

TESTIMONY OF RENÉE LaBRAN
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**U.S. House of Representatives Committee on Small
Business Subcommittee on Economic Growth, Tax and
Capital Access**

“Bridging the Gap—Increasing Access to Venture Capital for
Small Businesses

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Good morning Chairman Knight and Ranking Member Chu. My name is Renée LaBran and I have worked in venture capital since 2000 when I was invited to help start a venture capital fund called Rustic Canyon Partners, funded by the controlling shareholders of the company where I was working at the time. In 2006, I helped Rustic Canyon spin out another fund called RC/Fontis Partners, which focused on underserved markets. That fund is now in its final stage, and we are harvesting those investments.

In addition to winding up the portfolio of RC/Fontis, I currently serve as an advisor to Idealab, a tech incubator that just celebrated its 20th anniversary. I also co-founded a start-up competition for female entrepreneurs now entering its fourth year. I am personally a small angel investor in several women – founded companies. All that said, I have a pretty good first hand look at the challenges faced by women entrepreneurs and women in venture capital.

When I started in venture, there were a handful of women. Industry social events typically involved golf and cigar smoking. I can only think of a few women who came to pitch companies to us. I am pleased to say that things have got a little better. I am amazed at the number of women focused events that have sprung up in the last few years. However, the statistics are still dismal.

I am sure many of you have read the Diana Project report that has tracked women in venture capital on both sides of the table

since 1999. For the benefit of those who have not read it, here are a few key statistics from the report:

- In 2011 – 13, 15% of companies that received venture capital had a woman on the executive team, up from 5% in 1999. That is great news, but still a small percentage overall.
- And speaking of a small percentage, only 2.7% of the companies that received VC had a woman CEO.
- Companies that had a woman on the exec team also tended to be later stage compared to the overall profile of companies receiving VC, leaving one to wonder how these companies found their seed capital.

These are just the problems on the entrepreneur side. On the venture side, the problem is even more severe. The number of women partners in VC fell from 10% to 6% between 1999 and 2013.

The number of women partners is particularly problematic since VC firms with a woman partner are 2x as likely to invest in a company with a woman on the exec team and 3x more likely to invest in a company with a woman CEO. The reasons for this should be obvious, but just in case, let me elaborate. Entrepreneurs find venture capital firms through their networks. Thus, VCs invest in entrepreneurs who tend to run in their own circles and are much more like themselves. The proverbial old-boy network prevails. When women do come to pitch, they find themselves facing a table of male partners, who are more comfortable meeting with other men who look like

they do. There is plenty of other evidence in the press today about how women are often judged in ways that men are not.

It is even more difficult for women entrepreneurs to find seed investment, since the vast majority of seed investors are men, and successful angels tend to invest in entrepreneurs they know.

Women who do break into the VC side also face challenges. Many firms who do have a woman partner have just one or maybe two, which is often an uncomfortable position. The shortfall on the VC side is the flip side of the entrepreneur coin. Men who have access to capital to start a fund often start them with close colleagues out of their own network. Successful entrepreneurs who have large exits often join VC funds, but there are fewer women at the top of venture backed companies to achieve such exits. Breaking in is difficult for women. Some women have chosen to start their own funds, but often struggle to raise capital since most new funds have to raise from individuals, and once again the network effect comes into play.

What I am describing here is a vicious circle rather than a virtuous cycle. The Diana Report urges VC firms to take corrective actions. However, despite the evidence that this might improve returns, I don't think we are likely to see these changes soon.

If we are truly an economy that relies on innovation and entrepreneurship as our growth engine, we need to find ways to include the half of the population that is missing out. (By the

way, male entrepreneurs of color face many of the same barriers). Over the years, there have been various programs for emerging managers that provided access to capital for first time funds formed by women and minorities. However, these programs seem to be cyclical and have diminished rather than increased. Government is also in a position to provide incentives to potential limited partners to provide capital either directly or through funds that are more likely to deploy capital to those who currently lack access. Without incentives or nudges, it will take far too long for the problems to self-correct, if ever.

These are just some of the issues facing both women entrepreneurs seeking VC funding and women seeking a career in the industry. There is so much more that I could tell you, and am happy to answer any questions you may have. I appreciate the opportunity to testify today.