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Network Can Stem Private Equity Exit



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The world of venture capital and private equity continues to attract many young women from business school and similar professional backgrounds; however, fewer and fewer women are able to turn it into a long-term career.

Making it in private equity means long hours, traveling and working, for the most part, in a male-dominated workplace with few female examples and role models to follow. The number of women in entry-level positions at private equity firms remains steady but the number of those who stay past five years has decreased dramatically. Most of these departures have not been as a result of the recent slowdown in the industry.

Many have speculated on why women are not staying in the industry and some of the reasons are much subtler than one may think. The recently published report from the Kaufman Foundation, "The Diana Project," included research on the industry from 1995 through 2000 and, sadly, things have not improved for women since that time.

In addition to the frantic pace, making it in private equity also means having strong contacts and being able to leverage those contacts to source deals, generate co-investment opportunities and the like. Not having the "network" makes it harder to succeed in the private equity industry for anyone, men and women. Few women in the industry have the network; some have organized into small, local or regional groups that lack broad reach.

There has long been a need for a formal networking organization that not only would put structure to the various informal groups but would also provide the

network, mentoring and educational support to the industry. Such an organization would ultimately expand the number of women in private equity and encourage their promotion from the junior ranks.

The consequences of the lack of women in the venture capital and private equity industry is not just the fact that the industry is male dominated and creates barriers to ultimate success. More important is a ripple effect into other industries and sectors of the economy. Expanding the numbers of professional women in the private equity industry will increase the numbers of female decision-makers. This means only good things for women entrepreneurs who are seeking funding.

The researchers for the Diana Project asked women venture capitalists how most business plans make it to an investment. The vast majority indicated that their preferred sources of deals included referrals from entrepreneurs in their network and other venture capitalists they knew (i.e., in their network). It is clear that the depth and breadth of a network determines, in large part, the success of a startup business. Although the basic obstacles to getting financing will always exist, a network of women funding sources allows women entrepreneurs more points of access to get their business plans in the door.

In the end, women-owned businesses, the fastest growing segment in the economy, will have more allies in the private equity industry. Successful, profitable businesses supported by female private equity investors represent a win-win situation for all concerned.

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