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Where are the Women of Silicon Slopes?

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Where are the **Women** of Silicon Slopes?

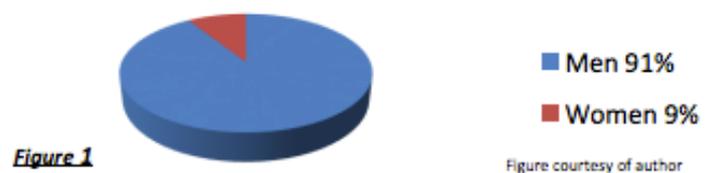
By Wyatt Pagano

Companies like DOMO, Xactware, and EMC2 are well-known in Utah's rapidly growing tech hotbed, known as "Silicon Slopes." A new tech company seems to be opening its doors every day, yet they all appear to have one thing in common - the faces of these companies can grow beards.

The lack of female entrepreneurs in the tech industry is detrimental to this sector's potential for innovation and growth. The Entrepreneurship Research Journal recently noted that success in new ventures requires an ability to see what others miss, such as "individuals with a strong discover mindset act and think in ways that support opportunity perception."¹ Are companies and investors losing out on the unique way that women perceive opportunity? Without their added insights and abilities, leaders may very well be limiting their progress and the future of technology.

Women entrepreneurs face many obstacles that contribute to their continued absence (e.g., cultural limitations and venture capital financing). And although a single solution will not resolve this issue, all can encourage change, by evolving perceptions and creating positive professional networks.

Proportion of Male vs. Female Entrepreneurs



OBSTACLES

Recent research on this topic substantiates claims of a significant gender gap in technology entrepreneurship. As shown in Figure 1, women constitute only nine percent of entrepreneurs in venture capital-financed, high-growth tech startups.² While the business community is aware of the benefits of diversity and many companies launch bold initiatives, women lag far behind men as entrepreneurs in this sector.

The Obvious

The number one factor affecting the number of female entrepreneurs in tech is the absence of women from STEM fields in general. Relatively few women have participated in these careers because they are non-traditional paths and therefore, women have not received the same encouragement as men do to become involved in these fields. This concept is explained well by Allison Lew, the Business Development Coordinator for Startups with the City of Provo, Utah and founder of the BRAID Workshop for Women Entrepreneurs. She recently stated in

an interview that women often direct themselves toward a narrow range of careers because they do not find female role models in other careers.³ Instead of studying computer science or mechanical engineering, women study nursing or teaching because that is where they see other women working. The obvious result is a natural gender gap in the industry at large. In addition, women are more likely to leave the workforce, at least temporarily, to start a family. However, these are not the only factors affecting the success of women-led startups.

Cultural Obstacles

Cultural issues represent a major factor preventing the long-term success of woman-owned businesses. The International Journal of Human Resource Management notes that "'enterprise culture' is identified with male entrepreneurs, even though women make up a larger number of the self-employed than ever before."⁴ The journal also affirmed the existence of "segregation into 'female' sectors" that, as mentioned earlier, steer women away from careers traditionally dominated by men.⁵

The Bowtie Effect

To explain the cultural environment many women find themselves in when starting a business, Lew recounted a story about a spelling bee. A girl in a spelling bee performed very well. In the final round of the competition, she and a boy remained. She eventually defeats her peer and is presented her trophy along with a gift intended for the winner. When she opens the gift, it contains a bowtie. Everyone had expected the young boy to win. Lew explained that the startup culture struggles to be inclusive towards women because it does not expect them to succeed.⁶ This anecdote offers a glimpse of what could be called "the bowtie effect" in the culture of entrepreneurship.



