

# Perspectives On Entrepreneurship



**Founder, VC, Advocate**

**Advocate**

Focused on increasing diversity in Tech

**Venture Capitalist**

Early stage investor in enterprise software

**Founder**

VC-backed high tech enterprise SaaS company

# Illuminate's Longstanding Pittsburgh Connections

While it started with Tepper MBAs – our lens has opened much wider

- Early years – “**class agent**” & recruited on campus for AT&T, ADL and Booz
- Tepper Business **Board of Advisors** 15+ years
- Advisory roles for **Project Olympus** and **Don Jones Center**
- Led investment in **ETC spin-out** (Wildpockets/SimOps Studios)
- Published **INC article** about Pittsburgh - a great place to start a business!
- Engaged **Tepper research interns** in Illuminate's tech diversity focused white papers
- Offered commencement address for **CMU Silicon Valley** masters program
- Created **Student-in-Residence Program** at Tepper
- In process of launching “**virtual office hours**”

Seeking enterprise tech investments in the broader Pittsburgh region

# Carnegie Mellon SiRs AND Researchers



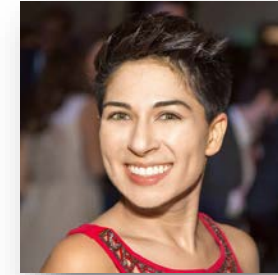
**Nathan Pitzer**



**Sam Blake**



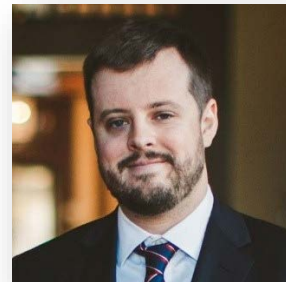
