

## Women's VC Champion Weighs in on Systemic Transformation

**Research on Gender  
inequality in innovation  
and entrepreneurship**

Page 14

**Who's in Charge?  
Meet the new AWIS  
board members**

Page 52

**PLUS:  
Big Data**  
What's it all about?

Page 10

# Jonathan Sposato

## Chairman of Geekwire.com and CEO of PicMonkey

**E**arlier this year, I made a public statement that many within and outside the tech community found highly resonant: *"From this point forward I will only invest in startups where there is at least one female founder."* The room erupted with applause and by the end of my talk, a prominent female entrepreneur approached to say, "You're totally trending on Twitter." A few days later there was national press coverage on CNN and the LA Times.



of women have personality problems while only 2% of men do.

### **So how did this happen and why?**

If you were to rewind the clock a quarter of a century to the early '90's when I started in tech, you would have naturally assumed issues of gender equality would have all but evaporated. When I was a young hire at Microsoft, my immediate boss was an accomplished female manager who had the trust of the company's senior leadership (Lisa Maki, currently CEO of Pokitdok), her manager was a female

The immediate and overwhelming support from women (and many men) was both heartening, and more importantly, a strong signal that we touched a nerve. But the backlash from many in the community who disagreed with the statement was hugely telling of how absolutely dire the reality is for many female tech entrepreneurs. Most women in tech are simply pushing a much larger rock up a steeper hill.

I did not make the statement for PR gain. The truth is, that at the time, the statement backing women felt natural and non-controversial during the course of a keynote at an angel investing conference. The pipeline for the deals I was seeing every week felt balanced, ideas from female helmed companies were of high quality, and I was already writing checks to women founders. My statement felt like the next natural progression of my existing investment strategy; let's double down on women. Little did I know that still, in 2015, the reality from the point of view of most women in tech was far from encouraging. Colleagues cited extreme difficulty raising money, highly dismissive behavior from venture capitalists (VC), and, most alarming, a general culture of antagonism towards women in the tech work place. Two recent data points to consider:

- Investors who heard pitches by entrepreneurs preferred pitches by a man over the identical pitch from a woman at a multiple of 2x (68% to 32%) in a study commissioned by HBS, Wharton, and MIT Sloan. According to the study, "Male-narrated pitches were rated as more persuasive, logical and fact-based than were the same pitches narrated by a female voice" (Brooks et al., 2014).
- In a recent study of over 200 performance reviews in technology jobs by Forbes magazine, negative personality criticism (for example, terms such as abrasive or irrational) showed up in 85% of reviews for high performing women but only 2% of reviews for high performing men (Snyder, 2014). Clearly, it would be overly simplistic to assume that the extreme percentage gap is the result of the fact that 85%

General Manager who was considered a rock star (Charlotte Guymon, currently board member of Berkshire Hathaway), and her boss, in turn, was a female Senior Vice President who could create entire new product divisions out of thin air (Patty Stoneseyer, former CEO of the Gates Foundation). My entire management chain up to Bill Gates was female. All were the "triple threat" boss you looked up to – strong, managing people with great product insights and excellent business acumen. Our product division was chartered with productivity and lifestyle products the likes of which had never been seen (Encarta, Creative Writer, Fine Artist, 3D Movie Maker...). Patty's famous '100 products in 100 days' rallying cry catalyzed us to deliver on the most diverse offering of multi-media products in the pre-internet age.

As a result of their strong stewardship, our consumer products division was likely the most gender balanced product division on the Fortune500. My own "Kids & Games" product unit felt about 50/50 men and women. Meetings were energetic, creative, and collaborative. Product design was fun and appealed to a broad swath of consumers. Marketing campaigns were emotionally resonant and high impact.

### **Then, inexplicably, all the women left.**

There were many, many factors, not the least of which was the fact that earning a job at Microsoft in the late '80's/early '90's was akin to winning the lottery. After 4.5 years, your options would vest into seven figure sums (sometimes eight). The burnout factor was certainly high given the company's high demands, but women were still leaving (and not returning) in disproportionately high numbers relative to their male colleagues. One in-house HR study suggested that perhaps the exodus was mostly a function of life stage - women have babies, take five months off (Microsoft was highly progressive

*Continues on page 3* >

◀ Continued from page 3

with regard to parental leave at that time, and is still well above market), and if they were stock rich, felt little incentive to return to the grind.

[But privately, many of my female colleagues reported discomfort with a culture that was antagonistic to the communication style and product sensibilities of women.]

And the net impact was profound. It was as if the culture shifted overnight to a less forgiving, less collaborative tone. More staff meetings would occasionally open with insensitive banter of male one-upmanship. Some product divisions fell below a critical mass threshold of about 13-15% women and would actually repel more women from joining, entering a gender-biased death spiral the team would never recover from. The net percent of consumer products commissioned by the company targeted at women grew less and less. Now, no one explicitly wants these things as part of a company strategy. There is no slide in someone's PowerPoint deck that says "let's be a bunch of guys making products for guys." But, they happen slowly and certainly over time. As one female colleague left after another due to culture, I was left asking; "which came first, the chicken or the egg?"