Social Stigma

Cyndi Tetro is a successful, technology entrepreneur and has served as a co-founder and executive director of the Women in Tech Council since 2007. Her invaluable experiences shed light on the challenges associated with building a successful career in technology. One cultural element she believes is an issue for women's progress is social limitation. For example, business relationships and networks are often built in social situations like lunch meetings. However, men tend to be reluctant to have one-on-one meetings with female peers because of social stigma. Faced with this obstacle, it is less likely that a talented woman will be invited to an important social gathering that may advance her career.⁷

Venture Capital Funding

When asked what the greatest obstacle is for women entrepreneurs in tech, both Tetro and Lew offered the same response: funding. Although venture capital financing is difficult to obtain no matter who you are, apparently the challenge is greater for women. From her experience, Lew suggested that female entrepreneurs generally receive funding at about half the rate of men.⁸ Tetro estimated that women in tech have less than a five percent chance of being funded.⁹

Sahil Raina, a finance professor at the Alberta School of Business, published an article in the Harvard Business Review explaining his research on this phenomenon. After studying biographies of woman entrepreneurs and information about their financial backers, Raina revealed two practical insights:

- Female entrepreneurs who secure financing from all-male firms drastically reduce their probability of a successful exit.
- VC firms with at least one female partner dramatically improve the chances of success for the woman-led startups they finance.

Raina further asserted that the heart of the issue is not just a simple bias against female entrepreneurs. If bias were the only cause, then the

few women who successfully received financing would need to be more successful on average than their male counterparts, because biased investors would hold them to a higher standard.¹⁰

His research indicates that the potential driver of this gender discrepancy is an inability for venture capital firms to properly evaluate and advise startups with female owners. "With startups financed by all-male VCs, there is a whopping 25 percentage-point difference in the exits of female-led and male-led startups. Yet when startups are financed by VCs with female partners, *that difference disappears*. There is no meaningful difference in the success rates of female-led and male-led startups when they're financed by VCs with women partners." Apparently, VC firms that have woman partners are better able to either evaluate or advise woman entrepreneurs or both.¹¹ Unfortunately, VC firms are also traditionally male-oriented and finding firms with female partners may not be an easy task.

Although the literature on this topic is scarce, the clear message is that women have it harder when it comes to receiving funding.

SOLUTIONS

Rather than focus solely on the challenges presented to women entrepreneurs in STEM fields, it is important to recognize that change is slowly taking place. The current situation need not be perpetual. Both personal solutions for entrepreneurs and solutions from the business world are essential to moving this issue in the right direction.

Individual Solutions

Woman entrepreneurs can be part of the solution themselves by (a) creating intentional networks, (b) changing perceptions and misconceptions, and (c) having a constant focus on change.

Business professionals in every field actively develop networks to assist in career progression and open doors to opportunity. Tetro encouraged women in STEM fields to do the same, saying that "success is based on the ecosystem you work in."¹² She emphasized the importance

of being intentional about creating such a network. Because women in tech live in different communities it can be difficult to establish relationships that help others succeed as well.

Another key to altering the current landscape for women entrepreneurs is changing perceptions. Tetro further encouraged women to avoid seeing themselves differently. If they leave the workforce for a period of time due to domestic obligations it does not mean that their career is over. Tetro claimed that as many as 87 percent of women who leave eventually return to the workforce.¹³

Women who maintain a constant focus on changing perceptions about themselves and their place in the tech industry will influence the landscape of opportunities in the future.

Business-World Solutions

The first step to closing the gap in tech entrepreneurship is changing the industry culture. Women should be encouraged to explore careers in technology and pursue them if they are passionate about it. The breadth of opportunities in STEM fields will become more welcoming towards women when these careers cease to be perceived as men-only fields. Furthermore, women can no longer be excluded from business interactions by social stigma. Women must be involved in business lunches and business trips in order to reach their potential in a highly competitive environment. In addition, the gender gap must cease to be viewed as a problem for women to solve. The truth is that the problem belongs to all of us.¹⁴

The U.S. Small Business Administration recently conducted a study on this gender gap in STEM entrepreneurship, and at the conclusion of the study they recommended that mentorships for female STEM students be a focal point for bringing about change.¹⁵ Lew also emphasized this point, saying that women in Utah need both mentors and sponsors to foster change.¹⁶ Both the BRAID workshop and the Women in Tech

Council aim to create networks and a community to generate success for women-led startups.