**Max Mirho**



**Lauren D'Souza**



**Anna Fuller**



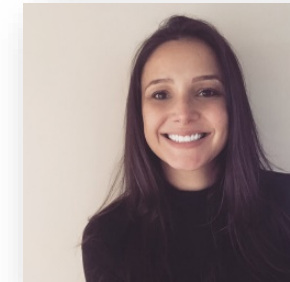
**Joel Perdsock**



**Lisha Prakash**



**Nilvea Malave  
Torres**



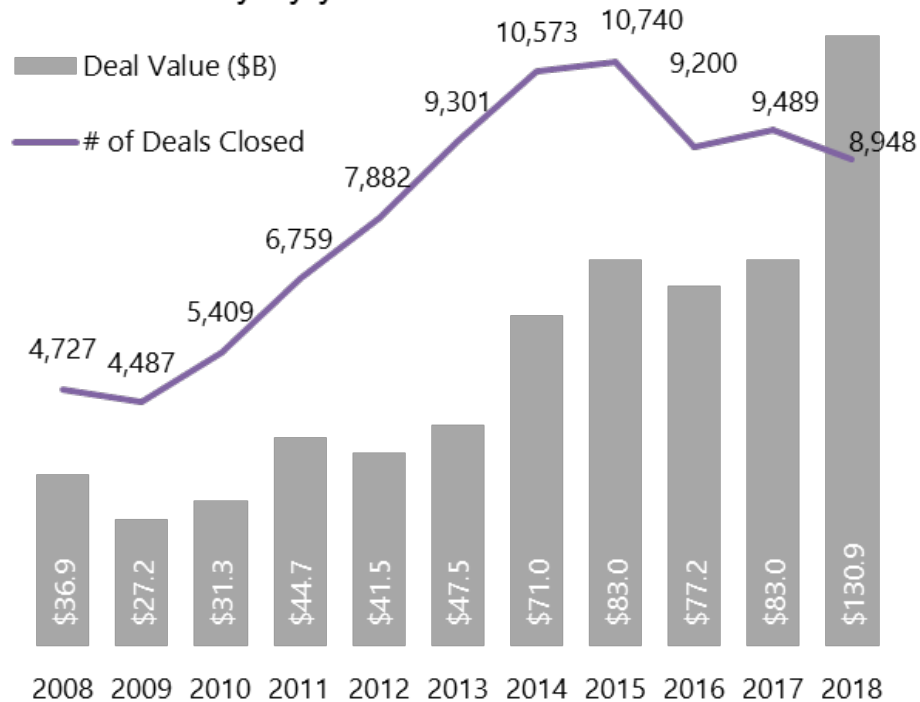
**Luisa Muniz  
Felix de Souza**

# Investment Market Discontinuity Impacts Startups

Escalating valuations at late stage consuming more investing capacity than ever

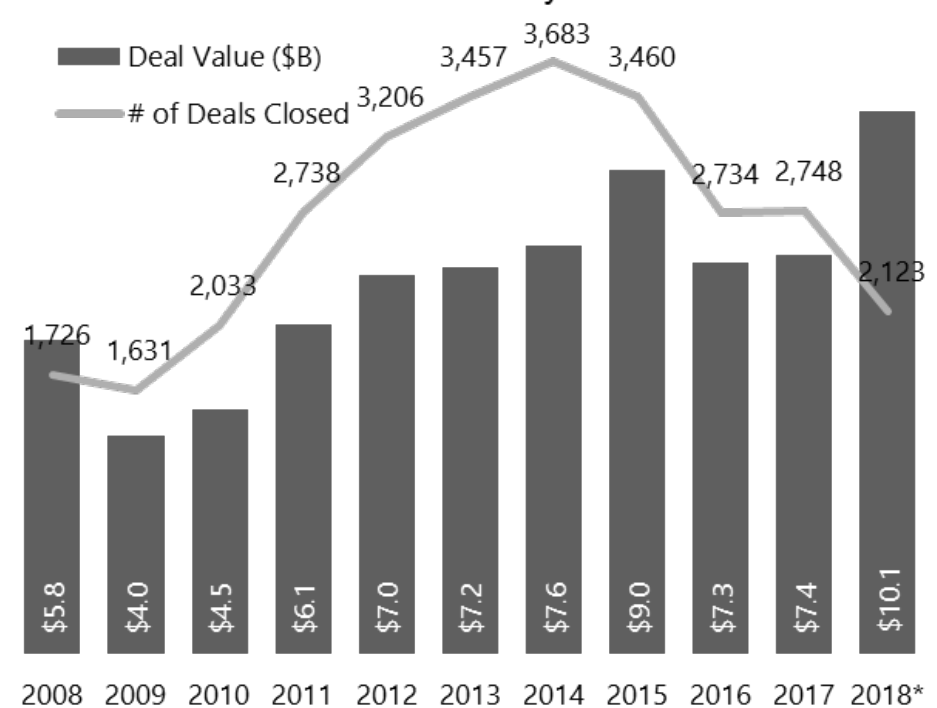
## US VC \$s all-time high

US VC activity by year



## But, fewer first financings

US first-financial deal activity



# Atomization of Pre-A Investing

Early stage investing is continuing to evolve – and may not be to benefit of entrepreneurs

## New Norm can be 2-3 financing rounds prior to a larger than ever Series A

- Early tranches of capital can result in significant dilution to founder prior to 1<sup>st</sup> institutional round
- As a result, the seed round with a normal ESOP can mean founders left with 30% ownership prior to A round

Financing Round Illustration

Total Pre-Seed - including angel round conversion (\$)	\$1M to \$1.5M
Founding Team Ownership (%)	65-75%
Seed Round	\$1.5M - \$3.0M
Founders Ownership After Seed and Creation of ESOP	30-40%
Post Seed Round as Prep for Larger Series A (may be note with discount)	\$1M to \$2M

