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FEMALE ENTREPRENEURS & MALE ALLYSHIP

The win-win solution for shattering barriers in venture capital

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ABSTRACT

Male allyship is a critical determinant of whether an organization will successfully foster greater workplace equity for women. Empirical evidence demonstrates when men participate in workplace gender inclusion initiatives, and practice the principles of allyship, women experience greater progress and satisfaction in their careers. Drawing on existing literature, this paper first defines the principles of and perceived obstacles to allyship. It then discusses the research underscoring the benefits of male allyship for workplace outcomes. Lastly, it analyzes the most common obstacles to the success of women entrepreneurs in the VC funding process and illustrates how male allies can not only remove those obstacles but also advocate for the success of women entrepreneurs.

INTRODUCTION

As of the beginning of 2020, women now comprise a majority of the American workforce, yet the business ventures of women entrepreneurs remain chronically underfunded. Particularly in venture capital, women entrepreneurs face the structural and social challenges of an investment ecosystem that rejects their business ideas at a much higher rate than it rejects those of men. While opportunities in the venture capital space have grown for women entrepreneurs over the last two decades (the percentage of businesses with women on their executive team that received funding tripled between 1999 and 2013), women entrepreneurs continue to receive significantly smaller and fewer investments than their male counterparts — even when their business ideas are the same (Brush et al., 2018). This disparity, moreover, does not reflect different success rates between the business ideas of women entrepreneurs and those of men. In fact, women entrepreneurs generate more than twice as much revenue per dollar invested than men (Aernoudt and De San Jose, 2020). Why, then, do these differences in venture capital funding persist? To answer this question we first need to understand the history of the venture capital industry.

The overwhelming majority of VC firms have traditionally been exclusively male, and/or male-dominated, which has meant that VCs hire, invest in, or co-invest with those that are similar to themselves. Experts have termed this "homophily" in which similarity breeds connection (McPherson et al., 2001). In the case of the VC industry, this has led to an industry with mostly men at the helm of leading venture capital firms, and solutions being created for a select few, which has become a systemic issue resulting in a lack of diversity in the venture capital industry.

There needs to be changes in the basic infrastructure of the VC industry for women to catch up, and one of those changes is the 100% involvement of men to partner with women and break down the barriers to venture capital investing and funding. More women are needed in investment decision making roles as well as entrepreneurs. To encourage more male allyship, firms and investors within venture capital must change in three critical ways. First, they must learn to recognize and understand the principles of male allyship as well as the obstacles that prevent many men from being vocal allies. Second, they must center their investment strategies around the tangible advantages of promoting male allyship within the investment community. And lastly, they must identify the most common barriers to women entrepreneurs in the venture capital process and implement strategies to not only shatter those barriers but also to advocate for women's success.

THE PRINCIPLES AND OBSTACLES OF MALE ALLYSHIP

By learning and practicing the key principles of male allyship, firms and investors in venture capital can support a more productive and welcoming ecosystem for women entrepreneurs. Following the model of W. Brad Johnson and David G. Smith, co-authors of Good Guys: How Men Can Be Better Allies for Women in the Workplace, we define male allies as "members of an advantaged group committed to building relationships with women, expressing as little sexism in their own behavior as possible, understanding the social privilege conferred by their gender, and demonstrating active efforts to address gender inequities at work and in society" (Johnson and Smith, 2019). To fulfill this commitment, male allies generally adhere to five principles:

1. Listen to and create space for the voices of women entrepreneurs;
2. Center your advocacy around the interests of women entrepreneurs rather than yourself or your firm;
3. Be a sponsor as well as a mentor for women entrepreneurs;
4. Stand up and speak our against microaggressions; and
5. Invest your time and financial resources in causes that directly support women.

These principles should contribute to the overall goal of creating space for more visible, supportive, and productive professional partnerships with women entrepreneurs. Learning these principles starts firms and investors on the path towards that goal; putting the principles into practice makes it possible to actually reach it.

Still, if it were easy to put the principles of male allyship into practice, the venture capital landscape would look much different than it does today. An array of structural and cultural obstacles discourages potential male allies from supporting women entrepreneurs. Some men might fear losing their standing in the workplace by being an ally. Research suggests that this fear is reasonable: men who advocate for others in the workplace are often judged as being less competent and are more likely to be dismissed than those who advocate solely for their interests (Bosak et al., 2018). Other men are simply unaware of the challenges faced by women entrepreneurs and see male allyship as unnecessary or counterproductive. Most difficult of all are the men who outwardly support performative male allyship yet neglect to reckon with their own unconscious preferences for stereotypically masculine and assertive business ideas or entrepreneurs.

Understanding both the principles of male allyship and the obstacles that prevent potential male allies from stepping forward is crucial to breaking down the barriers between women entrepreneurs and venture capital funding. Firms and investors in venture capital have an obligation to learn the principles of male allyship and know how to avoid their most common pitfalls.

