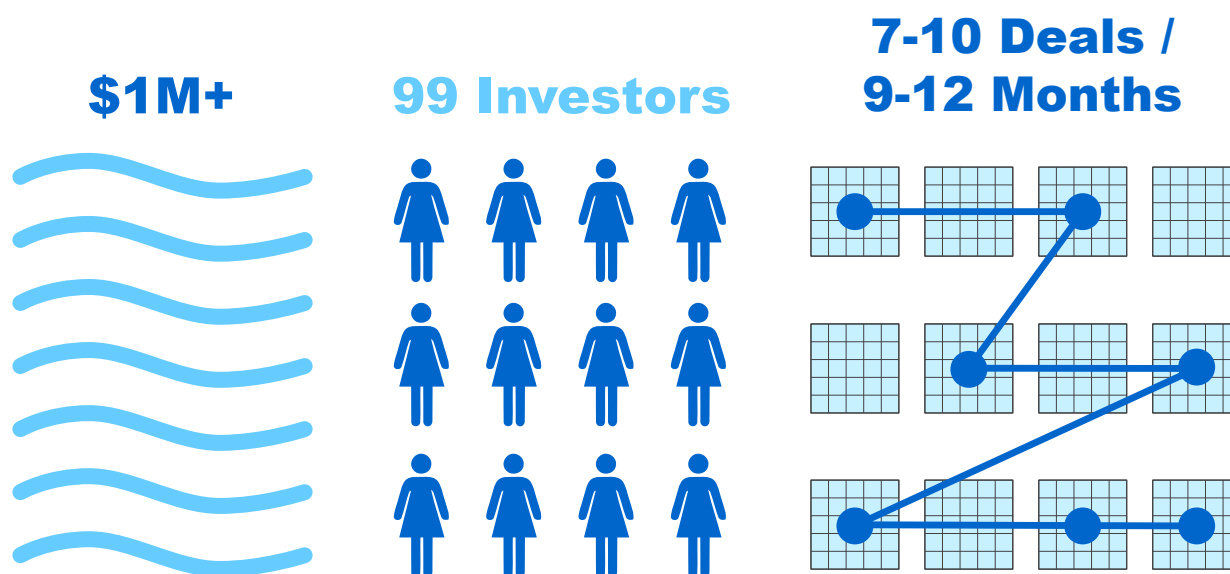


Figure 7. The Rising Tide Fund Model. The European Rising Tide group’s financial target is €1+ million. Figure from Next Wave Ventures, “Rising Tide Program,” <http://nextwave.ventures/>.

easily replicated for scalability and the capital easily deployed: 99 women LPs (90 + 9 Senior Advisors) invest a minimum of \$10,000 each so that \$1+ million is invested over 9 to 12 months (figure 7).

The nine Senior Advisors are women with significant angel investing experience in each geography who want to support the next generation of women angel investors and Rising Tide leads for subsequent funds. The other 90 investors are women who are mostly new and emerging angel investors, although some are prominent figures such as Sue Preston (Women First Enterprise) and Marianne Hudson (Angel Capital Association).

The nine lead investors are in charge of due diligence and ultimately decide on the group’s 7-10 investments (not necessarily women-led firms).¹³ Figure 8 shows the group’s U.S. investments to date. This “Learn by Investing” fund provides online access for the 90 LPs on the Portfolia platform in a password-protected area. There they can watch pitches (live and recorded), review due diligence materials, and have deal room access. Monthly feedback

about the deals is solicited from the 90 LPs, who can get involved in the due diligence and deal selection processes.

Online training materials are available to all investors in the program. Additional training is provided to program participants through online podcasts, webinars, “ask me anything” Q&A sessions, angel investor hours, and in-person quarterly regional workshops. All webinars are recorded and placed on the Portfolia platform (except for the ask-me-anything sessions, as their purpose is to provide a safe space for each attendee to ask any kind of question).

The Rising Tide Fund (RTF) seeks to narrow the gender gap in angel investing by providing women with the education¹⁴ and mentoring they need to become angel investors or fund managers, while offering them a unique learning opportunity that allows them to build a diversified portfolio of investments in terms of sector, investment

¹³ Next Wave Ventures, “Selection Process,” 2015, <http://nextwave.ventures/selection-process/>.

¹⁴ Next Wave Ventures, “Education and Training,” 2015, <http://nextwave.ventures/education-and-training/>.

Company	CEO	Sector	Location
RenovoRx	Shaun Bagai	BTB - Medical devices	Los Altos, CA
Tenacity	Ron Davis	BTB - SaaS	Seattle, WA
Poshly	Doreen Bloch	BTB - Big Data	New York, NY
Sandstone	Karen Drexler	BTC - Medical devices	Livermore, CA
Unaliwear	Jean Anne Booth	BTC - Hardware / wearables	Austin, TX
Envoy	Justin Lin	BTC - SaaS / consumer services	Mountain View, CA
OtoSense	Sebastien Christian	BTB - AI	Cambridge, MA

Figure 8. Rising Tide United States Investments to Date. Author's figure.

stage and geography,¹⁵ as well as to establish a personal network. Both European and U.S. programs culminate with an RTF investor summit in San Diego in October 2016, one year after their launch. The summit is the perfect opportunity for the 198 women investors from the United States and Europe to meet, share best practices, and plan the next Rising Tide Funds—by region or by sector. Another RTF summit to further develop new Rising Tide initiatives that arise in San Diego will take place in San Francisco right after the Angel Capital Association Summit in April 2017.