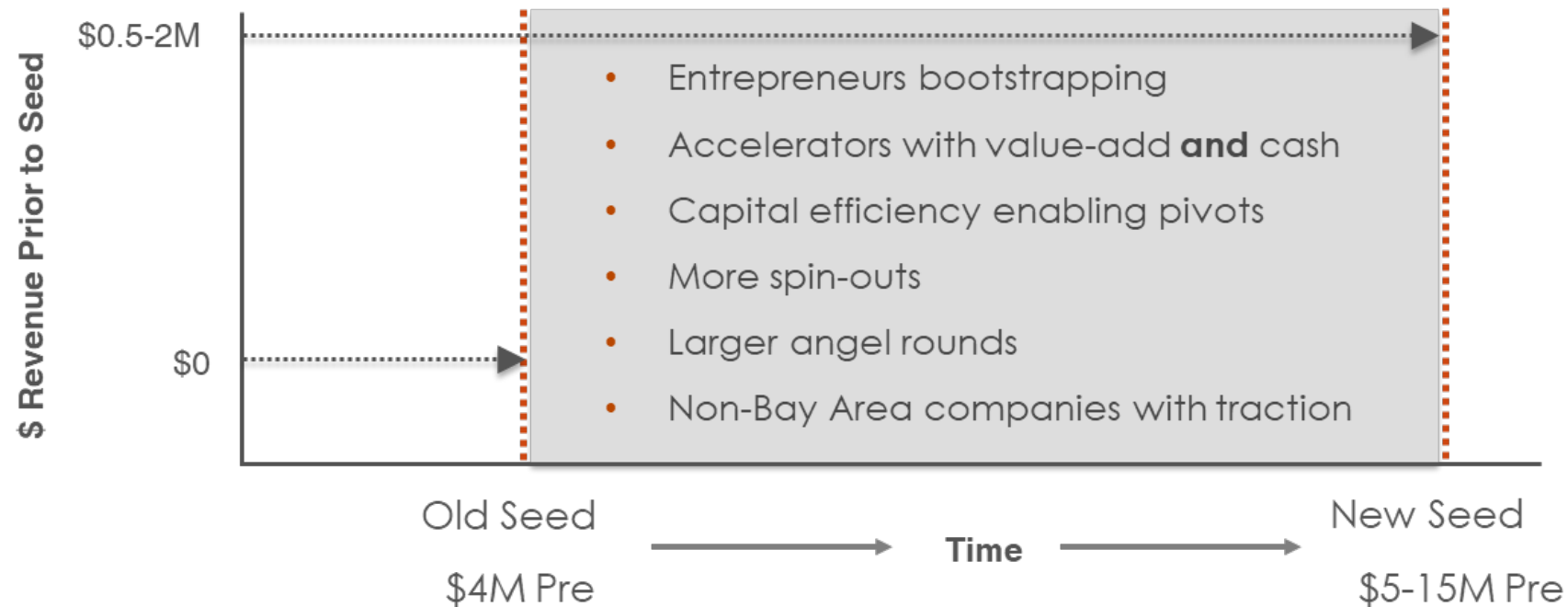
Many entrepreneurs are taking different approaches



# Seed Stage Investments are Evolving

Companies further along before raising significant capital = win/win for entrepreneur and investor

## What's Changed?



# Diversity in Tech

History of investigation for Illuminate

## 2010 Whitepaper

2000+ direct downloads... shared much more broadly

Many unique speaking engagements

>100 media citations in 2 years post publication

HIGH PERFORMANCE  
ENTREPRENEURS:  
WOMEN IN HIGH-TECH

WIRED

Forbes

The New York Times

FORTUNE

FASTCOMPANY

PE HUB

VentureBeat



# What Can We Learn From Comparing Points Of View?



VCs ↔ Founders

Females ↔ Males

VC Perception of  
Female ↔ Male Founders



# Voices of Founders and Funders

Gather input directly from current entrepreneurs and investors via survey

## Methodology

Focus on understanding founder motivations and the barriers entrepreneurs face - and how they may differ by gender

Reached out to more than 1200 individuals across active founders, and current VCs

At least 1/3 female in each group

## Thank you to...

our CMU students for their survey  
development assistance!



Lauren D'Souza



Anna Fuller

# Entrepreneurial Motivations

Why do founders say they choose to be entrepreneurs?

## Top 3 Motivations

Rank	Female Founders	Male Founders
#1	Bringing Big Ideas to Market (70%)	Bringing Big Ideas to Market (60%)
#2	Create long-lasting company (9%)	Create long-lasting company (19%)
#3	Prove to myself (8%)	Financial Gain (15%)

## Observations

- Significant similarity of primary motivation across male and female entrepreneurs
- Myth: Most entrepreneurs are primarily motivated by financial gain – regardless of gender, not primary (15% of men vs. 2% of women)
- Not one male founder selected “prove to myself” as motivator vs. 8% of female founders

