



THE CORNERSTONE REPORT: ACCESS TO VENTURE CAPITAL

Founder journeys and the barriers to inclusive investment

DIVERSITY VC



ENGAGE INCLUSIVITY
RADICAL INCLUSION PRACTICE

Beauhurst

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Cornerstone Partners

Cornerstone Partners is a leading angel network focused on investing in exceptional black and diverse founder led businesses across the UK. We focus our attention on this group because we believe their entrepreneurial talent is overlooked, underestimated, and underrepresented in the traditional funding community.

Engage Inclusivity

Engage Inclusivity specialises in research, training, strategy and executive coaching to support progressive moves towards equity, diversity and inclusion. Bringing together cross-sector experience with academic theory and methods we advocate for intersectionality, complexity over reductionism, and combined micro and systems-level approaches.

Diversity VC

Diversity VC is a non-profit partnership promoting diversity in Venture Capital. Venture Capital is funding the future. The decisions made by VCs filter through to the whole community and we have a responsibility to ensure the right decisions are being made. We need the industry to be free from bias.

Beauhurst

Beauhurst collects, curates, and analyses data on the high-growth economy and its participants, from growing companies to investors and advisors. We provide that data through a searchable online platform, used by thousands of professionals to deepen their understanding of the high-growth space. We also work closely with clients in both the public and private sectors, providing insight to some of the UK's most respected institutions.

FOREWORD

RODNEY APPIAH, CHAIRMAN

At Cornerstone, we have always believed that realising the full potential of the UK economy lies in unlocking the talent of entrepreneurs from ethnically minoritised backgrounds who are too often overlooked, underestimated and unsupported by traditional providers of capital. Solving this problem has been key to Cornerstone's mission to create the largest and most influential angel network in the UK for black and diverse founders. Our work, which first and foremost provides meaningful angel funding, has centred on addressing the number one gripe of diverse founders – a lack of access to equity and debt capital to support the early stages of their growth.

Ongoing research, particularly where it has been commissioned by active members of the ecosystem to which it refers, plays an important role in highlighting the current challenges faced by black and diverse entrepreneurs. Moreover, research can recommend actionable steps, which if implemented, can meaningfully address the issues raised.

It is on this premise that we set out to build on the excellent research carried out by organisations such as the British Business Bank, Extend Ventures, 10x10, Google for Startups, YSYS, Atomico, and the Federation of Small Businesses, to continue to highlight the equity gap for diverse founders.

Our research goes further by extending our survey beyond self identified ethnicity and race in an attempt to understand the experiences of other minority groupings, such as gender, education, age, social networks, and other socioeconomic factors. Our approach triangulates both quantitative and qualitative analysis, paying careful attention to the personal testimonies of diverse founders about their respective fundraising efforts.

Our findings make for sober reading. Of those who successfully raised VC funding in 2019, 7.3% of founders identified as Asian and 2.9% of founders identified as Black. This is significant considering 53% of the respective cohort is based in London, where the GLA estimates 24% and 16% of the population identify as Asian and Black

respectively. The data suggests that minoritised founders are often excluded at the pre VC and VC stage of funding and are subsequently underserved by traditional providers of VC capital. This may be through their lack of awareness in raising investment, or perhaps exclusionary selection practices and inadequate bridging capital in the market – the jury is still out on this. Needless to say, it is evident that class, education and social capital networks play a pivotal role when fundraising and can place minoritised founders at a significant disadvantage.

There is a silver lining however. A nascent but emerging cohort of funds, angel groups, P2P lending platforms, accelerators, networks and other community groups are proactively growing the funnel and increasing investment activity into this area in an effort to close the equity gap. Cornerstone is pleased to be playing a key role in the development of the diverse funding ecosystem but recognises more work needs to be done. The ongoing support of the Government, trade bodies and other agency groups will be key to amplifying our current efforts.

Whilst further research is required into understanding the opportunity pool, we don't buy the argument of the "pipeline problem", a reason often cited by traditional funding groups to excuse the lack of diverse founders in their respective portfolios. Our own experience at Cornerstone tells a different story, where we see between 300-400 diverse founder led businesses a year. Coupled with deal flow generated by other diversity focused VCs and angel networks, where overlap tends to be limited, it becomes apparent that the so-called pipeline problem is more a perception than reality. Our quantitative data and research parameters suggest a healthy pipeline of "VC ready" businesses led by diverse teams that are successful

in raising seed capital but struggle to secure institutional investment.

We think a better term to describe what we are seeing in the UK is an emerging diversity asset class, which is poised for growth. Across the pond, the recent launch of diversity focused VC funds such as Harlem Capital, who recently closed their second fund at \$134 million, has given further credence to the growing pipeline of businesses led by diverse founders. Firm commitments from organisations such as Apple, Paypal and Google to increase funding and support for underrepresented founders is further evidence of this.

Our continued work in this area, underpinned by the findings in this report, wouldn't be possible without the help of our incredible partners and supporters. We owe a debt of gratitude to Engage Inclusivity, Diversity VC, Beauhurst, the incredible founders who took part in our surveys and interviews, and the individual partners in our angel syndicate who have given of their time and money to address an inequity in the funding landscape. It is our hope that the findings and recommendations from this report are an important step in creating the lasting change the funding ecosystem deserves.



Thank you for taking the time to read our report.

RODNEY APPIAH

Chairman and Co-Founder of Cornerstone Partners

INTRODUCTION

This research was commissioned in May 2020 by Cornerstone Partners, an angel investment network focused on investing in businesses run by black and diverse founder-led teams. A syndicate of individuals of African and Caribbean heritages, Cornerstone came to this work with first-hand experience of businesses that showed great potential for success, but struggled to secure venture capital.

Access to Venture Capital was delivered and supported by inclusion and research specialist consultancy Engage Inclusivity, with support from UK venture industry nonprofit Diversity VC and data sponsorship from company intelligence provider Beahurst. Looking at the UK environment in particular, it presents findings from an investigation of how founder experiences in seeking and raising equity investment vary in relation to founder backgrounds and founding team composition.

Taking 2019 as the year of study, the team ran two surveys, the first with businesses that had not raised VC but showed all the hallmarks of being 'VC-ready' in 2019. The second survey was shared with all businesses that had announced a VC raise in 2019. To gain an accurate picture we allowed respondents to self-report on their identity and background, and to share their feelings and experiences related to raising investment. We also undertook a total of 12 founder interviews to dive deeper into the survey findings, and gain further insights which inform the recommendations presented here.

¹ VC Ready refers to all businesses that secured equity investment of £100k to £1m in 2019, with a headcount greater than 10, and no VC (or institutional) investment.



KEY FINDINGS

1

Underrepresented founders are being **excluded from the opportunities** of equity investment at a very early stage of business development

2

Black founders are particularly **underrepresented in pre-VC and VC funded cohorts**

3

Black and racially minoritised women and nonbinary founders are the **worst represented**

4

Three-quarters of founders come from **advantaged socioeconomic backgrounds** and hardly any founders come from families living on welfare entitlements

5

The majority of all founders are **graduates from prestigious universities** and VC funding is more likely to go to founders who have been to the most exclusive universities

This research contributes to efforts to indicate that whilst the VC industry has in some cases suggested a 'pipeline problem' citing a lack of suitable businesses run by women, Black and racially minoritised founders - **the problem lies with VC's limited perspective** (Forbes, 2018).

RECOMMENDATIONS

1 Equity investment professionals must recognise the tacit use of networks for risk mitigation, and develop new processes to replace these exclusionary practices

2 Create funding schemes that support and amplify the work of angel groups, accelerators, and diverse managers that invest in businesses led by minoritised founders

3 Encourage an "Open VC" model which sees equity providers work with the BVCA, UKBAA and other relevant trade bodies to create guides that abolish exclusionary practices and enable businesses with less social capital to gain access to investment networks

4 Introduce and support early career development programmes that increase the exposure of venture capital to diverse audiences

5 Further research is needed at the beginning of the funding journey (i.e. prior to pre-VC stage) to understand where founders from underrepresented groups face challenges in raising initial investment

6 Further research is needed into the disparities within broad ethnic groups

7 Further research is needed on the experiences of non-binary and gender-nonconforming founders

BACKGROUND

ACCESS TO VENTURE CAPITAL IN THE UK - THE RESEARCH SO FAR

This report adds to the existing knowledge being built on interlocking dimensions of discrimination in investment. Our distinct contribution examines how access to pre-VC and VC funding operates, harnessing valuable first-hand knowledge about the obstacles from underrepresented founders.

Together with our contributors we stand in solidarity with our friends and colleagues cited below in the call for meaningful change towards more equitable access to capital.

Published in early 2019, the collaborative report led by British Business Bank titled *UK VC and Female Founders* found that just 4% of VC deals were with all-women teams, rising to 12% for mixed gender teams. This disparity was also reflected in deal size, with less than 1% of VC investment going to all-women teams. Published the same year, *The Alison Rose Review of Female Entrepreneurship* suggested as little as 1% of UK VC money was going to all-women teams.

Research that looks more deeply at investment in businesses led by women from Black and racially minoritised groups in the UK is limited. The British Business Bank found that even after controlling for 30 explanatory factors, for some entrepreneurs ethnicity and gender are tied to worse outcomes (2019).

In 2020 Extend Ventures released a report titled *Diversity Beyond Gender* which reviewed perceived gender and ethnicity of founders over a ten-year period. Starkly, the report found that persons perceived as Black women received just 0.02% of investment, and persons perceived as South Asian women received 0.8%. This is in contrast to persons perceived as White women who received 9.2% (2020a).

