



FEMALE ENTREPRENEURS IN ISRAELI HIGH-TECH

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Resilient, Innovative &
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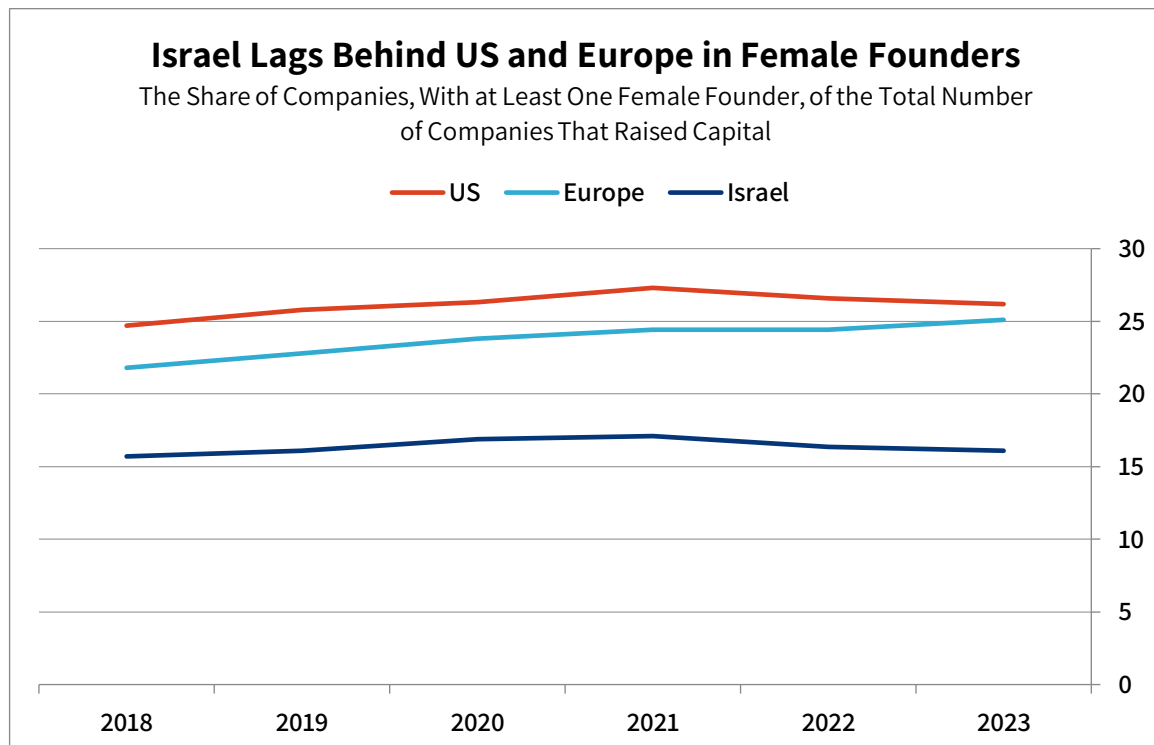
Introduction

There is broad consensus in Israel that it is important to increase the number of employees in the hi-tech sector. Accomplishing this goal requires increasing the participation of parts of the population that are currently under-represented in the sector, such as women, Arabs, and Haredi Jews. This report focuses on women, and specifically on female entrepreneurs. It is possible to increase women participation in hi-tech without increasing the share of female entrepreneurs, as one can work in the sector without being an entrepreneurs. However, **it is important to increase female entrepreneurship, as these turn to hire more female employees**. According to a November 2022 report by the European Investment Bank (EIB), the global share of female employees in male-led companies is 30%, vs. 47% in female-led ones.¹ The report also shows the share of female employees in start-ups and growth companies founded by men and by women, as described in Table 1.

Share of Female Employees	Founded by Men	Founded by Women
Less than half	75%	22%
About half	17%	30%
More than half	8%	48%

Table 1 – Share of female employees in start-ups and growth companies (source: EIB)

Chart 1 shows the share of companies, with at least one female founder, of the total number of companies that raised capital in recent years. Data for the US and Europe is from Pitchbook, and data about Israel is from the Startup Nation Central Finder platform.



¹ <https://www.eib.org/en/publications/online/finance-female-entrepreneurs>

The chart raises three interesting questions:

- Why does Israel consistently lag behind the US and Europe?
- Why does the gap between Europe and Israel keep growing?
- What causes the numbers in the US and Israel to decrease in the last couple of years, while they keep going up in Europe?

