



FEMALE FOUNDERS FORUM: ROUNDTABLE 3

BRIEFING PAPER

FOREWORD

CRAIG TRACEY MP, CHAIR, ALL-PARTY PARLIAMENTARY GROUP FOR WOMEN AND ENTERPRISE

The APPG for Women and Enterprise aims to ensure that the challenges and opportunities to female entrepreneurship are considered and promoted. We want to get more women into business, to help them grow their businesses, and to get them involved in our group. It's cross party and operates across both houses: entrepreneurship is one of the few areas on which most members of all parties are agreed. We have Lloyds Bank and British Gas on our panel, but it is predominantly business owners who attend our meetings.

Currently our attention is focused on a joint-Treasury project looking into mentors in business. We've come across some interesting data in the past twelve months:

- Between 2008 and 2011, women accounted for 80 per cent of new self-employed persons in business sectors.
- In 2013 there were 1.5 million self-employed women in the country.
- According to the Women's Business Council, equalising men and women's economic participation rates could add more than 10 per cent to the size of the UK economy by 2030.
- RBS has claimed that if we boosted female entrepreneurship, it could add £60 billion to the UK economy.

Women start businesses with a third of the level of finance than men, use narrower finance streams than men, and few seek VC funding. However, with 38 per cent of female founders taking government business advice, we have a real opportunity to intervene and assist.

According to a recent report on women in entrepreneurship, across all countries, females have lower capability perception than men and a greater fear of failure. Not because they lack ability, but because they have a different understanding of their limitations. We need to work on this.

A key issue facing our government is the lack of data collection on women business owners – the US is miles ahead of the UK on providing this vital information. It is very difficult to design a strategy on business if you cannot grasp

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who will be affected. Fortunately, new digital tax returns could help resolve this.

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Once we have the data, we can drill down. Banks now have a responsibility to encourage alternative finance. Schools should play an important role in encouraging more girls into entrepreneurship. Currently, careers advisers do not see “self-employed” as an occupation. Finally, programmes like the London Stock Exchange Group’s ELITE, Goldman Sachs’s 10,000 Small Businesses or programmes from Tech City provide interesting and encouraging models.



Craig Tracey MP, Chair, All-Party Parliamentary Group for Women in Business

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INTRODUCTORY REMARKS I

MARTA KRUPINSKA, CO-FOUNDER, AZIMO

I was asked to discuss access to funding, though I would first like to say that this is not always the main problem facing women in business. The fundamental issue is that we raise our boys to be brave and our girls to be perfect. This has been a challenge for me in my entrepreneurial journey, and for many women I’ve encountered along the way.

When I speak to fellow entrepreneurs, there is one question which often crops up: “what do investors want to invest in?” There may be hype around “ideas”, but in my experience they invest in the team and its ability to iterate ideas or react when something goes wrong, and they want to establish whether a relationship can be built between investor and founder. When approaching investors, we felt we were a credible team because we could paint a picture of the opportunity we are trying to seize.

Founders have to be able to sell, which poses a problem for female entrepreneurs. As women, we are taught to care for others rather than sing our own praises too much. If we speak too emphatically, we are viewed as pushy. “Pushy” is not a term that offends me, but I’m in the minority. It’s why we need more positive female examples.

Azimo has just raised a Series B+ round from a strategic investor. We’ve always adopted the same approach in preparing a pitch and speaking to potential investors. Our pitches have five components: What is the product? How is it different? How will we make it work? Why should investors care? And finally, what do we need from them?

This last point is important: in the elevator pitch I've often forgotten the "ask". This might be a female issue: we're not direct in saying, "I want your money and these are the reasons why". We need the courage to go and say what we need and what we're going to do with it.

That said, each finance round has focused on something different. Series A is about proving we could grow. Series B is about the economics – customer acquisition, customer collective value. Series C is about the margins.

While we've been successful in raising finance, challenges remain for us female entrepreneurs. We know that only 7 per cent of funding is going to women. There are too few women VCs, and too few positive stories of female founders.

Thanks to technology, starting a business has never been easier. I was brought up in socialist Poland in the 1980s and I started my first company without much access to capital. We need more bravery. I don't believe that it's men holding women back; it's us.

INTRODUCTORY REMARKS II

VIN MURRIA, FOUNDER, ADVANCED COMPUTER SOFTWARE

I entered the world of entrepreneurship in my early 20s. At 23 I had my first acquisition, and I was so young that I didn't even think about failure. I just got on with it. However, I see lots of young people starting businesses who don't understand how a business is run and who don't have the skills or network needed to make it succeed. It was around 2000/01 that I decided to strike out alone. I raised some money – which wasn't easy – and started small. We did acquisitions slowly over the course of five years. That business was sold to a private equity firm, leaving me in the fortunate position that people were now keen to back me.

It was 2008 when I launched my next company, right after the collapse of Lehman Brothers. In my view, this was the perfect time to start a business – just as the uncertainty around Brexit has provided entrepreneurs with an exciting opportunity. There is money floating around which anyone with a decent idea and sensible approach can capitalise on.

How do you raise late stage funding? Raising money – be it £1m, £5m or £20m – is relatively straightforward. Once the model is up and running, and you have proof of concept, the best way to get later stage funding is with an IPO. As women, we stand out. Institutional investors want to back women; the press want to write about us. Founders need to display a great idea, clear vision, track record, and a USP. What is the scale of the opportunity? Is it a "ten bagger"? In the early 2000s, over the course of five to six years we raised around £40m and gave investors tenfold returns.

Of equal importance is the team: do they understand what the founder is trying to achieve? Can they respond quickly and adapt if something goes kaput? If you're successful once, your team will want to follow you – perhaps because you've got a great brain, but more because you make money for them. And if you do bring people on board, make sure you share some of that. The top 30 staff at my last company became millionaires.