Atomico's *State of European Tech* report found that 77% of respondents who self-identified as Black believed the European tech sector to be "unfair to people from all demographics, backgrounds and experiences". This stands in stark comparison to 40% of respondents who

self-identified as White. Extend found that in the decade between 2009 and 2019 only 0.24% of funding went to persons perceived as Black, whilst more than 90% went to founders perceived as White (2020a).

Where founders from racially minoritised groups are able to access capital success can be extraordinary, think-tank OPEN found that of the UK's 23 unicorns 8 are founded by men from these groups. However, this also indicates the specific issues faced by Black communities and Black and racially minoritised women who are absent from the list (*OPEN, 2021*).

The UK government's Commission on Race and Ethnic Disparities report published in 2021 was met with wide criticism from anti-racism campaigners and experts from all fields for underplaying the continued impacts of systemic racism. A working group of Black and racially minoritised business leaders who contributed to the report spoke out about how their 11 evidence-based recommendations had not

been adequately included, among them a call for access to capital for new and existing businesses founded by Black and racially minoritised entrepreneurs (*The Guardian, 2021*).

Research has also broached the role played by socioeconomic status and education. The British Business Bank found that 87% of founders with a household income of over £75,000 were making a profit, compared to 76% of those with a household income under £20,000 (2020). Meanwhile Extend Ventures found that over 40% of capital invested at seed stage between 2009 and 2019 went to founding teams with an 'elite education' (2020a).

COVID-19 CRISIS

State of European Tech 2020 showed that the Covid-19 crisis has served to further entrench and exacerbate inequities in investment, finding that 61% of Black and racially minoritised founders experienced more difficulty raising investment during 2020 - an increase of 32% from 2019 - in contrast to 54% of White founders.

In the same year Extend Ventures ran a survey on the impact of Covid-19 for businesses led by Black and racially minoritised persons, finding that just under half said they don't plan to access or expect to qualify for any government support schemes (2020b). This is in spite of research by *Black South West Network* which indicates that 90% of organisations led by Black and racially minoritised persons reported significant financial loss during the pandemic (2020).

Seemingly the worst affected, 70% of founders who identified as Black men reported having to take drastic action to save their business in light of the pandemic (British Business Bank, 2020). This lost revenue is not wholly related to the sector they operate in - the most significant reason for lost revenue during the crisis - but seems to be related to the more severe health outcomes with relation to Covid-19 faced by Black and racially minoritised groups. Differences themselves which are deeply entwined with socioeconomic inequities such as the lockdown 'class divide' which sees middle class workers more able to work from home, and thus shelter from infection (*YouGov, 2020*).

In the midst of these huge challenges the UK government's Future Fund was launched to support businesses through the crisis, however, figures show only 1% of funding has gone to women-led businesses and 5% to businesses led by Black and racially minoritised teams (*The Telegraph, 2021*).



THE IMPORTANCE OF VC - GATEKEEPERS TO FAST GROWTH

Venture capital is a hugely influential industry, which has been instrumental in the growth of some of today's most recognised companies. VCs fund companies at an early stage in their development in exchange for a negotiated percentage of equity. Taking on 'high risk' investments they seek out companies with what they perceive to be the highest growth potential.

The UK has one of the world's largest VC markets, ranking number one in Europe for companies valued over 1 billion USD, and providing investment of 15 billion USD and the creation of seven 'unicorn' companies in 2020 (*The Guardian, 2020*).

British Business Bank's 2020 study reports there is systemic disadvantage for entrepreneurs who come from an ethnic minority background and who are female.

In the entrepreneur population, having less education, a low income, and living in a deprived area are connected to each other. They are also correlated with coming from an ethnic minority background. Working part-time, spending time in caring roles, and working in lower productivity sectors are connected to each other. They are also correlated with identifying as female. Each of these effects leads to worse entrepreneurial outcomes. However, even after controlling for more than 30 such explanatory factors – including sector, money, human and social capital, and finance – disparities persist. For some people, their ethnicity and gender are intimately tied to worse outcomes.

49% of Black and racially minoritised entrepreneurs in the UK said that a lack of finance was the reason they had to stop working on their business idea. Given the pivotal role that VC is playing in rapidly scaling start-ups, it has become increasingly important to understand more about the challenges of equity and diversity that may be hindering certain groups from accessing this form of investment (2020a).



HOMOGENEITY AMONGST VCS

Diversity VC's research on UK venture capital investors has shown a high level of homogeneity amongst staff in the sector. The nonprofit's 2019 study reported that 76% of surveyed VCs identify as White (whereas the London population is 59% White), 70% as men, and 33% have degrees from one of four elite US and UK universities (*Diversity VC, 2019*). Research by the British Venture Capital Association (BVCA) in 2021 did not paint a better picture, with 80% of staff in surveyed firms identifying as White and 3% as Black (*BVCA, 2021*).

Research has shown that investment teams that include women are more likely to invest in women CEOs (Dubow & Pruitt, 2017), and VCs from Black and racially minoritised groups are more likely to invest in Black founders (*10x10, 2020*). Whilst the VC industry has in some cases suggested a 'pipeline problem' citing a lack of suitable businesses run by women, Black and racially minoritised founders in which to invest - VC's limited perspective may be the issue (*Forbes, 2018*). UK VC's homogeneity may be inhibiting the industry from identifying and enabling founders and opportunities that a more diverse workforce would be more likely to understand and prioritise.

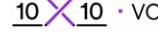
BCG's 2018 study with MassChallenge on women founders in the US finds that women founders encounter additional challenges when looking to raise investment in front of panels of predominantly men. This is likely to have a similar impact on Black founders; whilst one in six Black entrepreneurs in the UK decide to start a business after "identifying a gap in the availability of products suited to them" (British Business Bank, 2020), a 2019 article cites only 20 decision-making staff in UK VCs identify as Black (*Sifted, 2019*).

Various initiatives, including the release of the *Diversity VC Standard* demonstrate a measured impulse towards change in the sector. Research by the BVCA saw a 38% rise in women working in the surveyed VC and PE firms between 2019 and 2021 (BVCA, 2021).



THE ECOSYSTEM

The table below includes the organisations and initiatives working towards a fairer investment and start-up ecosystem

EQUITY INVESTMENT	COMMUNITY ORGANISATIONS	INCUBATORS/ACCELERATORS	ALTERNATIVE INVESTMENT	REPORTING/THOUGHT LEADERSHIP	TRAINING & DEVELOPMENT
        	           	        	  	      	     

METHODOLOGY

OUR APPROACH

Engage Inclusivity's approach is characterised by a commitment to social justice praxis. Our work aims to support progressive thought and action, whilst using tools and methods of research which themselves further this mission.

KEY QUESTIONS

What are the backgrounds of founders in 'VC-ready' and VC-funded businesses in the UK? Is there a significant difference?

What are the investment experiences of founders from groups that are less well represented in both groups?

SURVEY

Surveys with the Pre-VC and VC-funded groups ran from September until December 2020. Sampled companies were approached via email and LinkedIn over the course of the campaign to encourage participation.

COHORT 1: PRE-VC

1186 businesses that, in 2019, had the characteristics of being VC-eligible according to criteria developed by the research team in consultation with investment professionals (see Methodology for our criteria).

COHORT 2: VC-FUNDED

A group of 696 companies which announced VC investment in 2019. This excludes any companies which raised VC money privately and chose not to announce the round in industry press.

The findings below bring together analysis of publicly available data and self-reported data gathered through our survey.

METHODOLOGY

INTERVIEWS

Semi-structured interviews were conducted over video-call after the close of the survey with selected founders from both groups who had indicated in the survey that they would be interested in a discussion.

SELECTION OF THE 'VC-READY' SAMPLE

Beauhurst provided a sample of all businesses that had secured equity investment of £100k to £1m, had a headcount of more than 10, and had not received any VC investment.

LIMITATIONS AND CHALLENGES

To gain complete information about founding teams the survey was sent to all members, but was designed to be filled out by one representative about the whole team. This meant questions had to be broad enough to be completed by colleagues, and focus on information likely to be known, and unlikely to be sensitive. This created limitations in asking questions on orientation, neurodivergent and disability, which are highly relevant and important to this work, but deemed by pilot respondents to be too sensitive. It also meant that questions of ethnicity tended to be broader, looking at regional ethnic identities, for example the survey offered 'South Asian' rather than 'Bangladeshi'.

ANTI-RACISM

Anti-racism campaigners have long advocated for the term "BAME" (Black and Minority Ethnic) to be retired¹. This report uses 'racially minoritised' to emphasise the social construction of race as a system of hierarchy. This follows the work of academic Yasmin Gunaratnam (2003), and antiracist expert groups such as *Race on the Agenda*.

To address the flattening of experience which has been an issue with BAME, and to emphasise the specific experience of persons of African descent, 'Black' is used for these groups, alongside 'racially minoritised'. In this vein, the importance of specificity is noted, as different communities face different challenges. Though limited by our survey methodology, which saw one founder report data for all team members, we advocate for ethnicity data which breaks these categories down further, as argued for in the British Business Bank's 2020 report on entrepreneurship and diversity, *Alone, Together*.

¹ See Media Diversified's 2016 panel on the issue [here](#).

