Venture Funding for Women Entrepreneurs

A Gender-Based Analysis of VC Investments

growthink

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Venture Funding For Women Entrepreneurs: A Gender-Based Analysis of VC Investments

2004 Annual Report

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Executive Summary

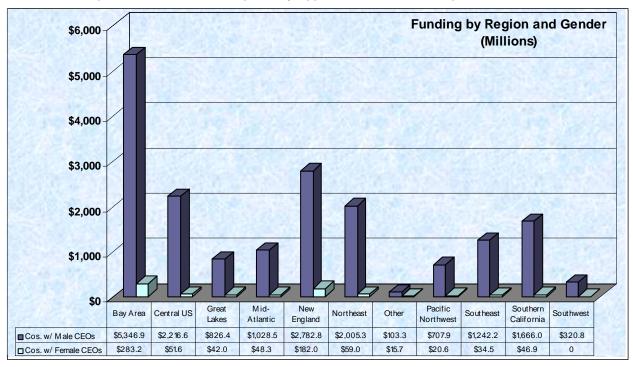
Introduction

In 2003, over \$19 billion of venture capital was invested in 1,860 private U.S.-based companies. Though funding declined for the fourth consecutive year, investment activity picked up significantly in the latter half of the year following the successful IPOs of several venture-backed companies. With an improving U.S. economy and more companies slated to go public in 2004, the outlook for the venture capital industry is very promising.

Despite the optimistic outlook, however, the number of funded companies led by women CEOs continues to be dismal. Women head less than 5% of these 1,860 ventures, and they received only 4.1% of the capital. Even worse, over 1,150 companies led by male CEOs do not employ *any* female executives.

Regions

In 2003, eighty four (84) women-led companies raised \$783.8 million. Over one-third of the funding went to ventures headquartered in the Bay Area. Thirty (30) Bay Area companies with female leadership secured \$283 million, led by **Maranti Networks** (San Jose, CA) and **3ware** (Sunnyvale, CA). Each of these companies raised \$26 million. **Maranti Networks** has developed an enterprise-class network storage controller that enables deployment of highly scalable storage infrastructure. Ms. Debbie Miller, who previously held executive positions at IBM, SGI and Egenera, is **Maranti**'s CEO. **3ware**, which also delivers high performance network storage solutions, is led by Faye Pairman. Ms. Pairman, who has held numerous executive positions with Adaptec, also successfully raised funding as CEO of Redline Networks. In April 2004, **3ware** was acquired by Applied Micro Circuits Corporation.



New England followed the Bay Area with 23% of the funding, led by a \$63.5 million investment in **Rib-X Pharmaceuticals** (New Haven, CT). **Rib-X Pharmaceuticals**, which develops antibiotics that combat multidrug-resistant bacteria, is led by Dr. Susan Froshauer, a former Pfizer executive with a Ph.D. in Microbiology and Molecular Genetics from Harvard University. **TissueLink Medical** (Dover, NH), a

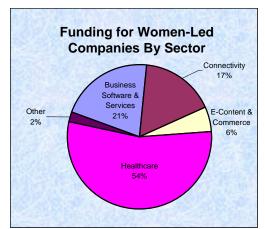
medical device company led by Ms. Jacqueline Eastwood, completed a \$30 million Series D financing. Prior to **TissueLink**, Ms. Eastwood spent eleven years at Medtronic in various managerial positions.

The Bay Area and New England accounted for over 59% of the funding for women-led ventures. The Northeast Region, consisting of New York, New Jersey and Pennsylvania, was a distant third, accounting for only 7.5% of the funding.

Sectors

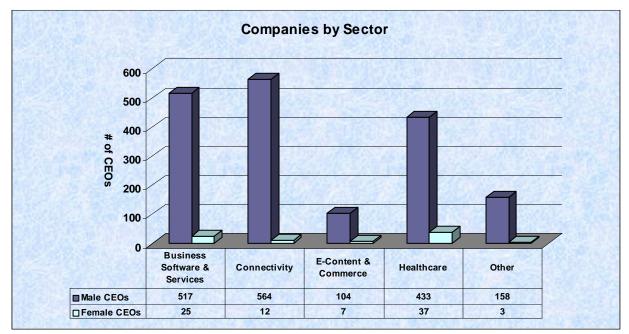
Thirty seven (37) of the eighty four (84) women-led companies were in the healthcare sector. As shown on the chart to the right, healthcare companies accounted for more than half (\$427.7 million) of the total funding raised by women.

The healthcare sector was led by the \$63.5 million investment in **Rib-X Pharmaceuticals** (noted above) and \$30.5 million raised by **SomaLogic** (Boulder, CO). **SomaLogic**, which develops novel proteomics systems and applications based on its proprietary aptamer technology, is led by CEO Patricia Scheller. Ms. Scheller has more than two decades of executive marketing, business development, and managerial experience. Prior to **SomaLogic**, she managed several business units at Ortho-Clinical Diagnostics



managed several business units at Ortho-Clinical Diagnostics (a Johnson & Johnson company) and held high-level executive positions at Dade Behring.