Understand the numbers, or employ someone who does. Once they've done that, the money will come. But don't get caught into promising more than you can deliver. In fact, always do a little more than you say you're going to.

IDENTIFYING THE ISSUE

Where does the real problem lie? Is it at the later stage, with few women-led companies represented on the London Stock Exchange? Or at an earlier point in a company's growth? Debbie Wosskow OBE, founder of Love Home Swap, thinks the latter. "The issue is at the bottom of the food chain – only 7 per cent of capital raised is raised by women" Wosskow said "All the women in my family were entrepreneurs. But most families are not like that, so how do we create an appetite for risk and entrepreneurship among girls without that opportunity?"

According to a recent survey, while there are now more women running their own businesses than ever, the churn rate of women's startups tends to be higher than the average (though most cite "personal reasons" rather than "business failure" as the underlying reason).

Indeed, Buddi founder Sara Murray OBE thinks that the UK is not short of female-led startups: "I don't buy that we need to encourage women to go out and start a business. I buy that we've got to go from sole trader to building something bigger," she said. There was concern over a lack of momentum towards female entrepreneurship, that women "set up businesses to pay the bills but are too busy paying the bills to be truly inspiring."

Murria believes the problem starts much earlier. She pointed to the US, where pupils are forced to "PR themselves" from a young age. "We need 'Show and Tell' here in Britain. It would build confidence and teach public speaking from day one," she said. But an important part of inspiring others must be talking about failure. "We teach our girls to be perfect," one attendee pointed out. "Mentors must be willing to share the difficulties they've faced. Whenever I give an inspirational talk, I'll mention the hundreds of rejection letters we received as well as all the successes we achieved."

A key question is how government can help to boost female entrepreneurship, short of introducing divisive policies like quotas. Following her experiences as Chair of Sharing Economy UK, Woskowiak thinks the government's power lies in its ability to convene groups of successful female entrepreneurs and draw on their experiences and advice to answer a simple question: How Britain can be the best place in the world for women to start and grow a business.

Others favoured a more direct approach. "There is money around, but very little long-term capital," one attendee said. "Women don't always aim to triple their revenues overnight. They are often building a long-term, viable, family business and that takes time. So government needs to incentivise more equity to be available and to make it more female. It could, for example, match side-by-side any fund invested in women-led businesses for a decade." This, she added, could create a proliferation of both funds and businesses.

Earlier this year, Woskowiak joined heads with Hearst Magazines' UK CEO Anna Jones to launch AllBright, a female-focused investment platform which combines an angel network with a crowdfunding platform. Regardless of whether female entrepreneurs would want the playing field to be skewed in their favour, it already has 174 companies in its pipeline and 100 angels in its network.

There are other ways the government can help: one attendee suggested that the new Department for Business work with Companies House and HMRC to provide data on growth businesses. Woskowiak thinks that government should help aspiring female entrepreneurs with childcare: "I set up Love Home Swap with two small children and for some time my childcare costs far exceeded any money earned. The only reason I could stay afloat was because of a previous exit. If we want Britain to be the best place for women to found businesses, we need to address the cost of childcare and how it gets paid." One attendee suggested the government take inspiration from the Bar Council, which provides daycare for babies from six weeks to five years old.

And Murria pointed to the education curriculum. "We need to put learning to start a business at the heart of our academic programmes, from Day One." But the tide may already be turning: "Men now ask what their daughters are going to do as a career. Let's prey on that. Have kids running workshops and asking women for funding." And a Birmingham-based entrepreneur has started writing children's books where the business owners - so often portrayed as fat, old and male - are young women.

At the moment, such projects are too ad hoc. "At a school I visited recently, the pupils had built a garden - from the design, to the planting, to marketing and selling what they'd grown. It taught new skills but there's no common policy to carry out these activities," said Tracey.

Not only are women-led businesses failing to reach the same economic scale as those led by men, but some attendees worry the ambition to grow big is lacking. “A lot of businesses are comfortable. They have a £3m to £5m turnover, the founder has sent the children to university and bought a holiday home in the Mediterranean. They don’t want to grow further and they don’t want to do it again,” Murria said.

Duncan Bannatyne famously once stated, “There are no female serial entrepreneurs in Great Britain... They are nest-builders”. Yet experts have found that a new crop of female serial entrepreneurs is emerging. This could also be boosted by providing inspirational stories to schoolchildren, attendees suggested. Krupinska proposed that it become part of corporate social responsibility programmes. “We could send founders and employees of successful businesses to local schools. It could be as little as half a day per year, but having someone talk about how they got there, what they do, what their job entails and so on could fix the problem.”

LIST OF ATTENDEES

William Blair – Vice President, Corporate Communications, Barclays

Anna Boffetta – Associate, Balderton Capital

Kirsten Connell – Founder, Cyber London

Alison Cork – Founder, Home

Hollie Gallagher – Partner, BDB

Irene Graham – CEO, Scale-Up Institute

Marta Krupinska – Founder, Azimo

Catherine Lawrence – Programme Manager, Royal Academy of Engineering

Alan Mak MP – Chair, APPG for Entrepreneurship

Rebecca McNeil – Head of SME & Corporate Lending, Barclays

Sara Murray OBE – Founder, Buddi

Vin Murria – Founder, Advanced Computer Software

Skye Robertson-James – Chief Strategist, Escape the City

Philip Salter – Founder, The Entrepreneurs Network

Geeta Siddhu-Robb – Founder, Nosh Detox Delivery

Sam Smith – Founder, finnCap

Craig Tracey MP – APPG for Women and Business

Nastasja Vojvodic – Research Manager, British Venture Capital Association

Maria Wagner – Investment Director, Beringea

Debbie Woskow – Founder, Love Home Swap