



FEMALE FOUNDERS FORUM: ROUNDTABLE 2

BRIEFING PAPER

FOREWORD

Countless studies of startup businesses in developed markets tell us that far more of these enterprises are founded by men than women. And yet they will almost all conclude that women make equal – if not better – entrepreneurs than their male counterparts.

After recent research from Deloitte found that increasing female participation in entrepreneurship to 10 per cent would take the overall economic contribution of female-led SMEs in Britain to more than £180bn by 2025, The Entrepreneurs Network, in partnership with Barclays, saw fit to embark on a project to identify why women aren't launching businesses and, equally, why more female entrepreneurs aren't scaling up.

Of course, women have varied motivations for and reservations against starting or scaling a business – some studies have shown a female tendency towards serial entrepreneurship; others reveal that women intentionally keep their ventures small to maintain the “work-life balance”. Yet with male entrepreneurs around 86 per cent more likely to receive venture capital (VC) funding, our roundtable addressing the Seed to Series A funding rounds was evidently needed.

Britain needs a more focused and connected programme of initiatives, involving a systematic approach to supporting women entrepreneurs to scale their businesses. The discourse surrounding both education (too few girls studying STEM subjects) and mentorship (too few women getting the coaching they need) is undoubtedly relevant. However, we believe that better access to funding could unlock the key to the scale up gap.

Our Female Founders Forum is a group of some of the UK's most successful female entrepreneurs. Over 2016, we are hosting a series of roundtables connecting these inspirational entrepreneurs with key figures from within the finance industry, journalists, politicians and, crucially, future female gazelles. The reports we put out off the back of these discussions will act as interesting guides for entrepreneurs looking to raise finance, and for the industry to understand what female entrepreneurs are looking for.

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It is worth adding that things are moving in the right direction. In recent years, the number of female angels has risen from an estimated 3 per cent to 14 per cent,

with crowdfunding largely to thank. Rightly or wrongly, we are seeing an increasing number of female-only investment networks. There's a gap in the market that will be filled by women – it's just a matter of time before angels and VCs capitalise on it. The Female Founders Forum exists to accelerate that process.

Annabel Denham, Programmes Director, The Entrepreneurs Network

INTRODUCTORY REMARKS FROM BARONESS (SUSAN) KRAMER

I've been involved in the alternative finance industry since 2010, have long been focused on entrepreneurship and, as you may have noticed, am biased towards women.

Prior to entering politics, I spent much of my life as a banker. My husband and I set up our own consultancy around two decades ago. We were able to get the finance we needed for this venture from a private Austrian bank, though there's no question in my mind that had I been alone at the negotiating table, it would have been a very short conversation and I would still be hunting for finance 10 years later.

Thankfully, we are in something of a changed world. I have been part of the movement towards focusing on startups and enterprise, and I'm thrilled that startup finance is something entrepreneurs can now increasingly access in the UK. This is in large part thanks to peer-to-peer groups. Funding Circle, for example, became the third largest provider of funds to small businesses in the last quarter of 2015. The process is often easier and quicker than you would expect from a bank.

Yet the alternative finance world still has too few women. Those who do exist are pioneers, and we desperately need to see more – especially in fintech. Alternative finance works for women: they don't have to worry about convincing a big bank to change its culture. Investors who like to work with women, or who recognise the strength of women, can come to the platform and instantly find them.

While starting a business is exciting and difficult, the issue that worries me most is scaling up, because it's not yet one where alternative financing can help. As companies get bigger, they are inevitably pushed into the venture capital world. It's a conventional space where money tends to be lent with a short timeframe, meaning entrepreneurs may need to sell up quickly – an outcome which often doesn't appeal to the many, many women who set up companies for a lifestyle change.

This issue concerns me hugely, both as a politician interested in the overall economy and as someone who regularly meets with entrepreneurs and enterprises. These businesses do not want to hit the £10m to £15m mark and sell out. They want to create a new lifestyle and an exciting range of products or services, yet we don't have the mechanisms in place for that to easily happen.

So I am here today in listening mode, and to ask whether the government is doing enough. Although I'm in an opposition party, we Lords can push these issues and converse across party lines in a way that those in the Commons cannot.