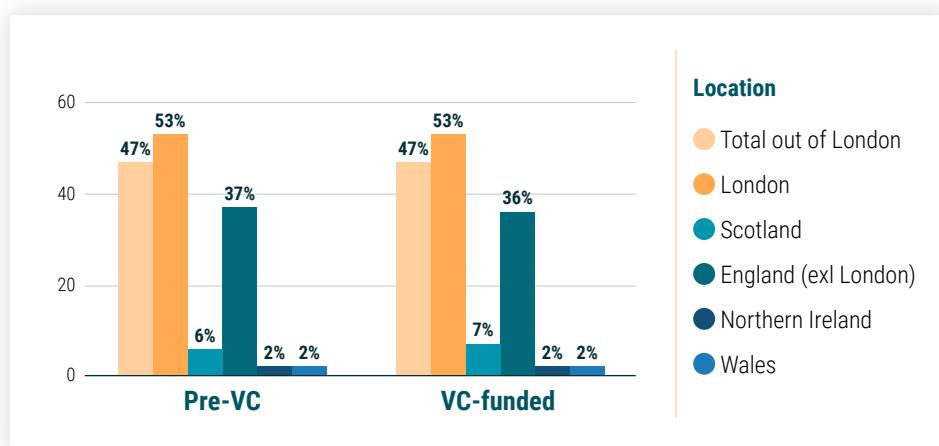
FINDINGS

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

1 LOCATION

Over half of pre-VC and VC-funded businesses are located in London

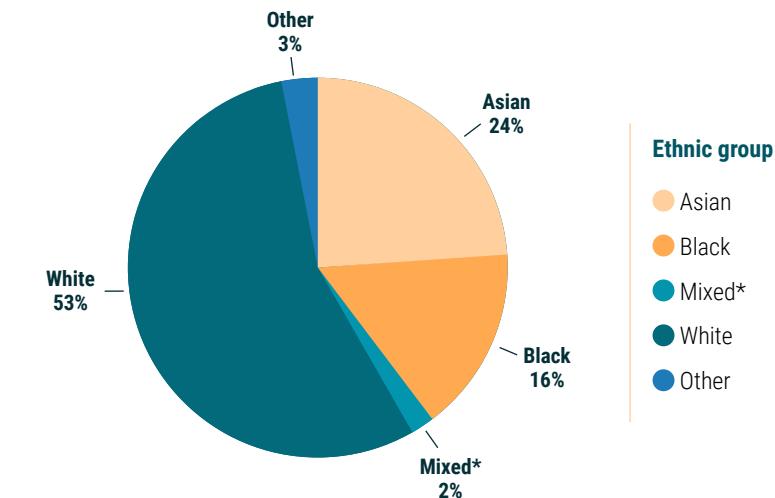
Businesses are split between London and the rest of the UK in the same proportions across both cohorts, with over half being located in London. The remaining firms are similarly distributed across the UK, with England home to the most after London.



Note: percentages may not add to 100% due to rounding.

London's impact on representation

Given the disproportionate number of firms in both cohorts located in London, an inclusive investment landscape would see founder demographics more reflective of the city's diverse population.



Source: GLA 2016-based Ethnic Group Population Projections (2017)

Note: percentages may not add to 100% due to rounding.

*Not identifying as Asian or Black

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDER'S COMPARE?

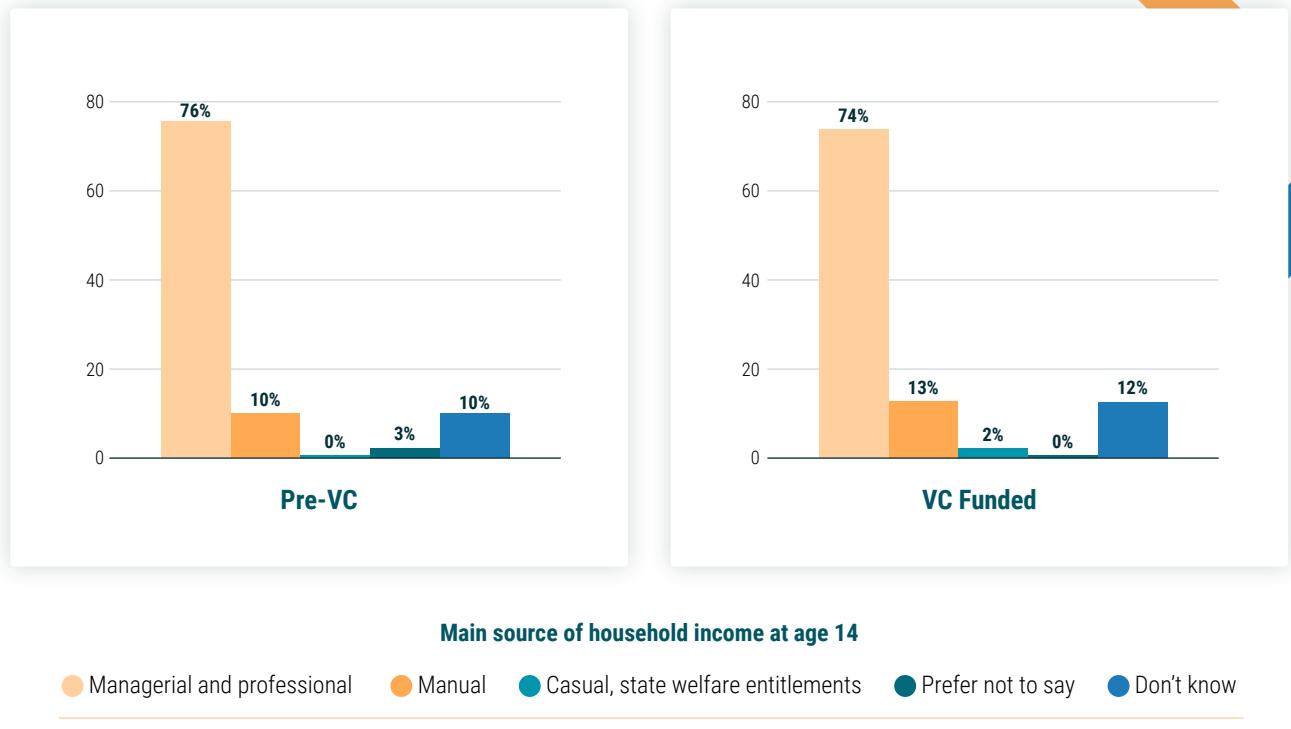
2 SOCIOECONOMIC CIRCUMSTANCES

Three-quarters of founders come from advantaged socioeconomic backgrounds

Around three-quarters of founders report that the main income in their household when they were 14 years-old came from one or more parents working in professional or managerial jobs.

HARDLY ANY FOUNDERS COME FROM FAMILIES LIVING ON WELFARE ENTITLEMENTS

Just 2% of founders in the VC cohort come from families whose main household income was from casual work or welfare entitlements, whilst no one reported the same in the pre-VC cohort.



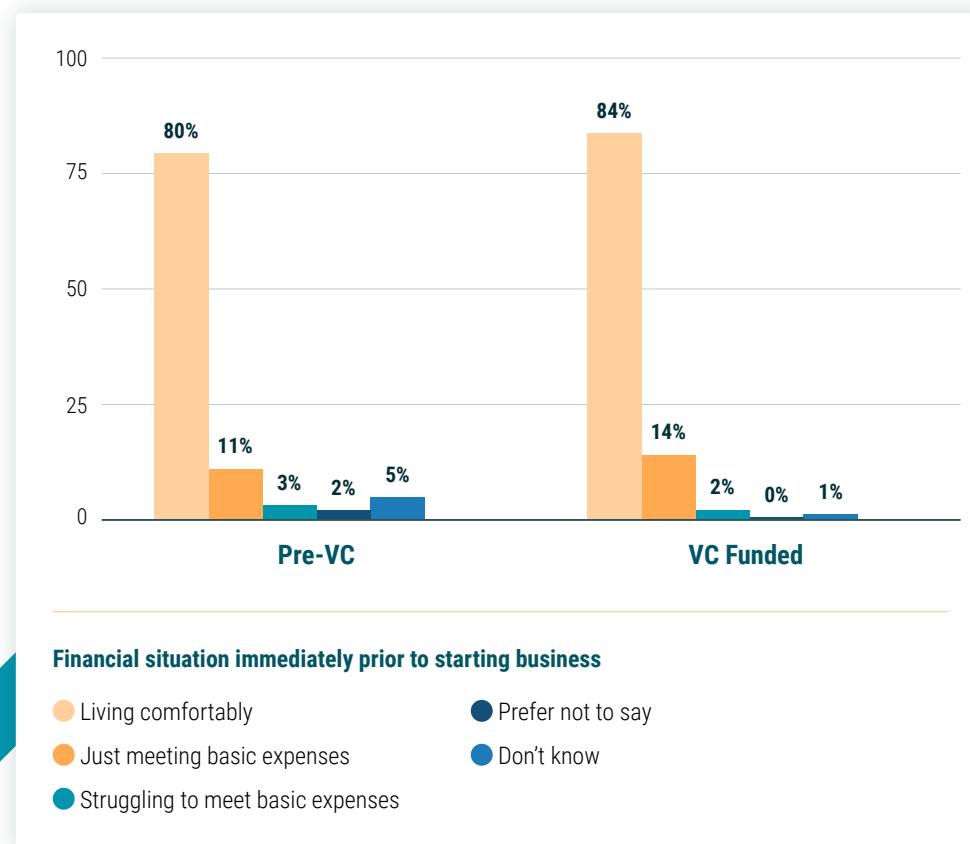
PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

THE VAST MAJORITY OF FOUNDERS START THEIR BUSINESS WHILST IN A COMFORTABLE FINANCIAL POSITION

Founders in the VC-funded cohort seem slightly wealthier than the pre-VC cohort with 4% more describing their situation immediately before starting the business as comfortable.

