



FOREWORD

In recent years, two important trends have emerged in the field of entrepreneurship. The first is the growing number of funding choices available to business owners – in UK tech, for example, investment hit a record high in 2015. The second is the rise of female entrepreneurs across the UK.

A link between the two may at first appear elusive, aside from their both demonstrating the strength and dynamism of UK entrepreneurship. But while we are seeing more and more entrepreneurial activity spearheaded by women, when these female founders do create successful companies, they face far greater difficulties scaling up than male-led ventures.

Academic research has revealed that women-led businesses achieve far lower levels of funding, with male entrepreneurs 86 per cent more likely to be VC funded, and 59 per cent more likely to secure angel investment. It is this issue which, in partnership with The Entrepreneurs Network, we are seeking to tackle in 2016 and beyond.

At Barclays, we are passionate about helping businesses to grow, and in 2016 have placed particular emphasis on scale-ups. We have recently launched *Scale-up UK: Growing Businesses, Growing our Economy*, a new report from the Business Schools at the University of Cambridge and University of Oxford, outlining a series of recommendations for solving the UK's scale-up challenge.

We have also launched a High Growth & Entrepreneurs commitment to specifically support scale-ups and their founders, including two dedicated funds totalling £150m and specialist relationship directors to support companies from startup, to scale-up to IPO. Following a successful pilot in Cambridge we announced a national network of Eagle Labs – innovation hubs for pioneering businesses across the UK, in under-used spaces across Barclays property assets.

This briefing paper covers the first in a series of four roundtables we are co-hosting throughout 2016 as part of our joint-Female Founders Forum project. It specifically addresses the initial capital funding stage – covering bank loans, angel investing, crowdfunding, and EIS and SEIS.

These roundtables see us connect some of the UK's most successful entrepreneurs with key figures from within the finance industry, journalists, politicians and future female gazelles. Our hope is that the four briefing papers, when taken together, will act as a useful and interesting guide for entrepreneurs seeking to raise finance and for the industry to understand what female entrepreneurs are looking for.



Rebecca McNeil
Head of SME and Corporate Lending
Barclays
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It was encouraging to hear Rebecca McNeil, Head of SME and Corporate Lending at Barclays and member of the Female Founders Forum, explain how banks are finding new, innovative ways to support small and medium-sized businesses – especially those with a viable business proposition but insufficient security or an inadequate track record to back their borrowing. Despite such efforts, however, many entrepreneurs are increasingly turning elsewhere to fund their ventures.

I. CHANGING LANDSCAPES

Jenny Tooth OBE of the UK British Angels Association (UKBAA) is concerned that women don't naturally lean towards equity investing, and instead focus on bank loans. "This is perhaps because there are too few female angels out there," she said. "We want more women angels – not least because it adds diversity to a business. After all, you don't just bring on investors for the money, you want their access to markets, customers, and opportunities."

A further issue is that women may not ask for all the finance they need. It's why organisations like Angel Academe – an angel network where most investors are women, and which backs tech startups with at least one woman on the founding team – are important. "We don't encourage women-only groups, but we do want more women to be out there," Tooth added.

But Debbie Woskow disagrees. "I would like to see a crowdfunding site by women for women. We need to showcase the fact that women who have been successful want to pay it forward. We want to put our money back into the founders of the future," she said, adding that we mustn't underestimate what valuable tools the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) – which help early-stage companies by offering a range of tax reliefs to individual investors who purchase shares in those companies – are.

Indeed, EIS and SEIS have been remarkably successful in incentivising investment into smaller companies. As Tooth pointed out, a grasp of these tax breaks is crucial. "What we want female entrepreneurs to understand is that they must never give away too much equity in their businesses." SEIS, she added, is a gift to investors – who can get up to a 50 per cent tax break through the scheme. "That gift also restricts the amount of equity they can take."

II. A DOSE OF CHUTZPAH

While women are undoubtedly underrepresented in the equity finance world, Julie Meyer MBE believes that women-founded and led businesses could offer investors a better return. "Organisations like the UKBAA should consider compiling data on these returns," she said. "We need that information at the angel level because, let's face it, that's where the real hurdle lies."