Rt Hon the Baroness Kramer, Liberal Democrat Lords Principal Spokesperson on the Treasury and Economy

AN INCONVENIENT TRUTH

We have long been told of the increasing wealth among women and that it was therefore only a matter of time before we saw a surge in the number of female investors. Anna Sofat, who founded Addidi Wealth, cottoned on to the potential for this new market back in 2008, but she struggled to grasp the lay of the land. “The trouble was, no one could say how many women investors were out there. Most simply suggested ‘much less than 5 per cent’. It was still a time when the average investor was male, in his 40s or 50s and who has either formerly worked in the City, or run his own business.”

The landscape has certainly improved since that 5 per cent figure was thrown out. “Back in 2008, I wanted women to make up 15 per cent of all investors. Some studies are now suggesting we've hit that mark.” She may have accomplished her mission, but the last thing on Sofat's mind is selling out. “I want to build a sustainable business that will still be here in 30 years' time,” she said.

The trouble, as Ariadne Capital founder Julie Meyer points out, is that we tend to associate “scale-up” with a short, quick turnaround. “A business can be more about looking after people, culture and purpose. The more we can convey that message to women, the better.”

While we've seen a surge in the number of female investors, the industry still needs to change. “As a female corporate banker, I am often the only female in the room amid a sea of grey suits,” said Rebecca McNeil, head of SME and corporate lending at Barclays. “There is certainly a dichotomy for women between returns, the cold hard cash, and the desire for sustainability.”

Most attendees agreed that the perception women only founded businesses with lifestyle in mind was damaging – and wrong. But one pointed out that while plenty of female-led firms make the leap from £0m to £20m, it's from £20m to £100m and beyond where women “completely disappear”. The attendee recently secured funding not because the business needed it to survive, but because she wanted access to VCs with supply chain, branding and e-commerce skills. “I wanted to scale up, and to do so we needed to draw on those skills.” Other women, she thinks, should be encouraged to do the same.

This took us neatly onto the pitching process more broadly. Studies have shown that female participation in ownership is negatively related to credit demand, and associated with higher rejection probability. But serial entrepreneur Nancy Cruickshank offered some useful insight. “You need a single unifying vision,” she said. “Today, I run a relatively complex business, but being able to succinctly describe it as a ‘personal beauty shopping service’ makes it easier for VCs to understand.”

Contrary to common opinion, Cruickshank doesn’t believe that a woman’s oft-lauded ability to multi-task is something to celebrate. “Focus is vital: I have 500 things on my to-do list every day. The role of a successful entrepreneur is to refine those things and choose projects that will make a difference to the business – and to convey that to potential backers.”

Jim Collins’s *Good to Great: Why Some Companies Make the Leap and Others Don’t* was cited during the roundtable as a useful guide to pitching. “He uses an analogy with a fox – the Jack of all trades – and a hedgehog – the master of one. Women need to be hedgehogs: it’s the key to a successful pitch,” Cruickshank said.

Meyer pointed to Robin Chase’s *Peers Inc.* “In it, Chase suggests investors are looking to anchor what you’re doing to something certain. The more you can reference research and surveys, the better.” Meyer took this advice to heart when doing her own investment methodology. “Rather than getting into the depths of the business, we cite a range of academic thinkers. We take the pitch to a conceptual, strategic level, showing backers that we have a macro vision.”

Of course, the pitch is only one half of a two-way process. As Lily’s Kitchen founder Henrietta Morrison highlighted, investors can – and should – bring more than money to the table. Cruickshank has raised £4m in the past three years, almost exclusively from high net worth individuals. “I’ve insisted on having at least a dozen women involved, though they are much harder to find because they do tend to be more risk averse,” she said. It’s part of a wider problem: low female participation in the private equity industry. “It’s vital more women get into the investment space and back other women,” Meyer suggested. “Female entrepreneurs often need other women to see their talent.”

Regardless of gender, Cruickshank recommends looking for investors who will “champion you, fuel your confidence and, importantly, not become embroiled in the day-to-day running of the business. Things go wrong on an hourly basis. You need investors who will talk about the bigger picture – the company’s mission and vision.”