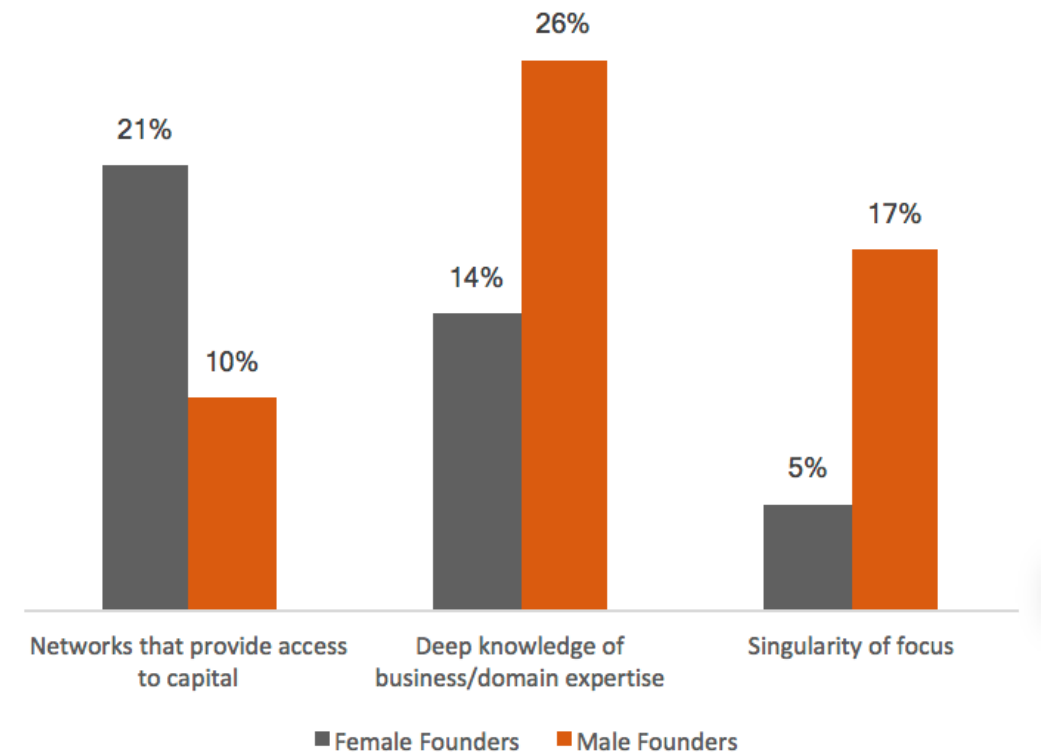
# Attributes of Success - Founder View

Male and female entrepreneurs think more similarly than you might guess

## Observations

- Female and male founders agree on the top 2 attributes:
  - *Resilience & Perseverance*
  - *Visionary with Passion for the Business*
- *Networks for Capital* ranked much higher for women than men
- Men have better awareness of value of *Domain Knowledge*
- Should women be more focused?

## Attributes with the Largest Gap between Male and Female Founders



# Attributes of Success – VC View

Significant similarity to founder viewpoint

## Top Success Attributes

Rank	Female VCs	Male VCs
#1	Resilience	Resilience
#2	Deep domain knowledge	Deep domain knowledge
#3	Visionary with passion for business	Ability to attract great team
#4	Ability to attract great team	Visionary with passion for business

## Observations

- Domain knowledge is much more highly ranked by VCs versus founders
- Team building capability is also key to VCs

# VCs Perception of Male VS. Female Founders

VCs generally believe that women are less likely to display half of the success attributes

## Success Attributes

Likelihood of being demonstrated by entrepreneurs

**4** of 10

Ranked **equal**  
likelihood for  
male/female  
founders by **all VCs**

**0** of 10

Ranked more likely  
for female founders  
by **male VCs**

**1\*** of 10

Ranked more likely  
for female founders  
by **female VCs**

\* Attribute = Smart risk-takers, which was ranked near the bottom of importance by all VCs

# Barriers to Success – Founder Perspective

Financial aspects of entrepreneurship perceived as most daunting for all entrepreneurs

## Top 2

Both male and female founders selected:  
Financial security &  
Access to sources of capital

## ~2x

Nearly twice the number of male founders vs female founders ranked **Balancing family & work** as a significant barrier

## 65%

Nearly 2/3s of female founders believe **female-founded startups** are disadvantaged overall



# Barriers to Success – VC Perspective

VCs view the strength of barriers very differently from entrepreneurs

## Top Three Barriers to Success

Barrier	Female VCs	Male VCs
Access to sources of capital	24%	11%
Having a great/unique idea	23%	20%
Access to networks to build team	12%	16%

## Observations

The top 3 barriers VCs thought entrepreneurs face were the same, but the order and relative magnitude was significantly different