This report addresses these questions. In our research we examined the following:

- Government initiatives to encourage and support female entrepreneurship in the various regions.
- The Venture Capital landscape, including share of women, funds that focus on investments in companies with female founders, etc.

Government Initiatives to Encourage Female Entrepreneurship

Due to the high importance governments place on female entrepreneurship, both Europe and the US have organizations and initiatives to encourage and support it. Below are some specific examples, but in general these initiatives share two main characteristics:

- **Entities and programs exclusively for women.** Experience shows that a "head-to-head" competition between female and male founders does not provide the required outcome. Hence it is important to have separate programs for women.
- Establishing **forums and support networks for women**, to address the fact that the industry as a whole is dominated by men. Such forums and networks involve active participation of female investors, executives, and entrepreneurs, who can serve as role models.

Europe

The European Commission (EC) funds and operates a variety of programs to encourage and support female entrepreneurs. Some examples:

EEN for Women:

Enterprise Europe Network (EEN) supports small and medium size European businesses that want to expand globally. EEN for Women is dedicated to helping female entrepreneurs in areas like finding partners, access to international markets, and EU funding.

Support groups:

The EC has established and is operating several groups that help female entrepreneurs in a variety of areas:

- The European Community of Women Business Angels and women entrepreneurs – supports female entrepreneurs in accessing funding.
- The European network to promote women's entrepreneurship (WES) – consists of representatives from governments and other public entities, who are responsible for promoting and supporting female entrepreneurship at the national level.
- The European network of female entrepreneurship ambassadors – consists of about 270 female entrepreneurs from 22 countries, who serve as role models by sharing their success stories with women of all ages.
- The European network of mentors for women entrepreneurs – advises entrepreneurs whose start-ups are between two and four years old, in areas like management and growth.

Dedicated funding programs:

Launched in 2021 as part of the EC's Horizon Europe program, Women TechEU is a program dedicated exclusively to technology companies that have at least one female founder. Through this program start-ups can get a grant (75K Euro), as well as coaching and mentoring, and participation in exclusive events.²

² https://eisma.ec.europa.eu/programmes/european-innovation-ecosystems/women-techeu_en

Prizes for innovative women:³

Two entities that are responsible for innovation in the EC - European Innovation Council (EIC) and European Institute for Innovation & Technology (EIT), provide annual awards to women who demonstrated breakthrough innovations, especially in areas with a positive impact on humanity and the planet. The prize program was launched in 2011, and has been updated several times since then.

There are three prize categories, and the highest prize is 100K Euro. They are awarded to women who started an innovative company at least two years before applying for the prize. One of the categories is limited to women under the age of 35. Award criteria include the level of innovation of the company or organization they founded (or co-founded), impact of the innovation, and being a role model leader, especially among women and girls.

The number of prize applications keeps growing every year.

WEgate platform:⁴

An on-line platform for female entrepreneurs, launched in 2016. It provides information and links regarding training, mentoring, advice, and networking opportunities. Some countries use this platform as a basis for a local one, such as the Women Entrepreneurs Netherlands⁵.

Programs for specific countries:

Beyond the pan-European programs of the EC, The European Union (EU), in collaborations with other entities such as the European Bank for Reconstruction and Development (EBRD), operates funding and support programs for women-led companies in specific countries.^{6 7}

³ https://eic.ec.europa.eu/eic-prizes/european-prize-women-innovators-powered-eic-eit_en#:~:text=The%20European%20Prize%20for%20Women,change%20for%20people%20and%20planet.

⁴ <https://www.wegate.eu/>

⁵ [https://www.wegate.eu/wen-women-entrepreneurs-netherlands-netherlands/#:~:text=Women%20Entrepreneurs%20Netherlands%20\(WEN\)%20is,a%20national%20or%20international%20scale.](https://www.wegate.eu/wen-women-entrepreneurs-netherlands-netherlands/#:~:text=Women%20Entrepreneurs%20Netherlands%20(WEN)%20is,a%20national%20or%20international%20scale.)