Meyer, who runs investment firm Ariadne Capital, is also concerned that the fundraising process wears women down to the point where they give up. "I have a lot of girlfriends and I cannot back them all. In my experience, it's not that they

don't ask for money. It's that they get so beaten down by people saying 'no', or telling them that they're 'not fundable' that they lose their chutzpah. We need the data to show that women are backable and give a very strong return to investors."

However, attendees agreed that it's all too easy to attribute the skewed funding statistics to the fact that women "lack confidence". Accelerator Academy founder Ian Merricks doesn't make a distinction between "founders" and "female founders". He said: "We've supported 111 companies through our accelerator – some women, some men, some mixed. From an investor's perspective, it's about having a great proposition, a network, a good connection to the market, and a great team not based around a single sole founder." Merricks doesn't see these as gender-specific challenges.

But Woskow is less sure. "As a female, you are always likely to be asking men for money, and we need to accept that it's slightly weird. All the statistics show that there are far fewer female than male investors." That said, she has always had positive experiences as the only woman in the room: "It's always been an asset for me."

Emma Sinclair, the Mission Capital founder who became the youngest person in the UK to float a company aged 29, thinks all entrepreneurs should accept that they may connect with different crowds. "Business is human. So perhaps a young, white male will resonate more with white males; but equally, a dynamic young woman may resonate with a female angel." Woskow took it a step further, saying: "I have never struggled with being the only woman in a room, but I'm no shrinking violet. It's all about mindset – regardless of gender, you need grit and a singular focus."

DEMOCRATISING INVESTMENT

At the start of the decade, around 3 per cent of angels were female. Today, the figure is closer to 14 per cent. What accounts for this change? "Crowdfunding," said Crowdcube founder Luke Lang. "Around 25 per cent of our investor community is female: we are contributing to the significant uplift in women angels." Progress on the investor side is encouraging, but what about women entrepreneurs using crowdfunding as an alternative source of finance?

III. WISDOM OF THE CROWD

"To date, around 15 per cent of successful raises on our platform have been female," said Lang, adding that female entrepreneurs typically attract more investors than male. Investors are putting slightly less money into women entrepreneurs – although there is clear desire for diversity at board level:

"It's possible that women take less for granted," Lang reasoned. "Our success rate for men was 55 per cent; for women it was 75 per cent." What explains this gap? "Perhaps female entrepreneurs are more inclined to listen to the experts in our team about the measures which need to be in place for a successful campaign. Perhaps they are less likely to be arrogant about their businesses."

Tamara Lohan of Mr & Mrs Smith showed particular interest in Lang's experiences, given that her business wooed investors through its very own retail bond. "Banks weren't lending but our business kept getting new and exciting opportunities. We had heard of Hotel Chocolat's 'chocolate bond' and thought we could replicate their success." It felt like a big risk, she added, but one worth taking: customers loved it.

IV. A RICHER STORY

What makes a successful crowdfunding campaign? Jane Ni Dhulchaintigh recently completed a £3.5m round on Crowdcube. She thinks there is a cultural difference between getting into a room full of men for an elevator-style pitch and the storytelling opportunity which crowdfunding provides. It could, she added, explain why so many female founders are attracted to these platforms.

"When it comes to VCs, you have to convey a simplified story in just a few minutes, and your audience is often most interested in the company's finances," she explained. Crowdfunding, meanwhile, offers a more complex, rich experience for investors. "They're more interested in your mission, the people behind the business, the founder's motivations. I'm much stronger at those skills. Is this down to gender? I'm not sure."

While crowdfunding's rising popularity is to be celebrated, Woskow pointed out that often, entrepreneurs will already have significant backing prior to launching a campaign. "I've heard that businesses looking to raise funds on these websites need to have a sizeable chunk already in the bank," she said. Ni Dhulchaintigh is less sure: "We started from scratch, but we'd been going for a long time by that point, and we did bring both a community and customers to the campaign."