0%

No VCs ranked the following as barriers, compared to 25+% of the male & female founders:

- Balancing family & work
- Gaining support of family

# VCs Perception of Male VS. Female Founders

VCs believe that women are more likely to be impacted by most of the common barriers to success

## Barriers to Success

Likelihood to experience a significant barrier

**2 of 16**

Ranked **equal** barrier  
for male/female  
founders by **all VCs**

**14 of 16**

Ranked **higher** barrier  
impacting female  
founders **by all VCs**

**Parity**

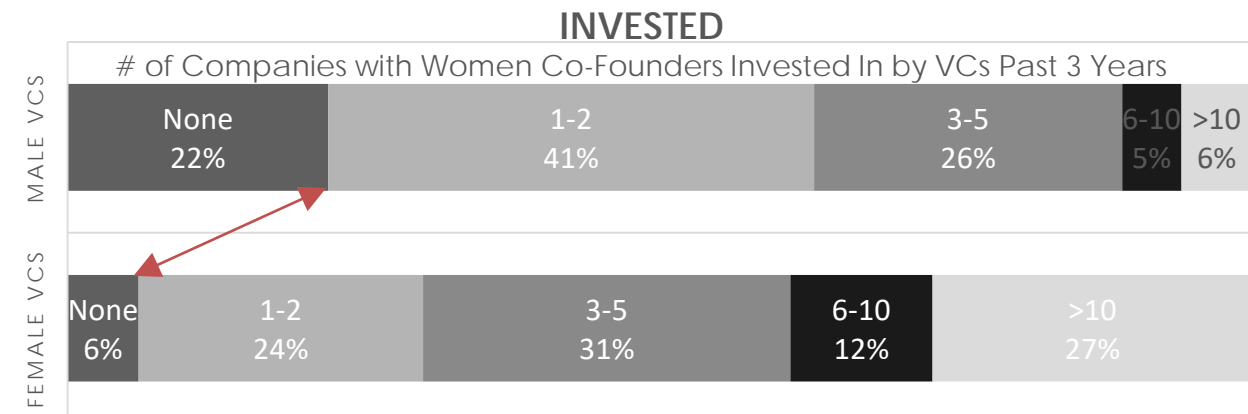
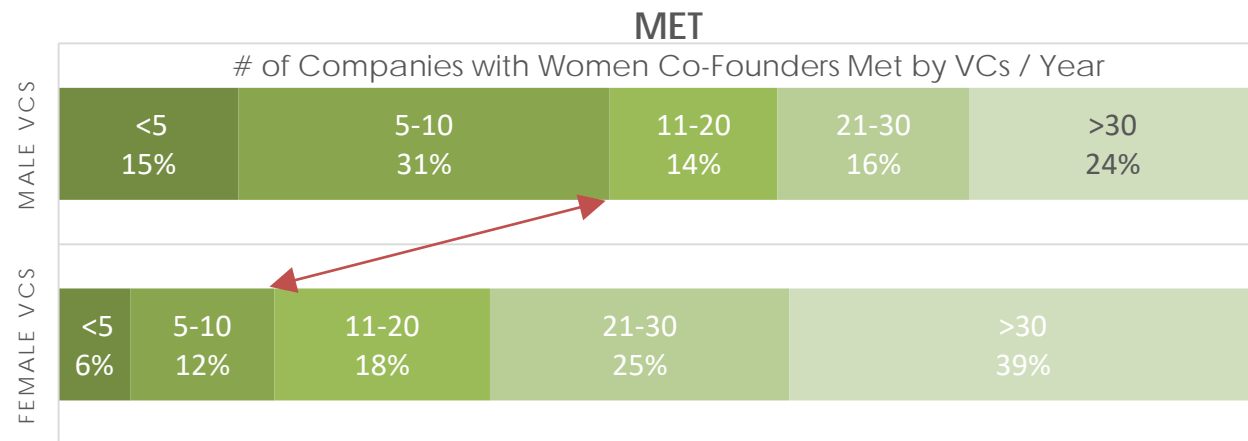
**Equal barriers:**  
Having a  
great/unique idea  
and non-coastal  
location

# Is There Equal Access?

Women VCs see 2X as many women founders as male VCs, and invest in them at a similar ratio as men

Male VCs  
**>2.5x more likely** to  
meet with  
**<10 companies** a year  
with a woman co-founder