⁶ <https://www.ebrd.com/news/2023/ebrd-sweden-and-banca-intesa-support-women-entrepreneurs-in-serbia.html>

⁷ <https://www.ebrd.com/news/2023/ebrd-sweden-and-banca-intesa-support-women-entrepreneurs-in-serbia.html>

US

The Small Business Administration (SBA), an independent federal agency that was founded in 1953 to support and protect small businesses, is the main government entity chartered with supporting female entrepreneurs. Within the SBA, the Office of Women's Business Ownership (OWBO) operates programs to help with training, consulting, government contracts, and access to capital and credit, exclusively for women.

In addition to the federal level, the SBA also supports state-level activities. For example, the California Capital Financial Development Corporation provides women with services such as training, business consulting, and loan guarantees free of charge.⁸

The SBA also maintains an on-line platform (Ascent) with information and tools for female entrepreneurs.⁹

The National Women's Business Council is a non-partisan council that advises the President, Congress, and the SBA on all topics that are relevant to female entrepreneurs.

Israel

The Israel Innovation Authority (IIA) launched in 2019 a specific plan for female-founded start-ups. Through this plan these start-ups can get higher grants than in the corresponding IIA plans (75% of the R&D budget in the first year and 70% in the second, vs. 30-70% in the general plan. However, this is not truly a separate plan, as far as process and budgets are concerned, but rather just a higher grant in the general plan for start-ups.

It should also be noted that although Israel participates in some EC programs, most notably Horizon, Israel does not participate in any of the above-mentioned European communities and networks (The European Community of Women Business Angels and women entrepreneurs, the European network to promote women's entrepreneurship (WES), the European network of female entrepreneurship ambassadors, and the European network of mentors for women entrepreneurs.

⁸ <https://cacapital.org/business-assistance/womens-business-center/>

⁹ <https://ascent.sba.gov/>

Female Investors

One of the explanations of the low rate of female entrepreneurs world-wide is that the venture capital industry, which is the main funding source for start-ups, is male-dominated. In 2022 only 16% of decision makers in US-based VC funds were women, and in more than 95% of these funds the majority among decision makers was men.¹⁰ In Europe, only 5-15% of decision making investors were women.¹¹ Therefore, there are various initiatives to overcome this phenomenon. Most of the initiatives revolve around creating communities to empower and train female investors, as well as work with Limited Partners (LPs), to encourage them to require more women representation in the funds they invest in. **These are typically grassroots initiatives**, rather than driven by governments. Below are some examples.

US

All Raise

All Raise is a not-for-profit organization that was founded in 2017 by 34 female investors with a vision to improve diversity in the hi-tech industry. It includes female entrepreneurs, venture capitalists, and other partners, and it offers services both to investors and entrepreneurs. An example of a program for investors in VC Champions, in which four VC General Partners (GPs) are assigned to a female principal in a VC firm for a year. During this year, the GPs (the Champions) hold 1:1 meetings with the principal to discuss topics like investments, management, and career development.

Equity Summit:

A forum that was established by three female investors, who, at the beginning of their careers, realized that female investors did not have the same access to the investment ecosystem as male investors had. The forum organizes meetings between female GPs and LPs to drive more investments in women and under-represented minority GPs and founders.

Women-managed VC funds:

There is a growing number of VC funds that were created and are managed by women in the US. Most of them focus on investments in companies with female or other under-represented populations founders.

Some LPs of these funds are philanthropists or large corporations that have a goal of promoting female entrepreneurship, among other things by investing in VC funds that commit to invest in women-led companies. Two (of many) examples are Pivotal Ventures, founded by Melinda Gates, and J.P. Morgan, that launched a Spark program, committing \$140M to investments in VC funds that are led by women or minorities.¹²

Europe

¹⁰ <https://glasshalffunded.com/50-women-led-venture-capital-firms-to-watch/>

¹¹ <https://www.europeanwomenvc.org/members>

¹² <https://www.jpmorgan.com/insights/corporate-responsibility/board-governance/women-in-vc-taking-stock-of-where-we-are#:~:text=J.P.%20Morgan%20has%20written%20some,and%20veteran%20led%20emerging%20managers.>

European Women in VC:¹³

A community of about 1000 female VCs from across Europe, for networking, strengthening relations with LPs, and increasing awareness of female entrepreneurship and the share of women among investors.

Communities of this nature also exist in several European countries.

