Startups With This Type of Founder Make 151% More in Revenue

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In 2020, the share of venture funding going to female founders shrank to a mere 2.3%. In a world where having access to capital can make or break your company, that means only two women for every 98 men get that opportunity. I am one of those two women.

This month, my company, Spekit, announced our $12 million Series A round of funding to disrupt the way that employees learn in the workplace. It's an accomplishment we could only dream of three years ago, as we brainstormed product ideas on elevator rides and lunch breaks. The road to Series A was for us, as it is for all women, paved with obstacles. I didn't attend an Ivy League school. I wasn't a serial entrepreneur. And, above all else, my co-founder and I are female.

Statistically, the cards were stacked against us and will continue to be as our company scales. You've heard the statistics, but allow me to share a few: When all-female teams actually get the opportunity to pitch, venture capitalists (VCs) spend 30% less time on the fundraising ask, 50% more time on the traction section and 24% more time on the product slides. Essentially, we're scrutinized harder and longer, and in the end, we raise 30% less than male founding teams on

average.

But the challenges we've had to overcome also provide a platform to influence change. Reading the headlines of incredible female founders like Whitney Wolfe Herd, the youngest female CEO ever to IPO, reminds me that this funding is an opportunity to shift the landscape.

Together, we can shape a business world that replaces bias with inclusivity, convention with opportunity and assumptions with logic. The first step to building this new future is addressing several key areas.

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Building an iconic company requires capital

Forbes's latest list of 100 Most Innovative Leaders ranged from Jeff Bezos to Marc Benioff. A better title might have been "100 Most Innovative Men" given there was exactly one woman on the list of 100 leaders who made the cut. For their rankings, Forbes looked at CEOs and graded them based on media reputation for innovation, social connections and capital, a track record for value creation and investor expectations for value creation.

My favorite response came from TIME Magazine's Anand Giridharadas, editor-at-large, who wrote on Twitter, "there are twice as many men named Stanley as there are women of any name. And there are only two Stanleys."

The logic behind the Forbes selection process was flawed, which they ultimately admitted. The entire episode exposed the wide-ranging nature of bias that impedes women from raising funding or being nominated to helm the world's most iconic companies.

Less than 1% of startups that receive seed rounds will reach the unicorn status of a $1 billion valuation. Combine this with the 2.3% of females receiving venture funding, and you'll see female founders have a better chance of winning the lottery than making the "Most Innovative Leaders" list.

VCs can and must play an instrumental role in moving this needle. Instead of investing in someone who looks like those 99 men on the Forbes list, find the female founders who simply need the capital to get there.

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Using key performance metrics to fuel investments

Looking only at the investment returns of female-founded companies, First Round Capital found the female founders they invested in performed 63% better than the all-male founding teams. Another study from Boston Consulting Group revealed for every dollar of investment raised, female-run startups generated 151% more in revenue than male-run startups. We're not talking about a few percentage points here. This equates to hundreds of millions in higher returns on a VC investment.

There's no argument that diversity plays a key role in these metrics. A Harvard Business Review study is one among many outlining the statistically significant relationship between diversity and innovation. A survey of more than 1700 companies across the globe revealed companies with higher-than-average diversity had 19% higher innovation revenues.

I can't think of a clearer incentive for VCs to reevaluate investment practices. With women representing over 40 percent of all entrepreneurs in this country, the pipeline is clearly there. It's simply a matter of finding it.

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Implementing diversity-first practices

No, the answer isn't for VCs to run out and start investing in every female-founded company. It's about shifting these long-standing patterns, outdated customs and biases holding back progress.

Mallun Yen, founder and partner of Operator Collective, was intimately familiar with these statistics when she chose to invest in my company. Her fund is 90% female and 40% people of color. In partnership with Leyla Seka, former Salesforce VP who led Salesforce's equal pay initiative, the fund was founded "because [they] believe the power in venture capital is concentrated among a homogenous group that doesn't represent where [their] industry is now or where it's going."

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Fortunately, there are a few simple ways any VC can better represent where our industry is now and where it's going:

- **Adopt a data-driven pitch process.** Research by the Harvard Business Review revealed bias in how women are questioned in the pitch process compared to male counterparts and even showed how pitches with male voices far outperformed those with female voices. By adopting a strictly data-driven pitch process, funds can remove bias from the equation and focus on the quality of the opportunity.
- **Implement sourcing guidelines.** Require your team to source at least one female-founded company for every two male-founded companies. This will force your team to step outside its comfort zone and get creative with the opportunities it brings to the table.

- **Set benchmarks.** Make portfolio diversity a clearly defined initiative in your fund and set benchmarks for achievement.

These three small changes can have a major impact on shifting the status quo and giving female founders everywhere the opportunity to be on the next Forbes 100 Most Innovative Leaders list.

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