Female VCs  
**>3x less likely** to have  
invested in  
**0 companies** over 3 yrs  
with a woman co-founder



# Key Factors Founders Should Address in VC Pitch

It's not just about market size, technical differentiation, etc. – early stage investors invest in people/teams

## Areas of Focus

- Showcase your:
  - History of resilience
  - Big vision and passion
  - Domain knowledge
- Illustrate your ability to:
  - Attract/keep a team
  - Generate unique ideas
  - Gain access to capital

## VCs Less Interested

- Your financial security
- Balancing family with work – although female founders may still need to debunk this as a barrier

# Who is Illuminate?



Cindy Padnos

**Managing Partner**



Jennifer Savage

**Partner**



Rebecca Norlander

**Venture Partner**



Kathryn Marshall

**CFO**

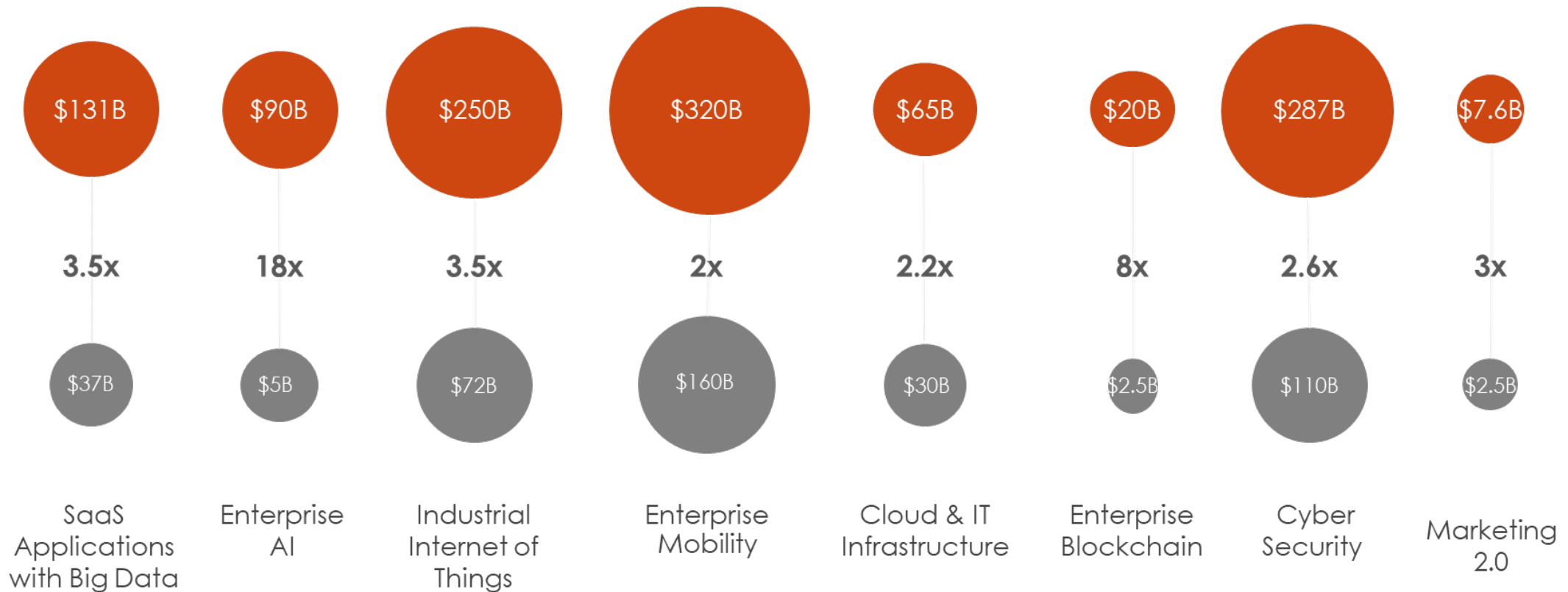
- Operating executives
- Founders and early execs
- Investors
- Board members
- Choreographers of a platform
- Teammates

# Investing in Continuous Digital Disruption

“Digital is the main reason over ½ of the Fortune 500 have disappeared since 2000.”

