Kauffman Fellows REPORT

Forward-thinking articles from our global network of innovation ecosystem experts
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

² Diana Report, 6. To improve readability, data sources are abbreviated in footnotes; see this article’s appendix for full references.
⁴ Diana Report, 11.
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 2015—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.

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—

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7 *Angel Market 2015*, 1.
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.
The Rising Tide: A “Learning-By-Investing” Initiative

“Identifying and promoting best-in-class women high-growth entrepreneurs.” [Silicon Valley] astia.org

“Accelerating women entrepreneurs’ access to the equity markets.” [Washington, DC] sb.co

“A venture capital fund … [whose] investor base is comprised exclusively of highly accomplished professional women based in the NY area.” boldcap.com

“To raise substantial capital for women entrepreneurs … [and] empower both women and men to become active venture investors.” [New York City] goldenseeds.com

“An angel investing bootcamp for women.” [U.S.-wide] pipelinefellowship.com

“Invest women’s capital in female-led companies with growth potential in order to generate a strong financial return and elevate the role of women in business.” [Chattanooga, TN] thejumpfund.com

Offers training to professional women in philanthropic giving and is a Kiva Loan Trustee, facilitating 0% interest loans to local women entrepreneurs. [Naples, FL] fundwomenfl.org

“A premier source of human and financial capital to the underserved market of women-led companies.” [Detroit, MI] bellevc.com

“When we step up as investors, we enhance our families, communities, the economy and the world. We train our daughters and sons to be catalysts, as well.” [Silicon Valley] portfolia.com

“Through our training and educational programs, [and] mentoring … we seek to materially increase the number of women and minorities as successful entrepreneurs and investors.” Founded by the Kauffman Foundation’s Angel Resource Institute (ARI). [Wilmington, NC] ariwomenfirstenterprise.com

AngelList syndicate to “double down on strong women-led companies in the 500 [Startups] portfolio, AND to enable investors (women AND men) to co-invest in these companies.” Includes syndicate member Bedy Yang (Kauffman Fellow Class 17) and investor Dave McClure (Mentor Classes 17 & 18). angel.co/500-women

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

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

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**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* 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

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The Rising Tide Fund (RTF) seeks to narrow the gender gap in angel investing by providing women with the education 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 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).

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stage and geography, 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. 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.

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. Privately held tech companies headed up by women “are more capital-efficient, achieve 35% higher return on investment, and, when venture-backed, bring in

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

16 http://truewealthinnovations.com/.
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. 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.

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).

In fact, microlending initiatives such as the Grameen Bank 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.

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


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


### List of Data Sources

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Amending the First Commandment of the Capitalist World: A Call to Action
Yoel Cheshin • Business leaders are urged to pursue an updated “first commandment of capitalism”: to maximize welfare for all of the corporation’s stakeholders, including the community and the environment. The author shares case studies demonstrating that this updated commandment can be pursued at the individual or organization levels.

Forget “Superpowers”: Three Traits for Extraordinary Success in Venture Capital
Phil Wickham • The author reflects on his 20-year journey with KF and shares his own take on the “secret sauce” that leads to outsized successes—and it’s no superpower. As he describes, Kauffman Fellows has accelerated impact by cultivating the 3 traits that make exceptional VC leaders.

Disrupting Healthcare: No Experience Needed
Matt Otterstatter • VCs often turn away healthcare startups because of the truism that the founder must have healthcare experience in order to succeed—but is their assumption accurate? The author shares the surprising results of his research into this question, and the implications for healthcare.

The Future of VC in Spain: Time for a Track Record
Liz Fleming • Spain’s venture capital industry has seen rapid growth in recent years with public and private investors playing a key role. To encourage more private funding, the author maps the LP landscape in Spain, reviews recent positive exits, and describes the rising stars of Spain’s tech industry.

Midcontinent Venture Capital—Growing in Leaps and Bounds
Aziz Gilani & Lauren-Kristine Pryzant • The middle of the United States is an up-and-coming venture capital market that has experienced steady growth in recent years. The authors share how growth has centered around states and cities that have developed engaged communities with a strong support system for startups.

High-Tech Exceptionalism: From the Front Lines
Lakshmikanth Ananth • Traditional strategic-analysis models have not been able to successfully handle the exceptional nature of high-tech markets. Drawing on his 20 years as an engineer, investor, and strategist, the author shares a 4-phase framework for high-tech strategy that plans for and even thrives on technological shifts.

Supporting an Entrepreneurial Mindset Among Estonian Youth: An “Entrepreneurs in Schools” Pilot Project
Marek Kiisa • Estonians have been slow to take advantage of the country’s ideal climate for innovation—as in many countries with lingering cultural barriers to entrepreneurship. The author shares a simple yet impressively effective program to change those attitudes among young people through school visits by local entrepreneurs.

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.
We welcome the members of the newest class of the Kauffman Fellows Program.

Nik Berman
KaszeK Ventures

Mira Chaurushiya
SAM Ventures

Josh Breinlinger
Jackson Square Ventures

Ashley Carroll
Social Capital

Jonathan Charles
Samsung Catalyst Fund

Becker Chase
yet2 Ventures

Eyal Mayer
Marker LLC

Lisa Coca
GE Ventures

Kelli Cullinane
Legacy Venture

Vijay Reddy
Intel Capital

Tyson Clark
GV

Claire England
Central Texas Angel Network

Geoffrey See
Choson Exchange

Katelyn Donnelly
Pearson Affordable Learning Fund

Andrew Goldner
GrowthX

Enrique Gonzalez
Softbank Kaikaku Fund

Adrian Li
Convergence Ventures

Sofia Garrido
ALLVP

Sofia Garrido
ALLVP

Kirby Harris
Base Ventures

Mee-Jung Jang
Jefferson Investors

Shintaro Kaido
Drexel Ventures

Brigette Lau
Social Capital

Yousef Hammad
BECO Capital

Kathryn Doyle
Draper Richards Kaplan Foundation

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Upfront Ventures

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Peter Liu
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Softbank Kaikaku Fund

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