Given that VC funding can take some time to secure, and may require long periods of founder bootstrapping, it's likely that those without a sufficient financial buffer will not make it to this stage.

Research has shown that low income founders' potential may be restricted by their finances. Significantly more entrepreneurs with an income of under £20,000 report 'difficulties getting finance' as the reason they stopped working on their business idea than those who earn more. This further entrenches ethnic disparities since White employees earn more than those who are Black, Bangladeshi, or Pakistani according to the Office for National Statistics (ONS) (British Business Bank, 2020).

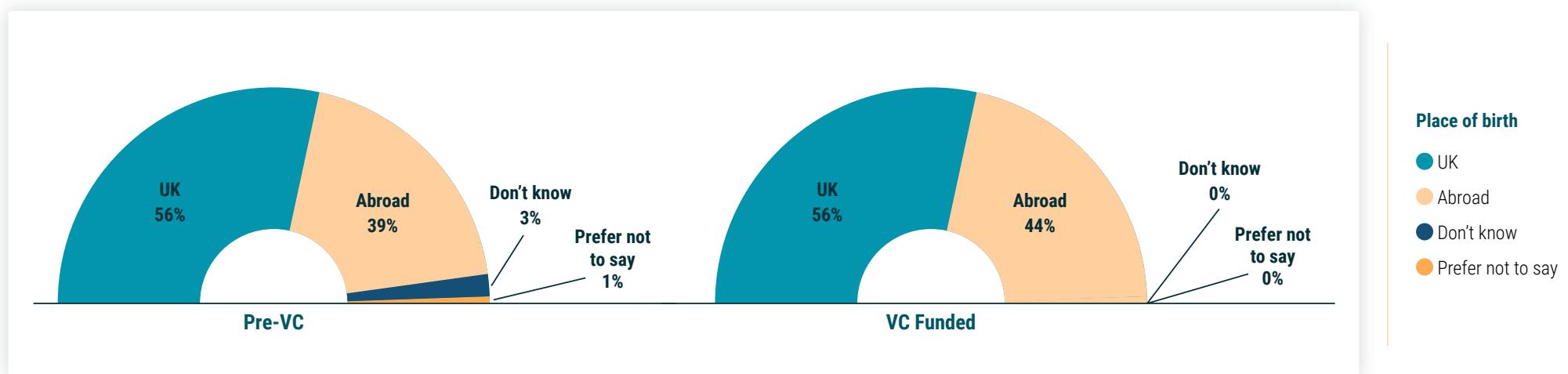


Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

A LARGE PROPORTION OF FOUNDERS ARE BORN ABROAD, MOVING TO THE UK IN THEIR 20S AND 30S

39% of pre-VC founders were born abroad, rising to 44% of VC-funded founders. The majority of these international founders move to the UK between the ages of 21 and 40, suggesting that they are likely to have relocated for well-paying jobs or costly higher education.



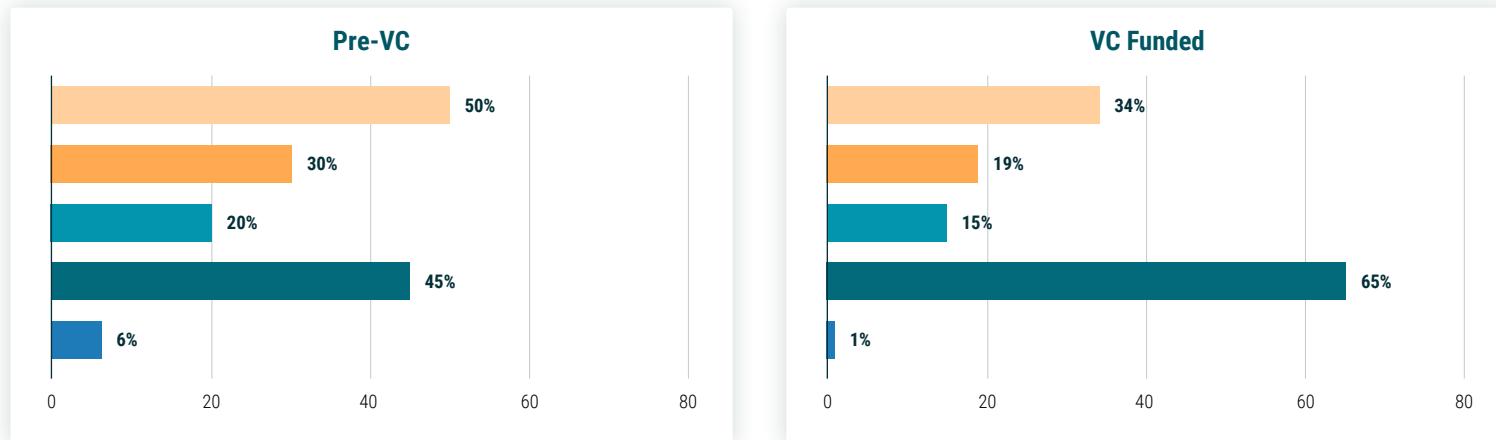
Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

**HALF OF PRE-VC BUSINESSES AND
OVER A THIRD OF VC-FUNDED TEAMS
INCLUDE FOUNDERS WHO HAVE
SECURED OVER A MILLION POUNDS
OF INVESTMENT IN THE PAST**

50% of the pre-VC cohort has more than one founder who has previously raised over a million pounds, whilst 34% of the VC-funded group report the same. The significantly lower number of VC-funded businesses with a founder who has this experience may be related to the slightly younger average age of this group.

Entrepreneurs are 30% more likely to be successful in securing venture capital for successive businesses, when they are able to raise funding an earlier stage and from 'top-tier' investors (*Gompers et al. 2006*).



Team includes someone who has previously run a different business which secured equity investment of over 1 million pounds

- One or more person
- Yes, one person
- Yes, more than one person
- No
- Prefer not to say

Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

3 EDUCATION

THE VAST MAJORITY OF FOUNDERS HAVE DEGREES, AND OVER THREE-QUARTERS OF FOUNDING TEAMS ARE COMPRISSED OF ALL-GRADUATES

83% of pre-VC teams hold higher education qualifications, rising by 10% for VC-funded businesses. 75% of pre-VC teams report that all founders had degrees, rising to 86% of the VC-funded group.

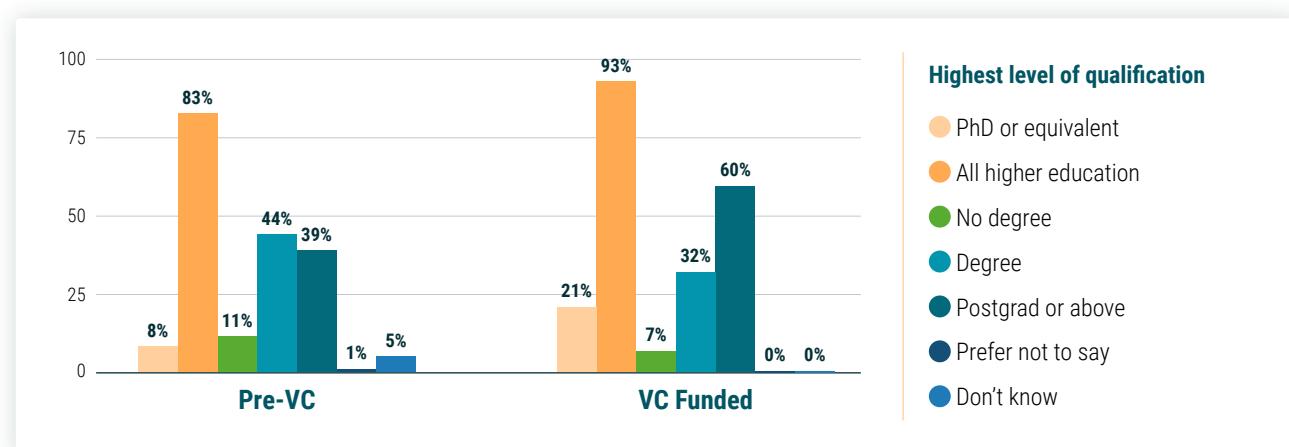
Very few founders who did not attend university are included in either cohort

Only 11% of pre-VC and 7% of VC-funded founders did not go to university, having left education at GCSE or A-level.

One in 5 VC-funded founders has a PhD

93% of founders have degrees and 60% have postgraduate degrees. Over one in five founders in VC-funded companies has a PhD, marking a sharp increase from the pre-VC cohort. This may reflect the need for technical expertise in sectors that VCs invest in, which are predominantly technology-enabled.

The proportion of founders with higher education doubles the UK population average which is 42% ([ONS, 2017](#)). This difference is also reflected in postgraduate education, which at 22% is nearly doubled in the pre-VC cohort and dwarfed by the 60% of VC-funded founders that have postgraduate degrees ([HESA, 2018](#)).



Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

THE MAJORITY OF ALL FOUNDERS ARE GRADUATES FROM PRESTIGIOUS UNIVERSITIES¹

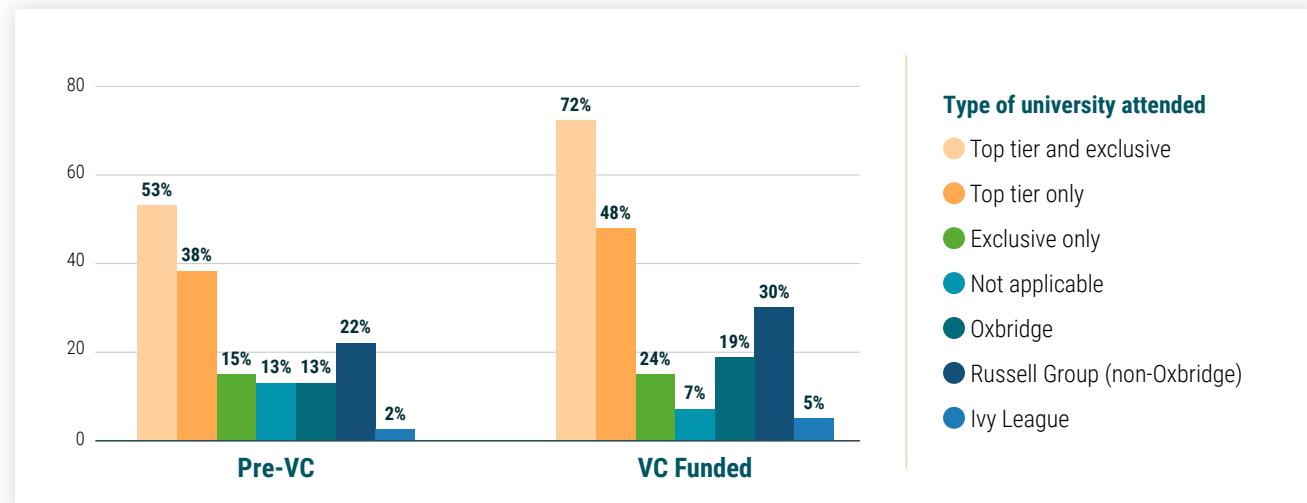
53% of pre-VC founders reported they had been to a 'top tier'² or exclusive³ university, jumping significantly to 72% of VC-funded founders.

VC funding is more likely to go to founders who have been to the most exclusive universities

Nearly a quarter of VC-funded founders have qualifications from Oxford, Cambridge or equivalent international universities.

Graduates from prestigious universities tend to work with co-founders from similar educational backgrounds

The majority of founders who graduate from top tier and exclusive universities tend to work in founding teams together, very often without colleagues from other educational backgrounds. In the few instances they do work with co-founders from other educational backgrounds the latter are usually in the minority.



Note: percentages do not add to 100% as founders may have been to multiple universities.

¹ Either top tier or exclusive universities.

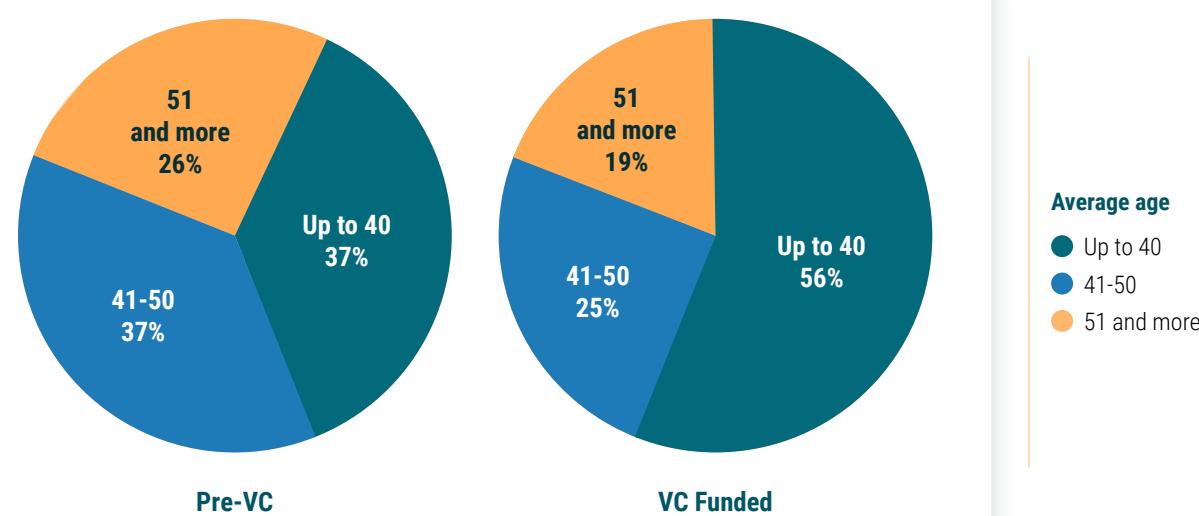
² Russell Group or equivalent.

³ Oxford, Cambridge or equivalent international universities.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

56% OF VC-FUNDED TEAMS HAVE AN AVERAGE AGE UNDER 40 YEARS-OLD

VCs seem to significantly favour founding teams with a lower average age. The VC-funded group sees 20% more teams with an average age of under-40. VCs also seem to disfavour older founders, with 7% fewer over-51s in the VC-funded cohort than in the pre-VC cohort.



Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

4 ETHNICITY

Black founders are hugely underrepresented in pre-VC and VC-funded cohorts

1% of pre-VC and 3% of VC-funded founders identify as Black. This is significant considering 53% of both cohorts are based in London, where the Greater London Authority estimates the population as 16% Black (GLA, 2016).

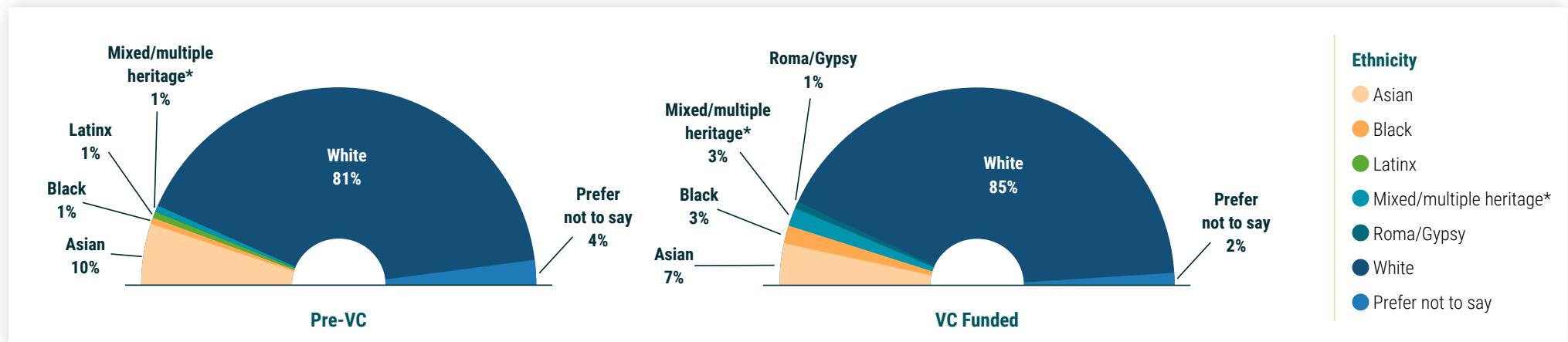
Black Caribbean founders receive no investment in either group

No founders identify as Black Caribbean, despite this group making up 5.2% of London's population (GLA, 2016).

Research has indicated that Black founders face greater barriers to reaching their business goals. Global Entrepreneurship Monitor (GEM) finds that whilst rates of entrepreneurial intention are high in Black communities, this is not fully reflected in subsequent activity, as is the case for other ethnic groups (*Federation of Small Businesses, 2020*).

Asian founders may be struggling to make the jump from pre-VC to VC-funded

10% of pre-VC founders identify as Asian, dropping to 7% in the VC-funded group, standing in contrast to increased representation of all other ethnic groups apart from Latinx.



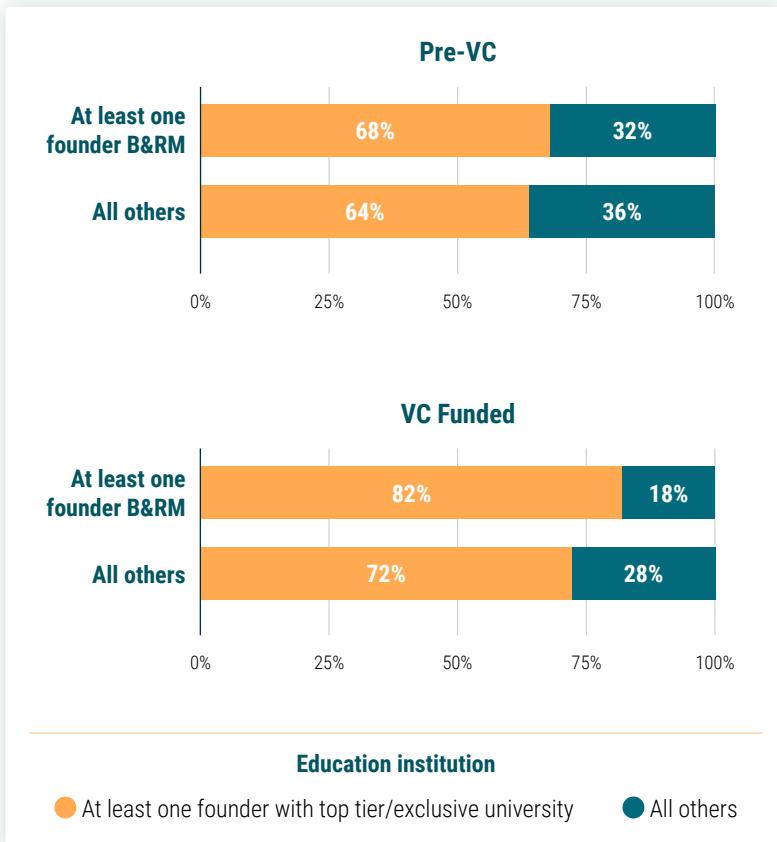
Note: percentages may not add to 100% due to rounding.