The Council hosts events for young women to learn about STEM subjects and offers networking and mentoring for those who want to pursue related careers.¹⁷ Tetro claims that the biggest difference the Council has made since its inception is to create a community where none existed.¹⁸ At the Council both men and women are focused on positive outcomes like economic impact and cultural improvement.

BRAID is designed to build professional support and connections for women in all industries.¹⁹ Lew stated that the biggest difference the workshop has made is creating a space just for women to come and build their paths to success.²⁰ Programs like these are an important start to nurturing productive change and providing resources.

At the end of his article, Sahil admonished that merely encouraging more women to start businesses may not be enough. As mentioned before, women who start high-growth, tech companies are more likely to successfully exit from venture capital financing when there are female partners in the VC firm. Not only should we encourage women to pursue STEM careers, but also encourage them to join VC firms.²¹ Female entrepreneurs in the meantime should seek financing from firms that have a female partner.



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CONCLUSION

The Golden Gate Bridge is a wonder of human accomplishment and engineering that was not built overnight. In a similar way, bridging the gap of success for women entrepreneurs in the

tech industry will take time; however, the future looks bright. Creating interest in tech with young women is vital to altering the current culture and perceptions. Women have much to offer the world of technology, and as attitudes, perceptions, and situations change, they will have a notable economic and innovative impact that benefits all of us.

The key is to build communities for women entrepreneurs to network, find and create mentoring relationships, seek sponsors, and connect with venture capital firms that can properly evaluate their business and advise them in the growth process.

Notes

¹ Stern Neill, "Seeing What Others Miss: A Study of Women Entrepreneurs in High-Growth Startups," *Entrepreneurship Research Journal* 5 (2015) :293

² Sahil Raina, "Research: The Gender Gap in Startup Success Disappears When Women Fund Women," *Harvard Business Review*, July 19, 2016, [<https://hbr.org/2016/07/research-the-gender-gap-in-startup-success-disappears-when-women-fund-women>], accessed February 2017.

³ Author's interview with Allison Lew, Provo, Utah, February 22, 2017.

⁴ James Wickham, "Book Reviews," *The International Journal of Human Resource Management* 6 (February 1995): 181

⁵ *Ibid.*

⁶ Author's interview with Allison Lew, Provo, Utah, February 22, 2017.

⁷ Author's Interview with Cydni Tetro, Provo, Utah, February 21, 2017.

⁸ Author's interview with Allison Lew, Provo, Utah, February 22, 2017.

⁹ Author's Interview with Cydni Tetro, Provo, Utah, February 21, 2017.

¹⁰ Sahil Raina, "Research: The Gender Gap in Startup Success Disappears When Women Fund Women," *Harvard Business Review*, July 19, 2016, [<https://hbr.org/2016/07/research-the-gender-gap-in-startup-success-disappears-when-women-fund-women>], accessed February 2017.

¹¹ *Ibid.*

¹² Author's Interview with Cydni Tetro, Provo, Utah, February 21, 2017.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ Margaret E. Blume-Kohout, "Understanding the Gender Gap in STEM Fields Entrepreneurship," *U.S. Small Business Administration*, October 2014, [<https://www.sba.gov/advocacy/understanding-gender-gap-stem-fields-entrepreneurship>], accessed March 1, 2017.

¹⁶ Author's interview with Allison Lew, Provo, Utah, February 22, 2017.

¹⁷ Women in Tech Council, "About," <http://www.women-techcouncil.org/about/index.a.spx>, accessed March 2017.

¹⁸ Author's Interview with Cydni Tetro, Provo, Utah, February 21, 2017.

¹⁹ BRAID Workshop for Women Entrepreneurs, "About," <http://www.braidworkshop.com/about.html>, accessed March 2017.

²⁰ Author's interview with Allison Lew, Provo, Utah, February 22, 2017.

²¹ Sahil Raina, "Research: The Gender Gap in Startup Success Disappears When Women Fund Women," *Harvard Business Review*, July 19, 2016, [<https://hbr.org/2016/07/research-the-gender-gap-in-startup-success-disappears-when-women-fund-women>], accessed February 2017.