Why are stories from the previous tech epoch important now? Because many of the beneficiaries of that era, including myself, are the influencers, investors, and decision makers of today. It is for this reason that the newest generation of female tech leaders are pushing a larger rock up a steeper hill today. What is the problem exactly? Here are 3 examples based on real world feedback.

- It takes longer for women to raise money vs. men. Seed rounds for tech startups are usually in the \$1M to \$1.5M range, consisting of angel syndicates of 5 to 20 investors. It simply takes longer for women to raise this amount from investors than their male colleagues. Three ex-Amazon men might close the round in 3 to 4 months, while three female counterparts might take 9 months.
- Female founders are often told their ideas are less relatable by investors. The refrain, "I have to talk to my wife/daughter/secretary first" is perhaps a well intentioned, but subtle signal to say, "I am incapable of assessing your idea because I perceive it is gender-based."
- Perhaps most alarming, there exist some edge cases of agenda mutation for social gain. Several female entrepreneurs have reported needing to don fake wedding rings so that advances by male colleagues happen less frequently. The most forgiving perspective here is that in an industry where there are so few women, single males have to seize every opportunity. But the reality is that women are faced with



additional friction that reduces efficiency. It is disheartening to go to a third meeting with an investor only to find that the true agenda is something else.

We need to turn this tide. Now.

So what is my call to action? For entrepreneurs, I have a three-point ask;

1. *It is just as easy to find a female co-founder, as it is a male one.* For any budding male entrepreneur, seek any number of accomplished female colleagues you have had come across your network. It is not a surprise that I became the lead investor in the aforementioned Lisa Maki's Pokitdok venture. My co-founder in PicMonkey was an adept CMO I worked with at Google.

2. *Acknowledge that women make better leaders, and hire them into c-level positions.* Corinne Post, associate professor of management at Lehigh University's College of Business and Economics, published a report in June titled "When is Female Leadership an Advantage?" in the Journal of Organizational Behavior, and reveals that as co-ordination requirements increase, teams with female leaders report greater team cohesion, more co-operative learning, and more inclusive communication than those led by men. Better communication equals better leadership.

3. *Acknowledge that products are actually better when they are created by teams comprised of both men and women.* This is particularly true in the consumer internet space where female internet users account for roughly 67% of the purchasing power. At PicMonkey.com, a highly popular photo-editing and collage site, I often feel that a product team comprised of almost nearly 50/50 women and men is our secret weapon. Our most popular for-pay features are the touchup and collage features conceived by female members of the team. To put it another way, our most profitable features were invented by women.

And to further turn the tide, we have to also call bullsh\*t on three common misconceptions on the investor side.

1. *"There is a pipeline problem for women in STEM. Women are just not out there."*

There is a belief on the part of many male investors that the low percentages of female companies is due to proportionally lower percentages of women starting companies. The fact is that while 42% of all STEM degrees have gone to women, only 27% of the STEM work force is made up of women (Dean & Koster, 2013). Looking at tech startups specifically, a dismal 3% of Silicon Valley tech startups have at least one female founder. Therefore, we need to acknowledge that there are areas of friction from funnel-in to funded startups at the end of the pipeline.

Continues on page 47 >

◀ “From the Cover” continued from page 5

2. “Supporting only companies founded by women is actually sexist.”

I was stunned by a vocal minority who felt supporting women founded companies is patronizing to women and “ultimately sexist.” I think as leaders we have to pick a lane. We have to first acknowledge that we are working within a sexist framework, and then work to dismantle it. In a national study by the University of Wisconsin, psychology faculty were sent CVs for an applicant (randomly assigned male or female name), and both men and women were significantly more likely to hire a male applicant than a female applicant with an identical record (Steinpreis et al., 1999).

The vast majority of female entrepreneurs I’ve met personally have divulged heartfelt stories of discrimination, and want the system to change. Data that there is a problem are clear and present, and ignoring this fundamental premise is akin to building houses in a hurricane.

3. “There is a silver bullet, systemic fix to the problem.”

Many well intentioned fixes have been proposed over recent years. Perhaps we need to retrain women to communicate or pitch just as assertively as men. Or better yet we should widen the funnel of total women going into STEM.

Because of the well-researched differences in how women and men are perceived in technology, simply mentoring women to “being more assertive” and negotiate better is misguided as a solution to extinguishing the problem. According to the same Harvard Study cited above that observed greater fundraising success on the part of men, female voices are actually perceived as less logical and less persuasive than male voices(!) And in a double jeopardy, women are also in turn viewed negatively as being ‘too difficult’ for exhibiting assertiveness. And as cited earlier, there is a very high attrition rate for women working in tech, thus simply widening the funnel and teaching more girls to be engineers is alone not enough to solve this problem.