* Not identifying as Asian or Black.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

Both cohorts see founding teams with Black and racially minoritised members also more likely to include members with prestigious education

68% of pre-VC teams with Black and racially minoritised members also include members with top tier or elite university education. This jumps to 82% of teams with Black and racially minoritised members in the VC-funded group - 10% higher than all-White teams that receive VC investment.



Note: percentages may not add to 100% due to rounding.

BLACK WOMEN RECEIVE ALMOST NO INVESTMENT IN EITHER GROUP

0.4% of founders in the pre-VC group identify as Black women, whilst no founders who identify as Black women appear in the group of VC-funded companies.

This indicates very limited representation, although outstanding Black women founders have been able to run successful businesses (*The Guardian, 2020*), they have largely been excluded from equity investment.

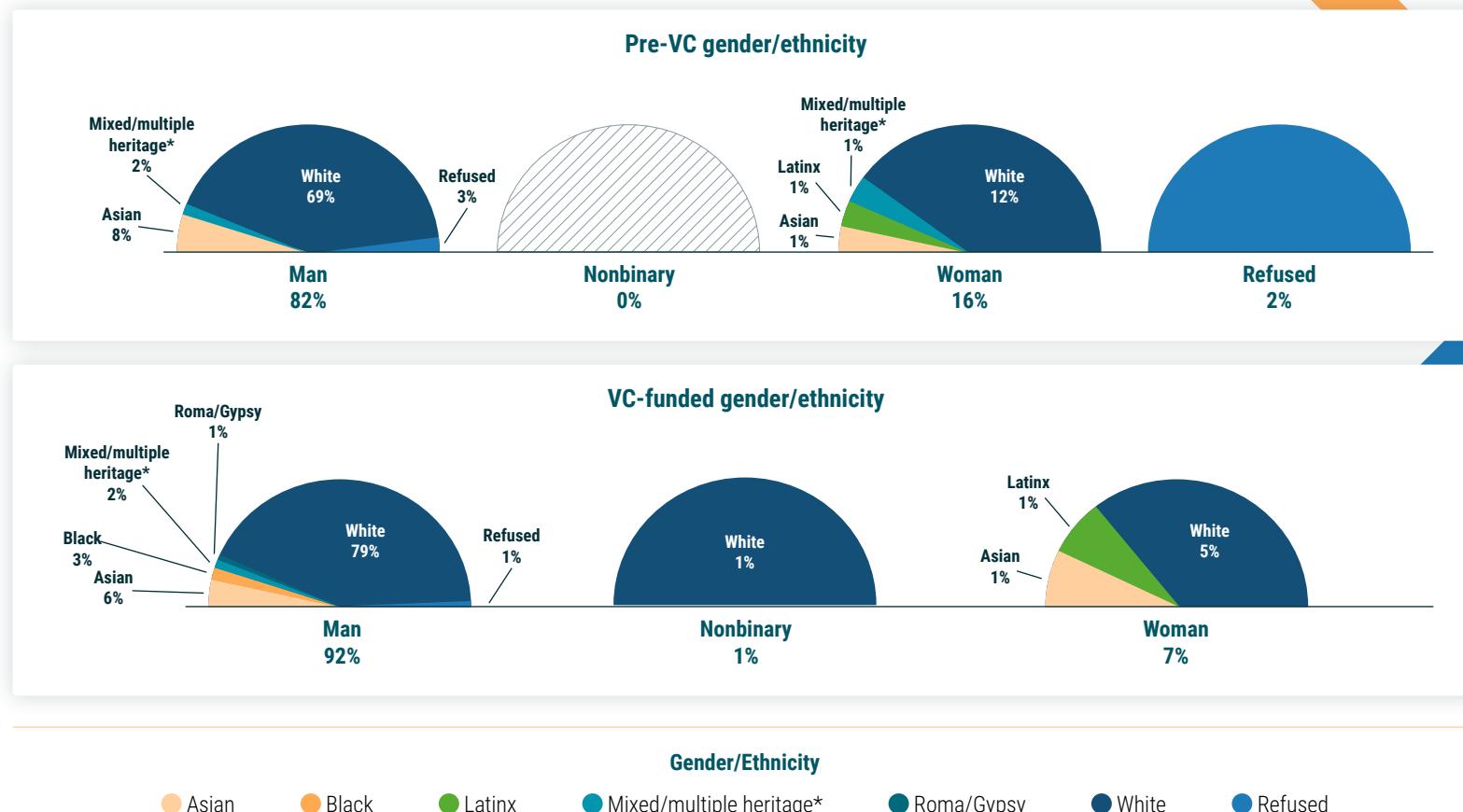
PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

Asian and mixed/multiple heritage women are severely underrepresented

Representation of Asian women and mixed/multiple heritage women is extremely low, and sees similar figures in both cohorts.

Further research is needed into the disparities within broad ethnic groups

Further research is required to understand disparities between Asian groups. Similarly, the disparities between Black African and Caribbean groups and their entrepreneurship outcomes also requires more attention and further data.



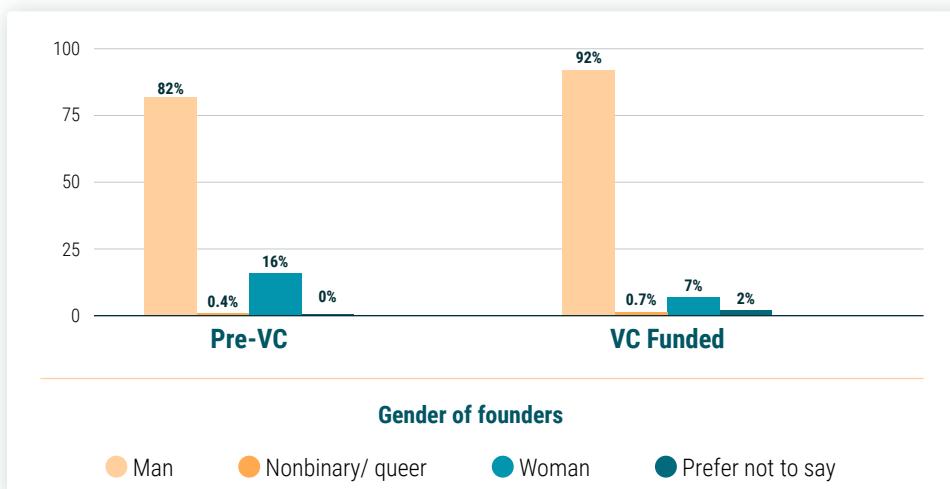
Note: percentages may not add to 100% due to rounding.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

5 GENDER

REPRESENTATION OF WOMEN IS EXTREMELY POOR IN BOTH GROUPS, WITH 10% FEWER WOMEN FOUNDERS MAKING THE JUMP FROM PRE-VC TO VC FUNDING

Existing research such as the *Rose Review* has shown a similar disparity. Whilst the gap between investment in men and women founders has been proved in numerous studies, it has shown minimal improvement.



Note: percentages may not add to 100% due to rounding.

Teams which include women are more likely to be mixed gender

The survey shows that the small number of women and nonbinary founders are split across a larger number of teams in both pre-VC and VC-funded groups. This indicates that teams which include women are more likely to be mixed gender¹. Further, it shows a very small proportion of women-only teams.

Nonbinary and gender-nonconforming founders receive almost no investment in either pre-VC or VC-funded cohorts

Founders who identify as queer or nonbinary are almost absent from both groups. More research is needed on queer and gender-nonconforming entrepreneurs in the UK. At present there is minimal data available to monitor representation and quantify the challenges these groups face.

Nonbinary gender identity data in the UK is limited, although the next census promises to tackle this ([ONS, 2020](#)). This is significant for the investment community for two reasons, firstly, London is home to a large proportion of the UK's queer communities² ([The Guardian, 2020](#)); secondly, significantly more young people are identifying as nonbinary ([HESA, 2018](#)). As shown in chart, a large proportion of investment is directed towards under-40s, therefore there needs to be monitoring to ensure inclusion of these groups.

