

Women take the lead in building Houston's tech ecosystem

Andrea Leinfelder Aug. 14, 2019 Updated: Aug. 14, 2019 1:23 p.m.

Dianna Liu brought her pipe-crawling robot to Houston for the city's energy cluster. Kim Roxie attended startup programs in Austin and California before returning to her hometown to transform her vegan makeup line for women of color into an ecommerce site with a greater potential to grow.

And Allison Lami Sawyer helped raise \$14 million for a company that uses machine learning and cameras to detect oil rig and refinery explosions before they occur. Now a venture capitalist, she's hoping to be an early backer of other machine learning deals as Houston works to refine its technology image.

"I love my life here," said Sawyer, co-founder of Rebellion Photonics and now partner at the League of Worthwhile Ventures investment firm. "But I think as time goes on, it could also be a wise business decision."

Women are on the frontline of Houston's efforts to nurture a high-tech ecosystem. They're founding companies, leading startup assistance and investment groups, and creating new organizations that connect female entrepreneurs with advice, financing and large potential customers.

There are hurdles along their path, both specific to Houston and female founders, but these women hope their involvement will change the patterns of larger tech communities, such as Silicon Valley, where women and people of color have historically struggled. For instance, companies founded solely by women received just 2.3 percent of capital invested in venture-backed startups last year in the United States, according to financial data and software company PitchBook.

Tech ecosystems

Here are the world's top tech ecosystems for female founders:

Chicago, where more than 25 percent of founders were women

New York City, 22-24 percent

Kuala Lumpur, Malaysia, 22-24 percent

Shanghai, China, 22-24 percent

Houston, 20 percent

Denver-Boulder, 20 percent

Sydney, Australia, 19 percent

Miami, 19 percent

Los Angeles, 18 percent

Busan, South Korea, 18 percent

Bahrain, 18 percent

Source: Startup Genome

Local leadership

Houston's tech ecosystem has many women in leadership positions at startup assistance organizations and investment groups. They include:

Allison Lami Sawyer, a Houston partner of the League of Worthwhile Ventures, which is investing in machine learning startups.

Allison Thacker, president and chief investment officer of Rice Management Co., which is investing \$100 million to transform the former Sears Midtown building into the Ion innovation district.

Amy Henry, co-founder and CEO of startup assistance company Eunike Ventures, which helps entrepreneurs test their technology with exploration and production companies.

Ann Tanabe, CEO of BioHouston, an organization working to make Houston a global competitor in life sciences and biotechnology commercialization.

Ayse McCracken, founder of Ignite Healthcare Network, which is working to increase the number of women executives in health care leadership and to shape the industry's future through innovation.

Barbara Burger, president of Chevron Technology Ventures, the venture capital arm of the oil major.

Brittany Barreto, Houston venture associate for Austin-based Capital Factory, a startup hub seeking Houston companies for investment or to participate in its accelerator program.

Carolyn Rodz, founder and CEO of Alice, a company that uses artificial intelligence to provide entrepreneurs with customized information and connections.

Diana Murakhovskaya, co-founder of the Artemis Fund that invests in women-led companies.

Emily Keeton, head of the business incubator program WeWork Labs Texas.

Gaby Rowe, CEO of startup hub Station Houston.

Gina Luna, chair of Houston Exponential, which is tasked with promoting and connecting Houston's various ecosystem players. It also has the HX Venture Fund seeking to attract more venture capital to Houston.

Grace Rodriguez, CEO and executive director of Impact Hub Houston, which assists people working on solutions toward the 17 United Nations Sustainable Development Goals.

Juliana Garaizar, a Houston lead investor for three Portfolia venture capital funds and a board director for the Angel Capital Association.

Kala Marathi, managing director of the Cougar Venture Fund, which is the early stage venture capital fund of the University of Houston's C.T. Bauer College of Business.

Kelly McCormick, managing director of Red Labs, the University of Houston's co-working space, startup accelerator and technology entrepreneurship program.

Kerri Smith, managing director of Rice University's startup accelerator OwlSpark.

Leslie Goldman, co-founder of the Artemis Fund that invests in women-led companies.

Maigen Berg, managing director of Cannon Ventures, which is a network of investors and venture studio program.

Samantha Lewis, director of the GOOSE Society of Texas investment group.

