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Start-ups run by women face gender bias when seeking venture capital, says expert

Alice Woodhouse
alice.woodhouse@scmp.com

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Companies set up by women don't always have the growth rates to attract venture capitalists, a gender investing expert says. Photo: SCMP Pictures.

Current models for pitching start-ups and the expectations of venture capitalists seeking out high-growth businesses are skewed towards male-run companies, according to gender lens investing expert Joy Anderson.

Anderson is president and founder of the Criterion Institute, a think tank which focuses on shaping markets to create social good, in particular gender lens investing that uses data surrounding gender as a means to improve investment outcomes and which encourages investors to pay attention to companies led by women.

"Women tend to do complicated things and again, angels don't always like complicated businesses, they like the shiny toys that they can easily make an investment in," Anderson said, adding that the innovations women develop can be too complex for a two-minute pitch.

The entrepreneur said venture capitalists shy away from investing in women-led businesses as women tend to build normal growth businesses, rather than the high-growth model investors are looking for.

"We bemoan the fact that women only have 3 per cent of the venture capital [invested] and so we go 'Oh my goodness, what we need to do is get women to build high-growth businesses so they can get access to venture capital,'" she said.

"Why aren't we simply saying we should have better financial products that serve normal growth businesses."

Anderson, who was in Hong Kong to speak to the Hong Kong Women's Foundation on gender lens investing, takes pains to ensure that gender lens investing is seen to have a role beyond investing in social enterprises run by women for women.

She recently travelled to seven Asian countries with USAid, a United States government agency to end poverty, to look for potential leaders for gender lens investment in the region and what impact this could have.

Anderson is concerned start-ups are not focusing on scale, which can be achieved by creating innovations for business-to-business or business-to-government opportunities rather than a focus on business-to-consumer products.

She is also worried that the buzz around start-ups in many western countries could lead to intelligent graduates shunning jobs in established companies and wasting energy on innovations with no scale.

Anderson believes that if 75 per cent of the class at Yale business school wants, as they told her, to start their own businesses, then they must learn how to scale and that women are often better placed for this than men.

"[We need to pay] attention to the women who are stepping a little bit out ... have a useful service or product that's in service to a system that's already scaled, we don't think that's good enough and I actually think that's critical," she said.

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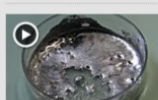
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