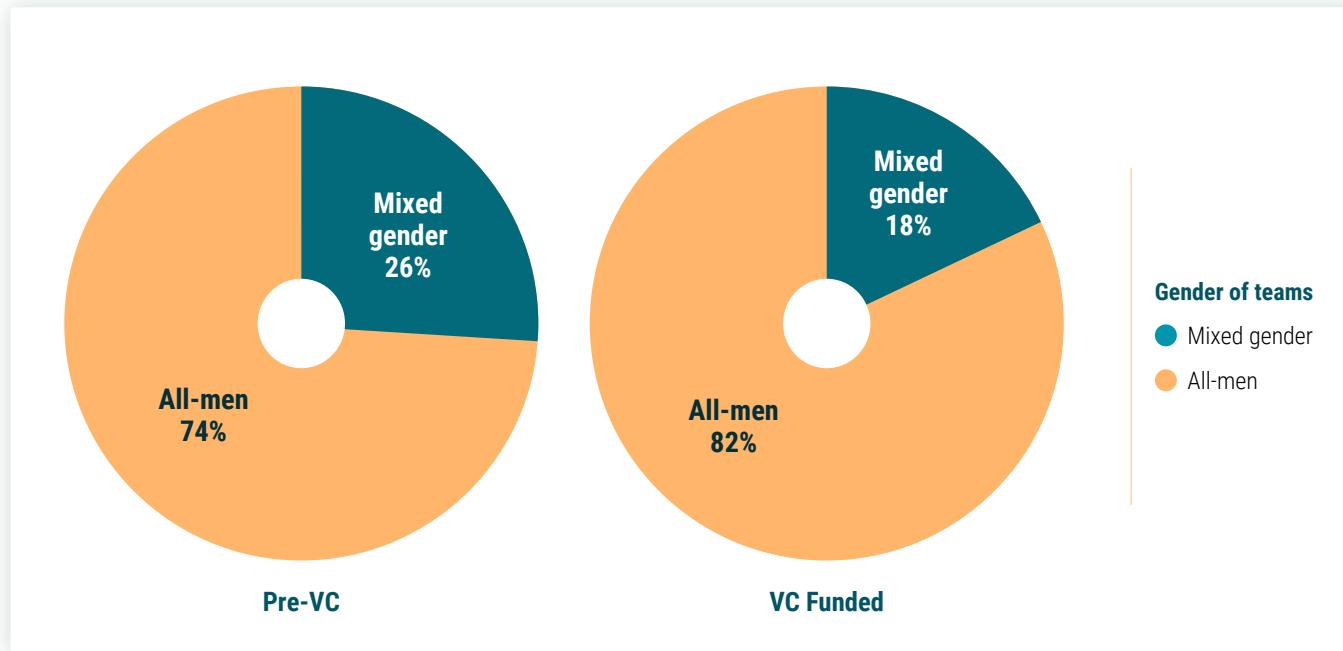
¹ Three-quarters of businesses in our sample had 2 or more founders.

² This refers to orientation rather than gender identity, given the dearth of data on the latter.

PART A: HOW DO PRE-VC AND VC-FUNDED FOUNDERS COMPARE?

MIXED GENDER TEAMS ARE LESS LIKELY TO MAKE THE JUMP FROM PRE-VC TO VC

All-men teams make up 74% of the pre-VC group, but climb to 82% of the VC-funded cohort.



PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

1 HOW DO TYPES OF EARLY-STAGE INVESTMENT VARY BETWEEN DIFFERENT FOUNDING TEAMS?

Founding teams including members from Black and racially minoritised groups report securing investment from a broader range of sources than all-White teams

Given the exclusion challenges that Black and racially minoritised founders face when seeking investment, they are likely to need to approach a wider range of sources concurrently, so as not to lose time if refused.

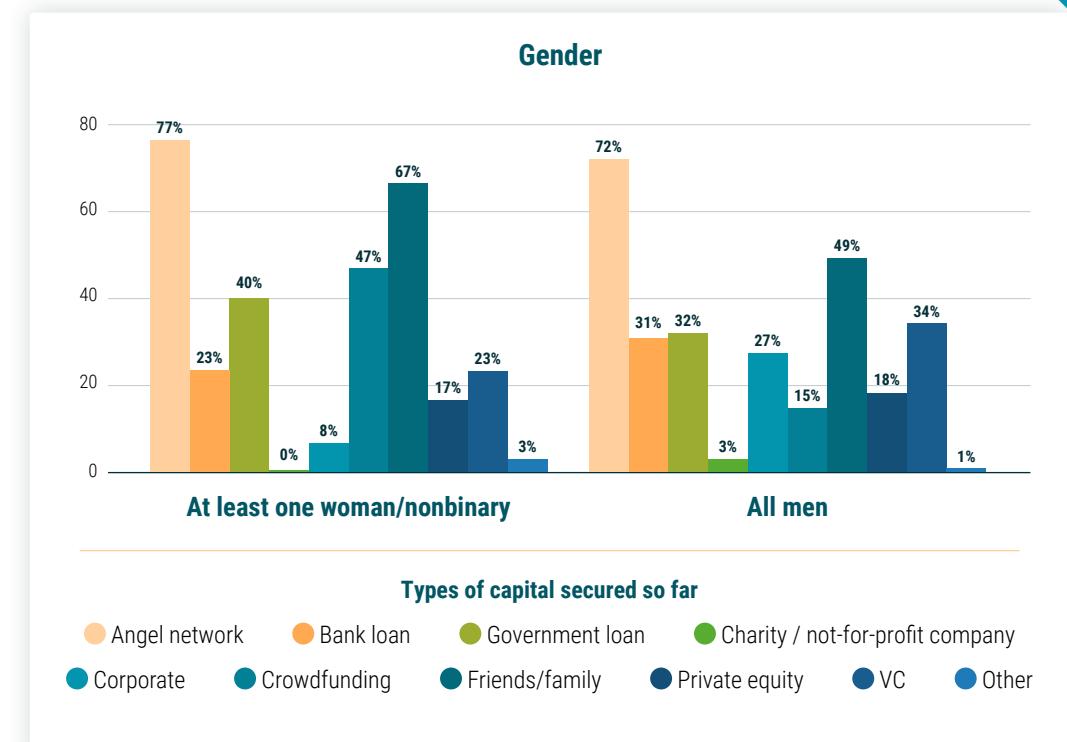
More teams that include woman/nonbinary members report receiving friends & family investment

67% of founding teams with at least one woman/nonbinary member report raising friends & family funding; this figure drops to 49% of all-men teams.

"We didn't feel comfortable pitching in front of investors and wanted to avoid that. I think we were very aware that we are women in a men's industry. We pride ourselves on being women-focused and asking men for money didn't feel right. We had built a great community and we felt a lot more comfortable asking them so we went for crowdfunding."

Founding team, women's fitness

(1) Self-identified White British woman, (2) Mixed Black British woman



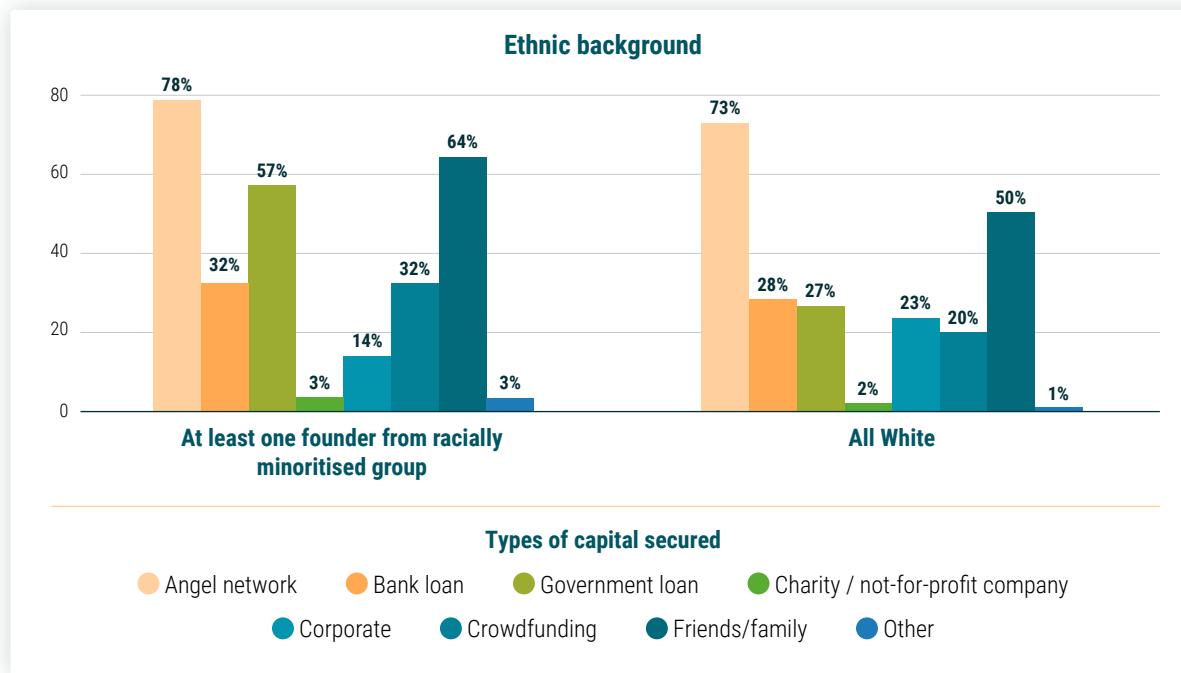
Note: percentages do not add to 100% as founders may have been to multiple universities.

This survey was conducted some months after the research period ended (1st Jan 2019-31st Dec 2019). Where PE and VC appears here it was achieved between the start of 2020 and our survey.

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

TEAMS THAT INCLUDE MEMBERS FROM BLACK AND RACIALLY MINORITISED GROUPS REPORT RECEIVING MORE FRIENDS & FAMILY INVESTMENT

64% of founding teams with at least one member from a black and racially minoritised group had friends/family investment, 14% higher than all-White teams.



Black and Asian interviewees describe bootstrapping for long periods of time, which saw them relying on personal savings and friends & family as a lifeline.

The Black Report finds that Black founders self-fund an average of £14,000 and raise an average £9,500 from friends & family (10x10, 2020).

"We bootstrapped for nearly 3 years to build the right network and approach investors at the right time. During this period we were reluctant to take on friends & family investment. Although eventually this was the avenue we took, they saw us succeeding and they liked our idea and they wanted to invest. I told my friends... only invest if you're prepared to lose the money. I was confident in our business, but I could not let them down."