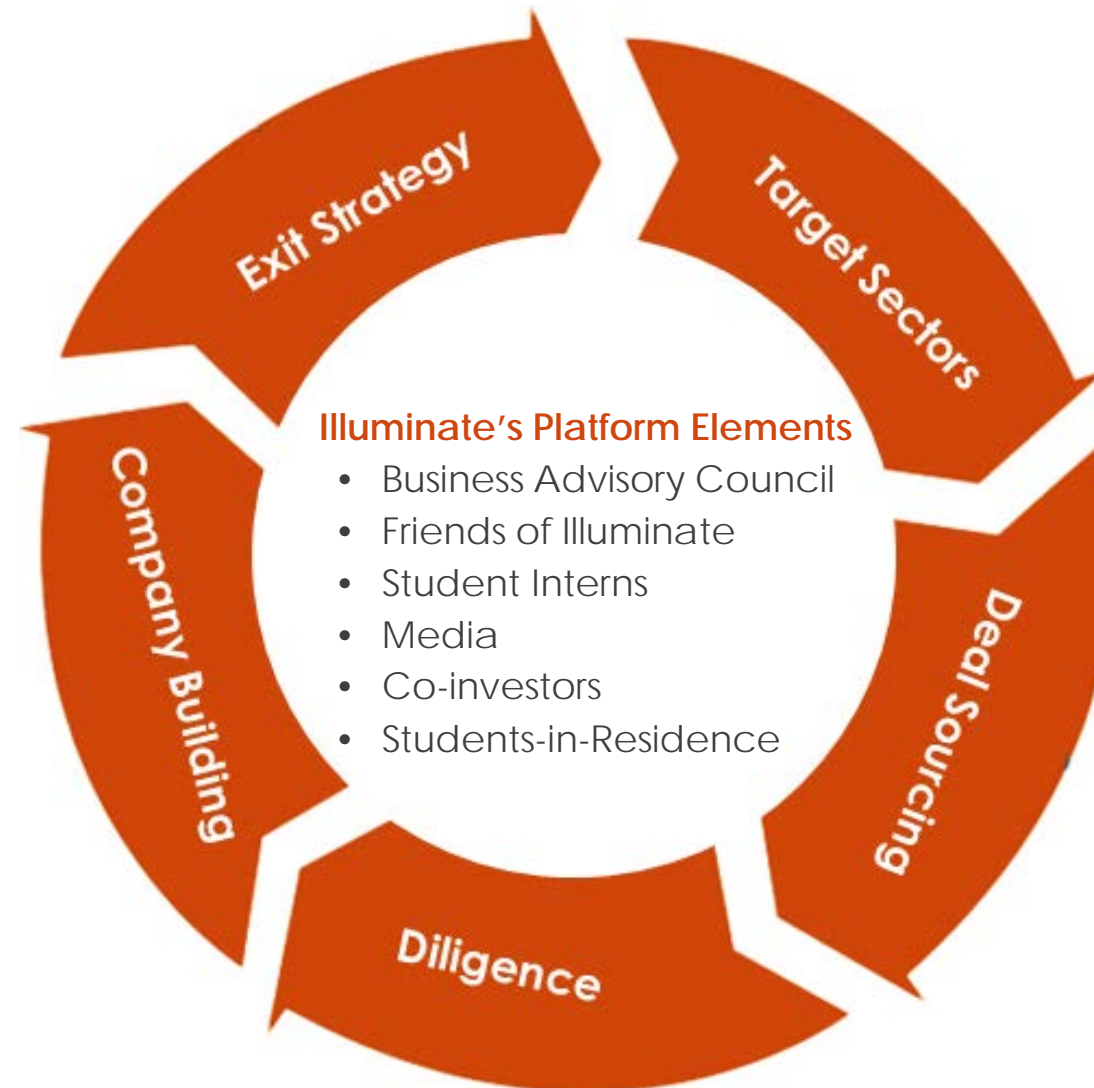


## High Growth Markets 2017-25



# We Punch Well Above our "Weight Class"

By creating a platform of bespoke networks and resources that add value throughout the entire venture lifecycle





# Illuminate's Inter and SiR Programs Offer Win/Win

Helping students gain hands-on experience and aiding Illuminate's research efforts