Twenty five (25) companies in the Business Software & Services sector raised \$165.3 million, led by a \$21 million investment in **Deploy Solutions** (Westwood, MA). **Deploy Solutions** delivers recruiting, hiring and retention software and services that enables companies to attract and retain the top talent necessary to compete in their core markets. **Deploy Solutions** is led by Nicole Stata, who was only one of five CEOs (out of 1,860) with five or more female executives on staff.



Maranti Networks and 3ware (noted above) were the leading funded companies in the Connectivity sector (including networking ventures, semiconductor companies, broadband and telecommunications

companies, and wireless ventures). Twelve (12) women-led companies in this sector raised a total of \$130.1 million.

Executives By Position

Though only 10% of the 9,395 executives were women, they were very well represented in Human Resource (HR) positions. Despite a 7,523-person deficit in the total number of executives, there were nearly twice as many female HR executives (51) than male HR executives (26). All other positions with a minimum of 50 executives were dominated by males.

More importantly, however, women comprised less than 5% of the Chief Executive Officers, presidents and executive chairpersons. Women were also poorly represented (4.1%) in executive-level technology positions (e.g., CTOs, VPs Technology, etc.).

Executives By Position- 2003

Position	AII	Males	Male % of All	Females	Female % of All
Administration	20	10	50.0%	10	50.0%
CEOs, Presidents & Exec. Chairpersons	2049	1958	95.6%	91	4.4%
CIOs / Knowledge Officers / Education	75	61	81.3%	14	18.7%
Content Development	13	9	69.2%	4	30.8%
Customer Service & Support	124	100	80.6%	24	19.4%
Finance	955	813	85.1%	142	14.9%
GMs / Managing Dirs. / Regional VPs	399	362	90.7%	37	9.3%
HR	77	26	33.8%	51	66.2%
Inv. Relations & Corp. Communications	14	9	64.3%	5	35.7%
Legal / Regulatory	173	126	72.8%	47	27.2%
Medicine / Science	471	403	85.6%	67	14.2%
Operations	757	687	90.8%	70	9.2%
Other	97	86	88.7%	11	11.3%
Product Development & Management	334	299	89.5%	35	10.5%
Professional Services	58	51	87.9%	7	12.1%
R&D	216	193	89.4%	23	10.6%
Sales / Marketing / Business Development	2012	1779	88.4%	234	11.6%
Technology	1551	1487	95.9%	64	4.1%
Total	9395	8459	90.0%	936	10.0%

Top Investments

Thirteen (13) women-led companies received investments of at least \$15 million, ten (10) of which were healthcare companies. On the following page is a chart of the women-led companies that raised the most venture capital in 2003.

Top Investments in Women-Led Companies - 2003

Company	Chief Executive	Sector	Investment
Rib-X Pharmaceuticals (New Haven, CT)	Susan Froshauer, Ph.D.	Healthcare	\$63.5 million
SomaLogic (Boulder, CO)	Patricia K. Scheller	Healthcare	\$30.5 million
TissueLink Medical (Dover, NH)	M. Jacqueline Eastwood	Healthcare	\$30.0 million
Maranti Networks (San Jose, CA)	Debbie Miller	Connectivity	\$26.0 million
3ware (Sunnyvale, CA)	Faye Pairman	Connectivity	\$26.0 million
Percardia (Merrimack, NH)	Nancy M. Briefs	Healthcare	\$23.5 million
Ventaira (Columbus, OH)	Leslie J. Williams	Healthcare	\$22.0 million
Deploy Solutions (Westwood, MA)	Nicole M. Stata	Business Software	\$21.0 million
Affymax (Palo Alto, CA)	Arlene M. Morris	Healthcare	\$20.0 million
Acusphere (Watertown, MA)	Sherri C. Oberg	Healthcare	\$19.0 million
Applied Genetic Technologies (Alchua, FL)	Susan B. Washer	Healthcare	\$15.3 million
Biospect ¹ (South San Francisco, CA)	Deborah J. Neff	Healthcare	\$15.0 million
Prestwick Pharmaceuticals (Washington DC)	Kathleen Clarence-Smith, M.D., Ph.D.	Healthcare	\$15.0 million

¹ Biospect changed its name to Predicant Biosciences in May 2004.

Investors

Over 200 investors provided venture capital to privately held women-led companies in 2003. The following investors provided funding to three or more ventures.

- Advanced Technology Ventures
- Anthem Capital
- Lightspeed Venture Partners
- Mobius Venture Capital
- New Enterprise Associates
- ProQuest Investments
- Vanguard Ventures
- Versant Ventures