THE BENEFITS OF ALLYSHIP FOR BUSINESS OUTCOMES

Encouraging productive male allyship takes determination and effort on the part of firms and investors, but empirical evidence suggests that it can pay significant dividends. On a macroeconomic scale, if women were empowered to participate in the economy to the same extent as men, estimates indicate that it would increase annual global GDP by an estimated 26%, or $28 trillion (Johnson and Smith, 2019). For firms and investors, the benefits can be just as dramatic. Businesses founded by women generate twice as much revenue per dollar invested on average as those founded by men, and over five years, they generate 10% more in cumulative revenue (Aernoudt and De San Jose, 2020). More investments in women entrepreneurs mean more returns for venture capital firms.

Businesses led by women entrepreneurs meet many of the same performance milestones in the venture capital process as those led by men, but they are much more successful in terms of exits. While only 9% of businesses with male founders exit successfully, 12% of firms with at least one female founder are successfully acquired (Aernoudt and De San Jose, 2020). Supporting and investing in women entrepreneurs isn't just the right thing to do — it can yield significant returns for firms and investors in venture capital.

THE NEED FOR MALE ALLYSHIP IN VENTURE CAPITAL

To realize the full benefits of investing in women entrepreneurs, firms and investors must actively promote male allyship. Recent analyses show that only 30% of firms with gender inclusion programs achieve progress when men are not deliberately engaged, as opposed to 96% of firms when men are engaged (Johnson and Brad, 2019). Venture capital firms must do more than simply recognize the principles and benefits of male allyship; they must take tangible steps to identify where male allyship is most needed within their organizations and create greater opportunities for women to succeed.

Venture capital firms must first take initiative and examine their internal management — beginning all the way at the top. Of all the venture capital firms within the United States, a mere 6% are led by a female general partner — only a third of which are women of color (Women in VC, 2020). By giving women greater consideration for leadership positions, venture capital firms can expect to increase their fund returns by as much as 1.5% and their profitable exits by 9.7% (Gompers and Kavvali, 2018). Male venture capital leaders should also use their privilege to help elevate talented women to management positions within their firms. Actively promoting women can accelerate their career prospects and help combat the "broken rung" phenomenon that continues to prevent many women from securing higher-level leadership positions (Coury et al., 2021). Creating more leadership opportunities for women in venture capital will also generate a positive trickle-down effect by increasing the amount of funding opportunities available for female-led and female-owned companies. Research indicates that women-led funds are twice as likely to invest in companies with female founders and 3 to 4 times more likely to invest in companies with female CEOs (Brush, 2014). Given the clear benefits associated with investing within female-led startups and lifting women up within the business itself, men should tackle the opportunity gap within venture capital by putting more time and resources into mentoring and sponsoring emerging female leaders as well as giving women every benefit of the doubt before deciding whether to invest in their business.

However, pledging to create more opportunities for female leaders alone will not be enough to produce the meaningful change the venture capital industry desperately needs. Venture capital firms must constantly and deliberately reflect on their company culture and ecosystems. With a renewed focus on elevating and recognizing women, venture capital can be more accepting of women and less tolerant of marginalizing behavior and the systemic challenges they face in the industry. This focus should be deep and sustained. Firms should avoid adopting performative strategies such as one-off bias training sessions that are limited in scope and ultimately fail to confront years (often decades) of toxic workplace culture. These and other similar “half measures” are rarely effective in changing harmful workplace gender dynamics on their own (Urbina, 2020). Efforts to promote male allyship should instead be a continuous effort comprising a prolonged dialogue within the workplace — not a tokenistic attempt to express support for well-intentioned but ultimately inconsequential ad-hoc initiatives.

CONCLUSION

Over the last few decades, venture capital has paved the way for incredible innovations. Without it, the men and women entrepreneurs behind companies like Facebook, Spotify, Dropbox, and Canva would never have succeeded. Now, however, venture capital needs to lead a new wave of innovation by supporting women. The disparity in access to venture capital funding between men and women entrepreneurs holds the entire industry back. Allowing this gap to persist not only maintains cultural and structural problems within venture capital but also prevents the industry from profiting from the business ideas of thousands of high-potential women entrepreneurs.

If venture capital is to move forward, firms and investors must learn and practice the principles of male allyship, incorporate empirical evidence about the profitability of women-led businesses into their investment strategies, and urgently and actively identify and dismantle the barriers faced by women entrepreneurs and investors. It's far past time for venture capital to step back, listen, and let women lead the way — with men as their allies.

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About Us

Shatter Fund

Shatter Fund is a Venture Capital fund which exclusively invests in high potential disruptive technology companies led by female entrepreneurs. The Shatter Fund was founded and is led by Shelly Kapoor-Collins, who was previously the Tech Advisor to Vice President Kamala Harris.

The Shatter Foundation, with the key backing of Founding Sponsor, Franklin Templeton, and in partnership with Shelly Kapoor Collins's alma mater the University of Maryland, will benefit underserved girls by providing them educational tools, grants, and mentorship to think, create and confidently innovate. The Shatter Foundation's educational programming kicks off in summer 2021.

Learn more at: ShatterFund.com
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