Stephanie Campbell, managing director of the Houston Angel Network investment group and co-founder of the Artemis Fund that invests in women-led companies.

"There's nothing like seeing a 25-year-old in a hoodie give 10-year projections that are so unrealistic, but then he walks out totally funded," said Amanda Ducach, co-founder of Houston-based SocialMama, a networking app for mothers. "And then you see a woman who has three years of really thought-out forecasted numbers, and you just know that (investors) are never going to get that idea. They don't understand why a breastfeeding-friendly bathing suit should exist."

Houston could be moving in the right direction in terms of supporting women entrepreneurs. Innovation policy group Startup Genome ranked Houston No. 5, in a tie with the Denver-Boulder area, among 60 tech ecosystems for their share of female founders. Women accounted for 20 percent of Houston's founders. Chicago topped the list with women accounting for more than 25 percent. In Silicon Valley, women represented 16 percent of founders.

But 20 percent is still a small share, and local entrepreneurs, investors and startup assistance leaders agreed that Houston needs to continue working to bring women, as well as people of color, into the innovation sector. In other words, as the country's most diverse city, Houston needs to build a tech ecosystem in its image.

"The thing that makes ecosystems successful are when they build on their strengths, and our inclusivity is one of our strengths," said Gaby Rowe, CEO of startup hub Station Houston. "And if we don't build on it, then we're not setting ourselves up for success as best as we possibly could."

City of hard work

Houston is a city where hard work is expected and rewarded. And over the years, many women have found that attractive for building careers.

“If you can do the job and you can do it well, they don’t care who you are,” said Liu, a native Texan who founded ARIX Technologies as an MBA student at Yale University.

After graduating in 2018, Liu moved the company to Houston. ARIX Technologies created a robot that inspects oil and gas pipelines for issues such as corrosion or potential leaks. It also analyzes this data and helps companies plan their maintenance.

Cherrill Farnsworth said the city’s low cost of living and central location in the country contributed to her success in starting and selling seven companies over more than three decades. She took East Coast calls in the morning and West Coast calls in the evening, and then touted the Gulf Coast’s lower cost of living to overseas talent. She was able to raise \$1.7 billion in bank debt, venture capital and private equity to support those seven companies.

Her last business, HealthHelp, was a software company that connected university medical schools with health insurers to ensure doctors ordered the correct patient treatment. HealthHelp sold for \$95 million in 2017.

But that’s not to say women don’t face hurdles. They represent just 20 percent of Houston independent board of directors, according to a 2018 report from executive search and leadership advisory firm Spencer Stuart, which examined 84 publicly traded companies in the Houston area. That compared with 28 percent of female directors across all S&P 500 companies.

In the startup world, Brittany Barreto discussed some difficulties with mentors and investors. She co-founded Pheramor, a dating app that used DNA cheek swabs to predict romantic compatibility. In New York City, for instance, she was invited to pitch to a group of investors at a high-end restaurant — and then expected to pay the bill. Barreto said she is in the process of selling the technology behind Pheramor to another dating company.

Barreto, now 28, is sharing her experiences with other startup founders as a Houston venture associate for Austin-based Capital Factory.

“I literally just went through this,” she said, “so I’m not afraid to be candid.”

Getting to the top

Rowe, the Station Houston CEO, recognizes there’s work to do in creating an inclusive tech ecosystem. One of her priorities has been reaching out to Houston’s various neighborhoods, organizations, mentors and others who could help bring new people into the tech ecosystem.

“It was very clear to me when I began to get involved in the tech ecosystem, and then even more when I came into Station, just how hard it was to find out what you needed to know,” she said, “and where to find it if you weren’t already in the know.”

She said there was a noticeable bump in female entrepreneurs at Station Houston after she became CEO in August 2018.

And she’s not the only woman in local leadership. Gina Luna chairs Houston Exponential, a nonprofit that promote and connects Houston’s various players — from universities to entrepreneurs to financiers. Allison Thacker is president of Rice Management Co., which is investing \$100 million to transform the former Sears Midtown building into an innovation district called the Ion.

Amy Henry is CEO of startup assistance company Eunike Ventures, helping entrepreneurs to test their technology with oil and gas companies. Grace Rodriguez is CEO of Impact Hub Houston, assisting people working on solutions toward the 17 United Nations Sustainable Development Goals. Among investment groups, Barbara Burger is president of Chevron Technology Ventures, the venture capital arm of the oil major, Stephanie Campbell is managing director of the Houston Angel Network and Samantha Lewis is director of the GOOSE Society of Texas.