But Money Penny founder Rachel Clacher had a very different story to tell. “I set up my business in 2000 with my brother. We have never stood in front of investors, because we’ve never adhered to the view that there is a huge sum of money necessary to succeed.” Money Penny was bootstrapped from a small pot of seed

money to an international business employing 450 people. Had Clacher needed to seek finance, perhaps none of this would have been possible. “Sometimes we need to give people, give women, the confidence to just go for it.”

THE CONFIDENCE GAP

Evidence shows that women are less self-assured than men, yet when it comes to success, confidence and competence are of equal importance. Attendees worry that the fundraising world is too “male-dominated”. “Women walk into fundraising meetings fully cognisant of the fact that there is a confidence gap,” Cruickshank said. “That’s a problem because a male VC may not understand the driving force behind my business – they may lack the insight that comes from my being a woman.”

One problem is the lack of female role models. “Are they not getting the press, or do they not exist?” asked one attendee. Cruickshank feels we read about too many kitchen table ideas in the papers and not enough businesses with the potential to scale. “We need to get more serious about women’s achievements,” she said.

Sarah Wadham, former director-general of the EIS Association, attributes part of the problem to women forgetting they can take career breaks to raise a family, and return to the workplace later. “It’s perfectly possible to come back, retrain, and find a job – be it working for yourself or someone else – which allows flexibility.”

It’s an issue that concerns the successful entrepreneurs around the table. “There is a talent leakage in our workforce,” Cruickshank said. “The sharing economy can help: London is becoming a centre for sharing economy businesses – like Uber or Love Home Swap – but we need to continue to leverage platforms to enable people to work more flexibly.” A revision of employment status could help, she added. “Startups like mine want to protect our freelancers without being viewed as employers and thus burdened with costs our business models cannot accommodate.”

Emoderation founder Tamara Littleton agreed. “We have freelancers working for us across the world, but have to be very careful about how we treat them. Yet I feel strongly that this is the future of how people – perhaps women in particular – work.”

We often compare ourselves in Britain to the US, but one area in which Meyer thinks the UK falls short is in our perception of aggression. “Women need to be tougher and more aggressive,” the American-born entrepreneur said. “In the US, we see that word as something to aspire to.” Wadham agreed: “Women across the pond start businesses with big ambitions.” Many felt that women here in Britain limited themselves to the kitchen table, when they could dream bigger.

But Sofat thinks there is something that could be done on a personal level. “We’re all mothers, aunts, sisters. Perhaps we need to look within our own group – think

about the careers we encourage our female relatives to go into.” Not only could this help tackle the lack of diversity within STEM fields (where women have been historically underrepresented), but it could also bridge the confidence gap. “We took on a new male adviser recently and asked him to rank himself on a number of metrics. He put ‘excellent’ for almost all. But women might be more self-aware, less willing to advertise their achievements,” Sofat said.

ATTENDEES

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William Blair - Vice President, Corporate Communications, Barclays
Rachel Clacher - Founder, Money Penny
Nancy Cruickshank - Founder, MyShowcase
Annabel Denham - Programmes Director, The Entrepreneurs Network
Melissa Di Donato - Vice President, Salesforce
Baroness (Susan) Kramer - Liberal Democrat Economic Spokesperson
Keren Limor - Founder, Literacy Tool
Tamara Littleton - Founder, Emoderation
Rebecca McNeil - Head of SME and Corporate Lending, Barclays
Julie Meyer MBE - Founder, Ariadne Capital
Henrietta Morrison - Founder, Lily's Kitchen
Gillian Nissim - Founder, Working Mums
Helene Panzarino - Author, Business Funding for Dummies
Cosmina Poppa - Founder, Conscious Venture Lab
Nathalie Richards - Director, Edukit
Skye Robertson-James - Chief Strategist, Escape the City
Philip Salter - Founder, The Entrepreneurs Network
Anna Sofat - Founder, Addidi Wealth
Lisa Townsend - Head of Public Affairs, Octopus Investments
Nastasja Vojvodic - Research Manager, BVCA
Sarah Wadham - Director General, EISA