V. BY WOMEN, FOR WOMEN

A point of contention lay around the value of a crowdfunding website by women for women. Woskow believes that successful female entrepreneurs want to support fledgling women-led companies. She is concerned that women are less confident when it comes to pitching. It's a plausible theory, given that women are so successful at crowdfunding (a process that omits the pitching phase altogether).

But Laura Tenison, who until recently had never sought investment for JoJo Maman Bébé, thinks pitching pizazz is only a small part of the puzzle. She said: "You could put a brilliant actor in front of an audience, and he or she could do a brilliant pitch. But if the numbers don't stack up, then this is irrelevant. The founder is important, but so too is the board. It helps with due diligence, and that is what female entrepreneurs need to show me."

For Tamara Lohan, herself an angel investor, it is all about the founders. "I invested in two businesses last year, and my decision was based on the two women running them. I thought they were fantastic, and that anything they did would be amazing." Woskow agreed, highlighting that the growth trajectory of any startup is bound to change in its first few years. "The story you tell at the beginning is rarely where you end up. So I look for tenacious founders who will persevere when the going

gets tough. I will only invest in people who I believe are willing to innovate and develop.”

THE RIGHT SKILLS

We have all heard stories of female entrepreneurs being treated less favourably on account of their gender. While Woskow completed a successful fundraising round at eight months pregnant, others around the table had not been so fortunate.

VI. WORK-LIFE BALANCE

Natasha Pilbrow founded LeSalon in June 2014. A mother of two, her commitment to the business has been repeatedly challenged. “I’ve had investors ask: ‘Do you have that sorted?’ when I’ve mentioned my children. I’ve been told that it will be hard for me to raise finance when I’m not 100 per cent committed. It’s shocking.” It’s a worrying anecdote, but Pilbrow has not let such experiences dampen her resolve.

While there are clearly issues in the way women entrepreneurs are sometimes treated, Tenison believes that many of the barriers find root in women’s lack of self-belief. “I think women place greater value on work-life balance and are less willing to put their heads above the parapet, or to get into a position where they are out of their comfort zones.” That said, Tenison admitted that in South Wales, where her business is headquartered, there are plenty of “dinosaurs – it still revolves around going to the rugby and playing golf”. Fortunately, she is a big sports fan.

POLICY IMPLICATIONS

It’s a problem oft-cited, but large numbers of girls are put off studying STEM subjects either at A-Level or as a degree. Equally worrying is that STEM employers often report difficulty in recruiting staff.

VII. GOVERNMENT SUPPORT

One new not-for-profit is trying to tackle this problem. Elizabeth Passey, adviser to The Entrepreneurs Network, is currently involved with the New Model in Technology and Engineering (NMITE) – the UK’s first newly built university for three decades. Applications to NMITE, which will specialise in engineering and aim for women to comprise half of all its students and teaching staff, open later this year. “It will change higher education and entrepreneurship,” Passey said.

As for government involvement, attendees agreed that the introduction of coding into the school curriculum was a positive move. But when it comes to government involvement in supporting female entrepreneurs during the initial capital stage, they were less sure.

“I feel that the government’s role is to create an environment in which business can flourish – not to be responsible for building those businesses,” said Sinclair.

While in Zambia last year meeting young entrepreneurs, she was reminded of just how much support UK entrepreneurs already have at the government level. “There is a plethora of advice out there – aided by social networks, angel networks and organisations whose sole purpose is to support business.”

Tenison believes the best thing a government can do for entrepreneurs is offer practical advice. “I worked with the Welsh Development Agency in the early years of JoJo Maman Bébé. They rented me subsidised space, and gave me help with business plans and applying for grants. And if you wanted to secure a bank loan, they would hand hold you,” she said.

BIG BANKS: ON THE LEND?

An event held at Barclays with a group of entrepreneurs, some of whom had been declined a loan by high street banks as their businesses were expanding, was bound to involve some discussion around these institutions’ seeming reluctance to lend. That said, net bank lending to SMEs hit £2 billion last year – an encouraging sign. And many around the table were positive about the changes afoot in bank lending.

