

A GENDER FOR GROWTH

**TESTIMONY BEFORE THE U.S. SENATE SUBCOMMITTEE ON SCIENCE,
TECHNOLOGY AND SPACE.**

**HEARING ON WOMEN IN SCIENCE AND TECHNOLOGY.
SENATOR RON WYDEN PRESIDING.**

JULY 24, 2002

I was appointed Chair of the National Women's Business Council, a bi-partisan commission, in 1998, having just completed my 21-year run as Founder, Chairman and CEO of USA Networks. It was an emerging year for capital formation in the equity markets, with venture capital still rising to its peak two years later, and the millennium on the horizon. Much of the growth was predicated on the development of high growth technologies and biotechnology companies. Being charged with the oversight of the progress of women in these and other businesses, I set off to find out where the women were.

I turned to the equity markets to see where billions in venture capital were being focused. The statistic was shocking, but perhaps not unexpected. In 1997, a mere 1.7 percent of the venture capital, in a booming market, was going to this dynamic treasure trove of women entrepreneurs. Fueled by disbelief, I investigated. Was it as simple as women being rejected by venture capitalists? Refusing to accept the quick and easy answers, I sought to find out why.

In nearly 50 interviews across the country with venture capitalists, 95 percent of whom are male, the answer was clear: There simply was a total disconnect. Venture capitalists weren't refusing women; they just weren't looking for them. At the same time, women didn't know about venture capital or where to find it. But I refused to believe that no qualified women entrepreneurs could be found. It was clear that it was human capital that was missing from the equation: the networks that connect entrepreneurs to money were woefully deficient and needed to be built from scratch.

That's why I created Springboard 2000. With private sector funding, Springboard made its debut at Oracle Corporation's Conference Center in Silicon Valley in January 2000. The premise was simple. The message to venture capitalists was clear. We will find women entrepreneurs with high growth technology driven companies, vet their business plans, train them to speak your language and you will fund them, after deciding whether they presented good investments, or not.

The results were astonishing. Over 350 companies submitted their business plans in response to our extensive outreach to business schools, women's business organizations and alumnae associations. Twenty-six were selected to present. An audience of 250 investors participated at the event. Ultimately, 22 companies were funded with nearly \$200 million in capital, two companies merged, and one company sold outright. Only a single presenter did not attract investors - an amazing success rate considering less than half the companies presenting at such forums normally stir any interest at all.

This successful launch developed into a series of Springboard forums around the country, six cities and eight forums to date. Two hundred and fourteen companies have been presented since January of 2000, in Boston, Northern Virginia, Chicago, New York and Dallas as well as Silicon Valley. The aggressive track record stands today, even in the wake of the Internet washout, the downturn of the economy, the devastation of 9/11, the current lack of liquidity, and the lack of confidence due to corporate malfeasance. Nearly half of the presenting companies received funding, generating over \$750 million in all. More importantly, 85 percent of all companies presented at Springboard forums are in business today and an astonishing 96% of those funded are still in operation and growing. There is no record to match it.

The annual percentage of venture capital invested in women-led firms more than tripled from 1997 to 2001 to nearly 6% of the total, according to industry tracker, Venture One. While this progress is significant, it's not nearly enough. It's not just the equity markets that have been slow to recognize the success of women business owners. The debt markets, too, have been dragging their feet, and are nowhere near catching up. In a study conducted by the Milken Institute in 2000, women-led firms accounted for nearly one third of the nation's GDP, yet they accessed only 12 per cent of the debt capital for growing their businesses. Why?

I have observed that women are sometimes described as more cautious and conservative when it comes to their appetite for risk. This may prove however, to be a strength instead of a weakness, since growth rates for women led firms, far exceed national averages, and women have been starting businesses at twice the rate of men since the early 1990's. They are clearly fueling the economy.

What women entrepreneurs need to do is understand the financial markets better. They need to reach out to organizations like Springboard, business organizations, Alumnae associations, bankers and investors and build their own network of resources. It's only when the investors in the capital markets see women as fundable entrepreneurs that the sources of money will flow more freely.

What policy makers need to do is to insure that the pipeline is nurtured and grows. Title IX, passed into law 30 years ago, is so often appropriately linked to the rise of women athletes and the building of leadership skills. Title IX also is the foundation for opening the doors for women in the fields of technology, science, law, medicine and engineering. We must guard against those forces that want to shut those doors to the daughters of America. On the contrary, we must fling the doors wide open and see to it that they take their earned positions in the ranks of leadership.

What can the Federal Government do to advance the programs, for women in science and technology?
How can our progress be assured?

1. Stand firm on Title IX – Equal Access to Education.
2. Support Small Business Administration's SBIC funds. These sources of early stage funding for entrepreneurial companies are critical to building new businesses, including technology companies run by women.
3. Procurement: The Federal Government has established a target to procure 5% of its goods and services from women owned businesses since 1992, yet today only 2.5% of its is. Why? Again, like Springboard, women aren't a part of the human network that connects these companies to contracts. Progress could be made in this area by creating a Springboard like process for the education, training and implementation necessary to drive these businesses.

It's time to move from talk the talk to walk the walk. Springboard Enterprises, now a separate non-profit organization, has elevated thousands of women in technology onto the playing field. This is being done with the help of literally thousands of private sector supporters who fund the organization, coach the entrepreneurs, give them the platform to present and fund those who successfully meet the criteria. Action and results are the measure of success.

Kay Koplovitz is the founder of USA Networks, founder of Springboard Enterprises and the author of newly released Bold Women, Big Ideas, Learning to play the High Risk Entrepreneurial Game.