“Women are organizers. A lot of what I do is herd cats,” Campbell said. “Try to get people together around a cause. And I think women are really uniquely suited to that. We know how to organize things, and we also know how to collaborate.”

Ayse McCracken, founder of the Ignite Healthcare Network seeking to increase women executives and shape the industry’s future through innovation, is using her previous health care experience to better support female entrepreneurs. This year, the Ignite Healthcare Network Fire Pitch Competition starts with a 10-week program where each woman-led startup is connected with a large health care organization. Following Ignite’s curriculum, they will have at least five meetings over 10 weeks to hone the startup's product. Then the top entrepreneurs participate in the third annual Fire Pitch Competition held Oct. 17.

Money talks

Large corporate customers are just one part of the equation. Startup founders also need money.

Alice, a Houston company that uses artificial intelligence to provide entrepreneurs with customized information and connections, partnered with the Bumble Fund, which invests primarily in companies founded and led by women of color and other underrepresented groups. Every person who applies to the Bumble Fund is given access to Alice’s how-to guides, networks, mentorship and support, said Alice founder Carolyn Rodz.

Similarly, the Artemis Fund launched April 2 in Houston as a venture capital firm for female entrepreneurs. It’s led by Campbell from the Houston Angel Network, Leslie Goldman, a corporate lawyer and startup investor, and Diana Murakhovskaya, who co-founded the Monarq Incubator for women-led startups.

Just 9 percent of decision makers at U.S. venture capital firms are women, Campbell said. With such a small representation, female founders don't always have the network to get meetings with male-dominated boards.

When Ducach, the founder of SocialMama, lands a meeting, she said male investors aren't always comfortable discussing her product. The SocialMama app just relaunched with new technology two months ago and has more than 5,000 downloads in the Houston market. It connects mothers based on location, interests and unique needs, which can include receiving a new medical diagnosis for their child or going through a divorce.

"I've had investors say to me, 'Your app talks about too many dark things,'" Ducach said.

Yet men aren't the only ones with biases. Both male and female investors inadvertently favor male-led companies through the questions they ask, said Dana Kanze, assistant professor of organizational behavior at London Business School.

Observing Q&A sessions at a New York startup competition from 2010 through 2016, she said 67 percent of questions posed to male entrepreneurs were promotion oriented, and 66 percent of questions posed to female entrepreneurs were prevention oriented. A promotion question might be asking how the entrepreneur plans to monetize the company and a prevention question might be asking how long it will take to break even.

Such distinctions in questioning affected funding, with those asked promotion questions raising seven times more funding in the startup competition and twice as much funding in an experimental environment created by Kanze's team.

"Regardless of whether we get more women into venture capital decision-making roles over the coming years, that's not going to be a silver bullet," Kanze said.

Women helping women

The Houston Angel Network had Kanze speak at one of its events to discuss her research. In the past two years, 49 percent of companies receiving investments from Houston Angel Network members were led by women or minorities, Campbell said.

To get more women into the angel investing side, Lewis, with the GOOSE Society of Texas, is holding small gatherings of accredited female investors — meaning their income exceeds \$200,000 (or \$300,000 with a spouse) or they have a net worth greater than \$1 million, excluding the primary home — to educate them on investing in startups. The women also meet a local startup seeking investment.

It aligns with what Sawyer, from the League of Worthwhile Ventures, said could bolster female entrepreneurs.

“The quickest thing we could do to get more women into high tech,” she said, “is to get more women — we have tons of wealthy women, they’re already here — to start giving some of their nonprofit dollars as angel investment into tech companies.”

Roxie, with LAMIK Beauty, the vegan makeup line, would like a co-working space for women. For 14 years, she had a store where women would gather to buy makeup and to be part of a community. Now, as she transitions to an ecommerce platform — her website will offer a subscription plan and use algorithms to help women match their skin type and tone — Roxie is hoping to keep that sense of community through networking events and sharing what she learned from 15 months of accelerator and other startup assistance programs in Austin and California.

“I couldn’t get my hands on this information (in Houston) in an environment that a woman could thrive in,” she said, “so I’ve just been bringing those experiences here.”