8

2019 Interns/SiRs

 Stanford

 Cal

 Wharton  
UNIVERSITY OF PENNSYLVANIA

Carnegie Mellon



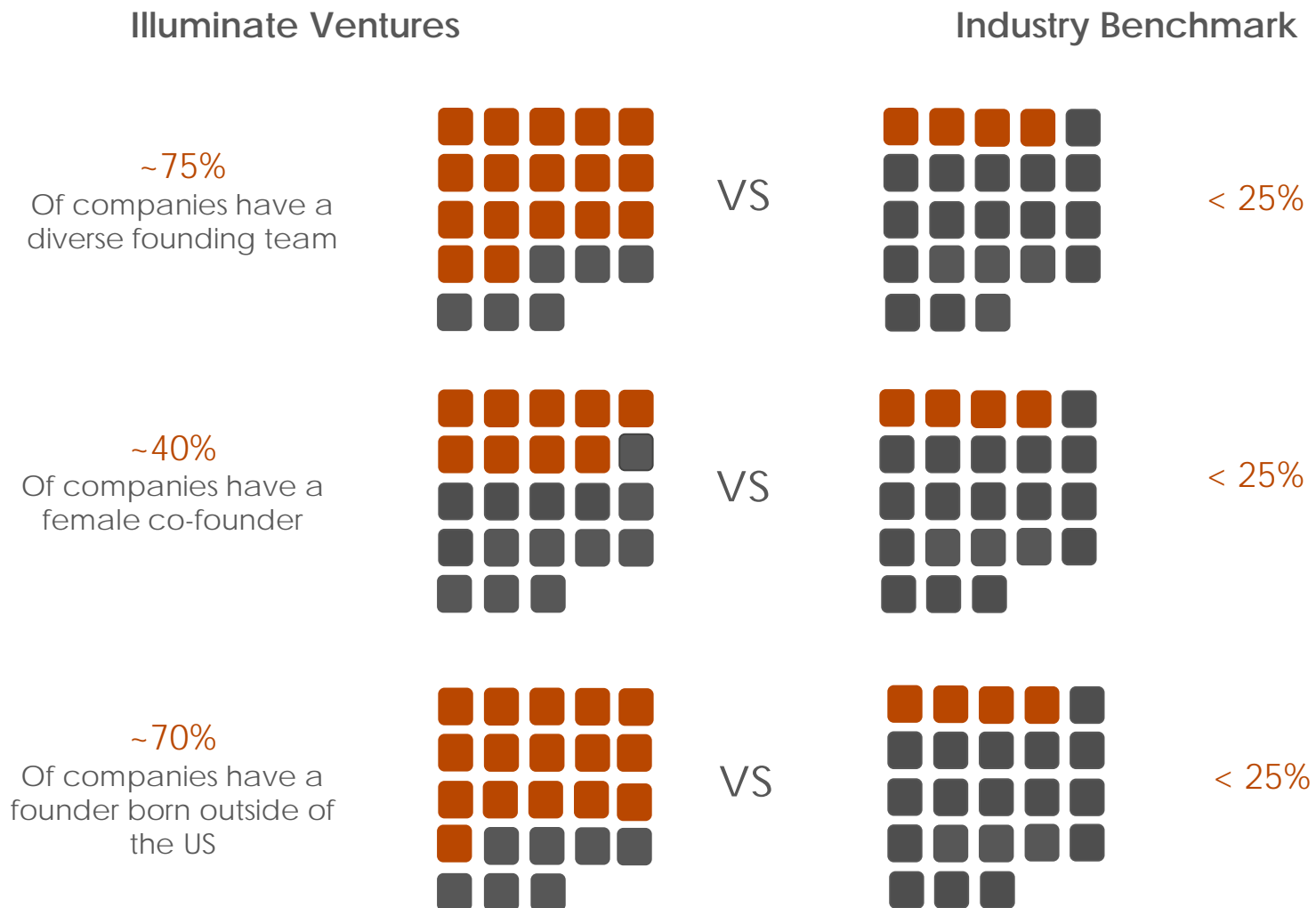
30+

Intern Alums



# Results From Opening Our Doors Wider

High levels of founder diversity across Illuminate's 23 portfolio companies



# Engage With Us!

Cindy Padnos  
Founder & Managing Partner  
[cindy@illuminate.com](mailto:cindy@illuminate.com)  
@illuminateVC  
[www.illuminate.com](http://www.illuminate.com)

[Download full whitepaper](http://www.illuminate.com/whitepaper)



<http://www.illuminate.com/whitepaper>