The Rising Tide Effect in the VC Industry

Some initiatives like Rising Tide Africa and Rising Tide Europe II are already in place, while others, like Rising Tide Asia and Latin America, are emerging. Other funds within the Rising Tide ecosystem have also been launched by some of the 90, such as Sara Brand's True Wealth Innovations.¹⁶ In the United States, the goal is to scale the Rising Tide. According to Trish Costello,

Five million women are accredited investors ... either they make more than \$200,000 a year or

have \$1 million in assets. ... Collectively, these 5 million women own about \$10 trillion in private investable assets. So when we look at these numbers—if women just began to put a very small amount of their investable wealth behind the [women-led] companies they want to see come to market, we could greatly shift what is happening in entrepreneurial world.¹⁷

Still, men will also be involved, and not only by supporting and spreading the word about this initiative and others like it. As we expect Rising Tide U.S. and Europe to be successful, we will bring together another group of investors, both men and women, into parallel co-investment funds or special purpose vehicles to syndicate with the main Rising Tide funds.

Investing in Women: Returns for Investors and for the World

Building a base of female investors is important. More women investors means more women-led companies funded—and the investment pays off.¹⁸ Privately held tech companies headed up by women “are more capital-efficient, achieve 35% higher return on investment, and, when venture-backed, bring in

¹⁵ Next Wave Ventures, “Goals of Program and Investment Thesis,” 2015, <http://nextwave.ventures/goals-of-program-and-investment-thesis/>.

¹⁶ <http://truewealthinnovations.com/>.

¹⁷ National Women's Business Council, “Spreading the Wealth: Getting Venture Capital to Women Entrepreneurs” (webinar), 11 September 2015, 47:13, <https://www.nwbc.gov/content/spreading-wealth-getting-venture-capital-women>.

¹⁸ Granger, “A Wave of Angel Investing Organizations Focuses on Women,” para. 4.

12% higher revenue than male-owned tech companies,” according to research presented at a 2013 Women 2.0 conference.¹⁹ A whitepaper by Illuminate Ventures also shows that venture-backed high tech companies led by women are good custodians of the funding they receive, using their capital more efficiently and making higher annual revenues than companies led by men.²⁰

On top of being more efficient, women also bring a strong sense of social responsibility. Women-led businesses often have a social impact (e.g., Kiva, Zipcar, and Taskrabbit, among others).²¹

In fact, microlending initiatives such as the Grameen Bank²² are based on the premise that women are more effective at managing money and pulling their families out of poverty. If microlending has such an effect, imagine how larger investments by and for women can impact their communities, and even their nations’ economies. The need to scale

up, in turn, means that promoting and supporting women entrepreneurs and investors should become a national priority, backed by funding and policy.²³

I ask your help in scaling the Rising Tide movement to create a real tsunami of worldwide impact. Spread the word to potential LPs or senior advisors interested in participating or forming a Rising Tide Fund in any geography. Promote or sponsor likely initiatives that Rising Tide could syndicate with, and advocate for policies supporting diversity in entrepreneurship and investments. Let’s keep the tide rising.



Juliana Garaizar

Juliana is the Managing Director of Houston Angel Network and Senior Advisor of the Rising Tide Fund.

Juliana was the Manager of the French Riviera’s Sophia Business Angels network, the Business Innovation Centre in Sophia Antipolis, and Project Manager of several European Commission Projects. Previously, Juliana worked for 5 years in Singapore: as an international trade consultant for the Spanish Trade Commission and then as a project manager for Citigroup’s Asia Technology Office.

Juliana obtained an MBA at the London Business School. She is President of Sophia Business Angels sidecar fund SBA ISF Holding, an Expert Committee Member of Success Europe, a member of the UT Horizons Fund External Advisory Committee, as well as an International Founding Member of Istanbul’s Galata Business Angels. Kauffman Fellow Class 18. jgaraizar@houstonangelnetwork.org

¹⁹ Karen E. Klein, “Women Who Run Tech Startups Are Catching Up,” *Bloomberg*, 20 February 2013, para. 1, <http://www.bloomberg.com/news/articles/2013-02-20/women-who-run-tech-startups-are-catching-up#r=hpt-fs>. The research was done by Vivek Wadhwa (Singularity University) and Lesa Mitchell (Vice President, Kauffman Foundation).

²⁰ Illuminate Ventures, *Whitepaper: High Performance Entrepreneurs Women in High Tech* (n.d.), available from <http://www.illuminate.com/whitepaper/>.

²¹ Cortese, “Filling the Funding Gap for Women Entrepreneurs,” para. 6.

²² <http://www.grameen.com>.

²³ Barclays Wealth Management, *Unlocking the Female Economy: The Path to Entrepreneurial Success*, January 2013, 8, https://wealth.barclays.com/content/dam/bwpublic/global/documents/wealth_management/unlocking-female-economy.pdf.

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The Rising Tide: A “Learning-By-Investing” Initiative to Bridge the Gender Gap

Juliana Garaizar • The author outlines why angel investing can increase participation of women as investors and entrepreneurs. As part of the Rising Tide team, she helped create a simple, scalable, and global “learn by investing” fund model to educate women into becoming new angels and fund leads.



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