I assert that if we truly want climate change for the tech culture, let’s not find false reassurance in quick fix solutions, but demand a sort of social engineering where everyone needs to change behavior. We need to reorient a worldview that seeks to re-educate women within the broken framework, to one that educates men to break it. And I believe this re-education is most especially true for the male leaders. More leaders need to make a stand with me, awareness needs to be broadened, and dialogue needs to continue.

Finally, the impact of change can be profound. All great companies start small. Before Facebook, Google, or Microsoft were publicly traded companies with billions in market cap, they were all small startups begun by entrepreneurs working

out of their dorm rooms or apartments. We investors are the believers who add the necessary fuel to ignite an entrepreneur’s vision. The best investors also ‘level up’ to being trusted advisors and help mold product and culture over time. Let’s fund and green-light more female founded companies and create the next generation of great tech titans. A generation of tech titans that create even better products, better culture, and a better future. ★

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**Jonathan Sposato** is Chairman of *Geekwire.com* and CEO of *PicMonkey*. A serial entrepreneur and investor in many startups, Jonathan is currently the Chairman of *Geekwire.com*, the north-west region’s top technology news site, and CEO of *PicMonkey* the world’s most popular web photo-editor. He also has the distinct honor of being the first person to sell 2 companies to Google. As the CEO of *Picnik*, Jonathan created a category-defining (1st search result for “photo editor”) online photo editor to profitability and reached over 60M visits a month.

Prior to *Picnik*, Jonathan founded *Phatbits* which went on to become *Google Gadgets*.

Jonathan was also an investor in several startups founded by women, chief among them *Pokitdok*, *Glamhive*, *GiftStarter*, *Runway2Street*, and *VivifiLab*.

Prior to startups, Jonathan was a Senior Manager in Microsoft’s consumer division, personally delivering the next level of thought on key Microsoft properties to chairman Bill Gates and the company’s leadership, as well as driving the development of award-winning software applications, Xbox video games, and social communications applications.

Jonathan is a graduate of *Whitman College*.



**26%**

Professional computing occupations in the 2014 U.S. workforce held by women



**1,460**

Bachelor's degrees in computer science awarded to black women in 2012

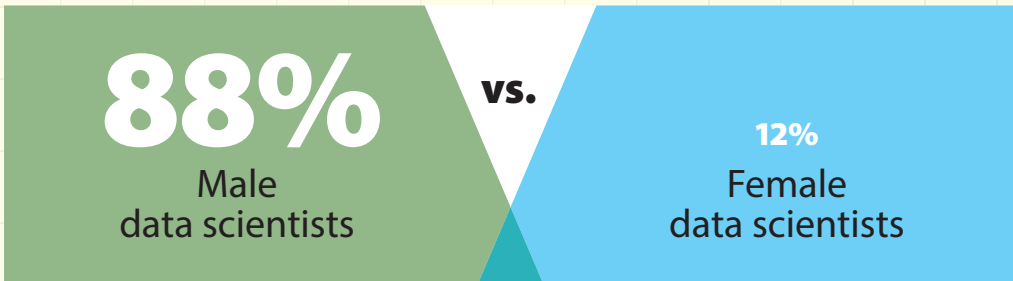
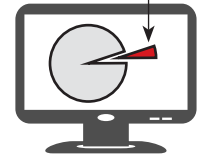


**471**

Total number of women awarded PhDs in math and statistics in 2012

Percent of computing workforce who were Asian women in 2014

**5%**



**\$118,709**

Median starting salary for data scientists

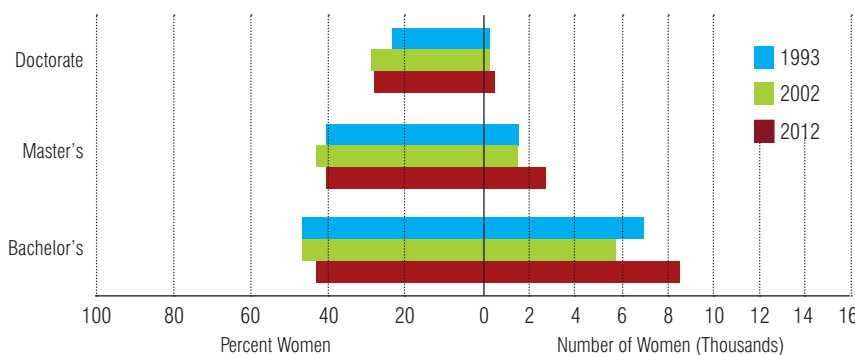
**1.9 million**

Number of IT jobs created in the U.S. in 2015 to support big-data innovation

**20%**

Number of AP Computer Science test-takers in 2014 who were women

**Low participation field for women: Mathematics and statistics, 1993, 2002, 2012**



Women, Minorities, and Persons with Disabilities in Science and Engineering: 2015  
[www.nsf.gov/statistics/wmpd](http://www.nsf.gov/statistics/wmpd)

**0**

Number of doctorates in computer science awarded to Hispanic women in 2011