Women-managed VC funds:

Europe also has a small, but growing number, of VC funds that were created and re managed by women that focus on investments in companies with at least one female founder. The UK features Alma Angels, Angel Academe, Fund F, January Ventures, Pink Salt Ventures, and Sie Ventures, that focus on the topic. There are funds of this type in other countries, such as Germany, Netherlands, Sweden, France, and more.

Angel Investors

Angel investors play an important role in early funding rounds. Data suggest that female angel investors tend to invest more in female-founded start-ups than their male counterparts. It is therefore interesting to examine data about female angel investors.

In the US, in 2021, 33.6% of all angel investors were women (up from only 5% in 2004).¹⁴

In the UK, in 2022, 14% of angel investors were women,¹⁵ and in all of Europe – about 10%.

In Israel, according to the Startup Nation Central Finder platform, in 2022 there were 229 active angel investors (who made at least one investment), of which only 11 were women (less than 5%). In 2023 there were 93 active angel investors, and only five women (~5%).

¹³ <https://www.europeanwomenvc.org/>

¹⁴ <https://www.forbes.com/sites/geristengel/2022/08/03/women-angel-investors-a-movement-that-has-taken-off/?sh=e52d44e2a18f>

¹⁵ <https://ukbaa.org.uk/wp-content/uploads/2022/09/Women-Angel-Insights%E2%80%94The-impact-of-female-angels-on-the-UK-economy%E2%80%942022-report-final.pdf>

Answering the Research Questions

It is difficult to categorically answer the questions listed at the beginning of this report, but there are several plausible assumptions.

Regarding the gaps between Israel and Europe/US:

- Unlike the US and Europe, Israel does not have a government entity dedicated to helping female entrepreneurs. Moreover, especially in Europe, there is a variety of funding and support programs dedicated to women. The Israel Innovation Authority does have one support plan for female entrepreneurs, but it is actually a standard plan with higher grants.
- The investment community in Israel is more male-dominated than the US and Europe. This is very evident among angel investors.
- Active communities of female investors and entrepreneurs make an impact over time. Consequently, where these operate, we see an increase in the rate of women-founded companies that get funding.

Regarding the decline in the last couple of years in Israel and the US:

- These two years were characterized by a global slowdown, including declines in investments, and a growing difficulty to raise capital. There may be several explanations to the decline in the rate of women-founded companies that raised capital:
 - At a time when VCs invest less, they tend to focus on their comfort zones, and since most of them are men, they invest less in women-founded companies. In addition, when VCs are more risk-averse, successful serial entrepreneurs get priority, and that population is very male-dominated.
 - Starting a company and raising funds are more difficult and frustrating during a slowdown period. Perhaps women are more deterred by these challenges.
 - The amount and variety of organizations, programs, and dedicated funding sources for women in Europe may explain why in that region funding for women-founded companies continues to experience growth.

Summary and Recommendations

Women are under-represented in hi-tech in general, and even more so in hi-tech entrepreneurship. This is a global phenomenon, caused by several factors. Even on that backdrop, numbers in Israel are much worse than in the US and Europe. Compared to Europe, the gap keeps growing. Global experience shows that taking action can improve the situation. Some actions are grassroots, by those who want to see more female entrepreneurs, but some are government-driven. As described earlier in this report, the two main principles of these actions are programs that are exclusively dedicated to women in areas like funding and training, and building communities for networking, support, encouragement, and soliciting LP support.

Recommendations

Assuming we want more people employed in hi-tech, and as part of it – more women, it is important to encourage female entrepreneurship. We recommend the following:

1. **Establish a dedicated program in the Israel Innovation Authority for funding start-ups with at least one female founder.** This should be a separate program, rather than the standard ones with higher grants. A dedicated program calls for a dedicated budget, significant women participation in the research committee, etc. This does not mean additional budgets, but rather earmarking part of the existing one.
2. Establish, or encourage the **establishment of VC fund** or funds, that will be required to invest in start-ups with at least one female founder. This can be expanded to other under-represented populations. As part of this, these funds should have women majority among investment decision makers.
3. **Review the European initiatives to encourage female entrepreneurship that Israel can participate in** and join the appropriate ones.
4. We call upon Israeli female VCs to **create an active and formal network/community**, which will drive the development and training of junior female employees in VCX funds, so they can become General Partners, and in general raise awareness to the topic. The Government can help launch such initiative.