VIII. ENTREPRENEUR OUTREACH

Citing new initiatives – such as its Loft and its work with RISE – McNeil assured attendees that the tide is turning. While high street banks’ entrepreneurship outreach programmes are important, McNeil pointed out that Barclays has other priorities. First, the bank is trying to link up different areas to support entrepreneurs. “Entrepreneurs could be touched by many branches of our bank – be it corporate, retail, investment or by our wealth colleagues. We want to make that experience seamless,” she said. Second, Barclays has launched two funds in the last year: a venture debt fund and an innovation finance fund in partnership with the European Investment Fund (EIF).

These steps are coming at a crucial moment for high street banks. The angel investors and crowdfunders dotted around the table are evidence of the rise of new fintech disrupters. “These innovations have stimulated a change in the way banks like Barclays think about business,” McNeil said. “We’ve had to find new ways to demystify the funding gap, for example by launching pre-assessed limits and making these available through online banking.”

IX. SKEWED PERCEPTIONS

It may sound positive, but experiences from around the table suggested banks are still too cautious in lending to successful businesses. At Love Home Swap, founded by Woskrow in 2011, even a “small” overdraft was out of the question. The media doesn’t help, McNeil said. “There is so much in the press about banks not lending. That discourages customers, so the more we can say to people that we’re open for lending, the better.”

Sinclair pointed to the Enterprise Finance Guarantee, in which a 75 per cent government guarantee is issued in favour of the Lender, which enables Lenders

to consider lending to viable businesses which would not otherwise satisfy their lending criteria.

“These typically happened with the banks, but weren’t the ideal type of loan to have,” Sinclair said. “Many of us have spent our early lives, even our medium lives, highly leveraged.” For Sinclair, who founded her first company in her 20s, it was a risk she was willing to take. The concern is that other female founders may be less confident. This, said McNeil, is why Barclays has become involved in the EIF. “The idea is that it will get our credit and business managers more comfortable with those sorts of businesses.”

X. MEASURING SUCCESS

The difficulty, as many attendees pointed out, is that assessing new companies is a complex process. Often they don’t have tangible assets, and are forced to pivot their business plans to suit market trends. As Ariadne Capital founder Julie Meyer MBE pointed out: “A big challenge is that banks want you to show them the money. But there are a lot of indicators as to what the numbers will be. Over a quarter of our portfolio and clients are women. Many are trying to build a certain type of business, and it’s not just about what their balance sheet says today, but assessing how it could look in the future.”

While a loan is often the first port-of-call for entrepreneurs approaching a bank, McNeil highlighted the importance of considering all options. “It could be about working capital, sales finance, invoice finance. It might be an overdraft, or asset finance. Our cash calculator service helps individuals identify the types of lending they can get access to.”

If a business has been trading for fewer than 12 months, Barclays signposts them Startup Loans Company. “We also put them in touch with the Community Development Finance Associations if the customer has adverse credit that we’re not used to dealing with. And we’re working closely with the government on the referrals portal to refer out to alternative finance, which will be a great development,” she added.

ATTENDEES

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Sarah Abrahams – Investor Manager, Grant Thornton
Annabel Denham – Programmes Director, The Entrepreneurs Network
Phoebe Gormley – Founder, Gormley & Gamble
Harriet Green – Deputy Business Features Editor, City A.M.
Luke Lang – Co-Founder, Crowdcube
Tamara Lohan MBE – Co-Founder, Mr and Mrs Smith
Rebecca McNeil – Head of SME & Corporate Lending, Barclays
Ian Merricks – Founder/Investor, Accelerator Academy
Julie Meyer MBE – Founder, Ariadne Capital
Jane Ni Dhulchaointigh – Founder, Sugru
Angela Ogunfojuri – Researcher, Start Up Loans Company
Elizabeth Passey – Senior Adviser, J Stern & Co
Natasha Pilbrow – Co-Founder, Le Salon
Philip Salter – Director, The Entrepreneurs Network
Emma Sinclair – Founder, EnterpriseJungle
Sam Smith – Founder, finnCap
Laura Tenison MBE – Founder, JoJo Maman Bébé
Jenny Tooth OBE – CEO, UK Business Angels Association
Debbie Woskrow – Co-Founder, Love Home Swap