Co-founder, fashion tech

Self-identified French, North African, man

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

2 HOW DO DIFFERENT FOUNDING TEAMS MAKE CONTACT WITH INVESTORS?

ALL-WHITE FOUNDING TEAMS ARE MORE LIKELY TO ASK FRIENDS OR FAMILY FOR AN INVESTOR INTRODUCTION

Founding teams with at least one member from a Black or racially minoritised group are 10% less likely to have a friend or family contact they can reach out to for an introduction than all-White teams.

Social mobility for specific communities including Black Caribbean, Indian Sikh and Muslim people with Bangladeshi, Indian and Pakistani ethnicities has been stagnant or moving downward for several generations ([Karlsen, Nazroo and Smith, 2020](#)). This impedes these groups from having the same familial networks that other groups may be able to rely on.

"I was reaching out to investors on LinkedIn, and I think I reached out to the wrong people - I wasn't really looking at their background. I messaged about 500 people, of which maybe 20% replied, 3% asked for a deck and 1% actually replied. Most of those said they would be interested in us at a later stage."

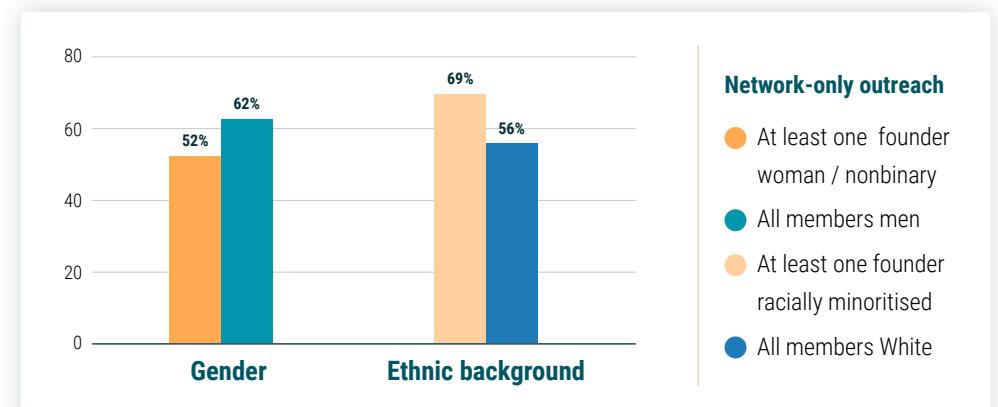
Founding team, women's fitness

(1) Self-identified White British woman, (2) Mixed Black British woman

All-men founding teams are 10% more likely to rely on their network alone to reach out to investors

52% of founding teams with women/nonbinary members report they plan to only contact investors through their network, whilst 62% of all-men teams report the same.

Women in the UK are 27% less likely to have a strong professional network than men ([LinkedIn Data, 2020](#)). Though marked, the impact of this may be reduced somewhat due to most women in our sample working in mixed gender teams and is likely to be more significant in women/nonbinary-only teams.



Note: percentages may not add to 100% due to rounding.

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

3 DO FOUNDERS FEEL AS THOUGH INVESTORS HAVE TREATED THEM WITH RESPECT?

Teams with women/nonbinary members report feeling less respected

54% of founding teams with at least one woman/nonbinary member feel respected by founders; 64% of all-men teams feel the same. 10% of teams with women/nonbinary members report never having felt treated with respect, in contrast with 5% of all-men founding teams.

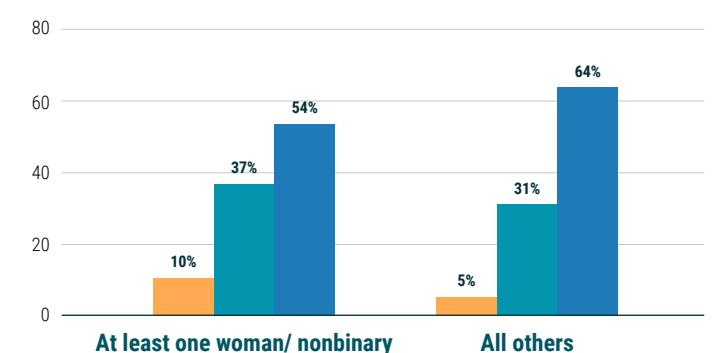
"I had been talking to an investor for a really long time, like a year and a half, who seemed really interested in putting some money in as an angel. He didn't seem to trust that I knew how to run a factory, even though at this point I had been running the business for three years. He insisted on visiting other factories to see how they did things. Then towards the end he said 'Do you want children? It's really difficult investing in women that want children.' After that he tried to insist that I move house and rent a flat off him, and that was the only way he would invest."

Sole founder, luxury confectionary

Self-identified Black British, West African, woman

Have founders felt treated with respect?

Never Some of the time Always

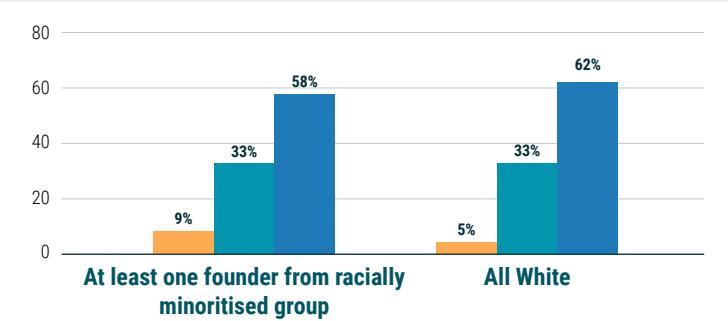


Note: percentages may not add to 100% due to rounding.

Founding teams that include members from Black and racially minoritised groups are less likely to feel respected than all-White teams

58% of teams that include a member from a Black or racially minoritised group always feel respected, whilst 9% reported never feeling respected. By comparison, 62% of all-White teams always feel respected, whilst 5% report never feeling respected.

Further investigation is required on the experiences of founding teams whose members are all Black, Asian or Mixed/multiple heritage. The findings here suggest that the outcomes for these businesses could be far worse.



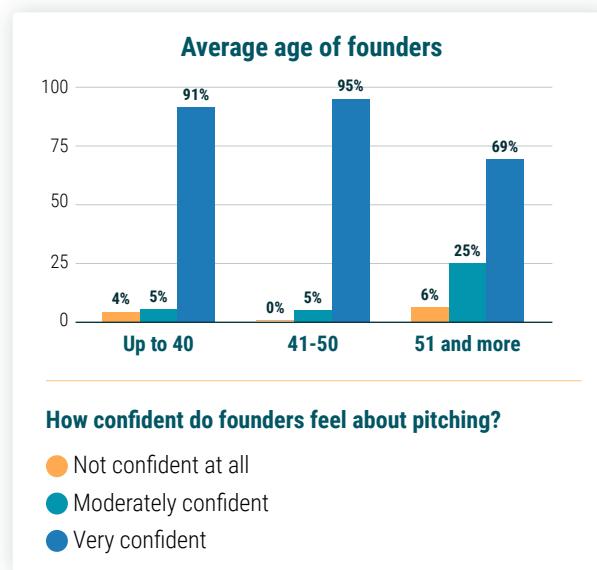
Note: percentages may not add to 100% due to rounding.

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

4 HOW CONFIDENT ARE DIFFERENT FOUNDING TEAMS ABOUT PITCHING FOR INVESTMENT?

Younger founders feel very confident about pitching, whilst older founders feel less confident

Older founders feel less confident about pitching. 91% of founding teams with an average age under 40 years-old report that they feel very confident, compared with 69% of teams over 51.



All-men teams and a significant number of teams including women/nonbinary members feel very confident about pitching

71% of founding teams with at least one woman/nonbinary member feel very confident about pitching, whilst 92% of all-men teams feel the same. 11% of teams with women/ nonbinary members do not feel confident at all, no all-men teams felt the same.

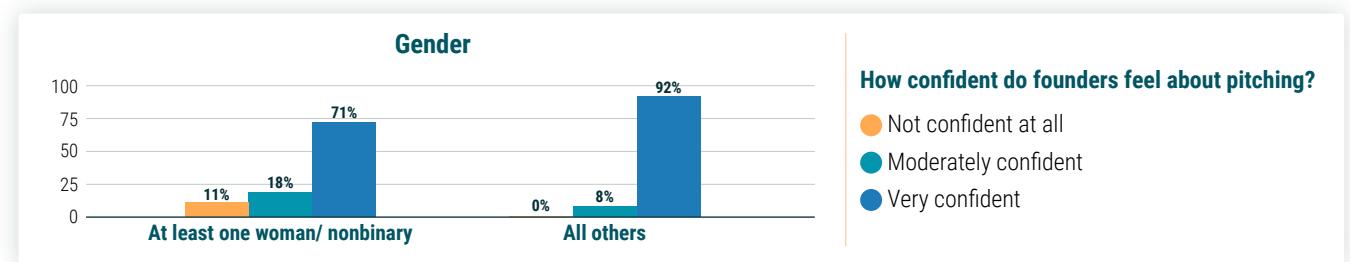
BCG's 2018 study with MassChallenge on women founders in the US describes three major concerns related to investment panels dominated by men, and the impact for women founders. Firstly, women founders described more pushback from investors who assume a lack of technical knowledge. Secondly, founders who are men were found to be more likely to ask for more money and make bolder projections for their businesses. Finally, the study finds that investors may struggle

to see the value in businesses which do not relate to their own experiences.

"One investor said he had met two guys 'with an idea' for a drinks business and claimed to have 'built their business' for them from scratch. In the end he chose not to invest [in the interviewee's company] and I was left wondering why did he find just an idea more investible than a living breathing business. I had been out there doing it for two years by then."

Sole founder, luxury confectionery

Self-identified Black British, West African, woman

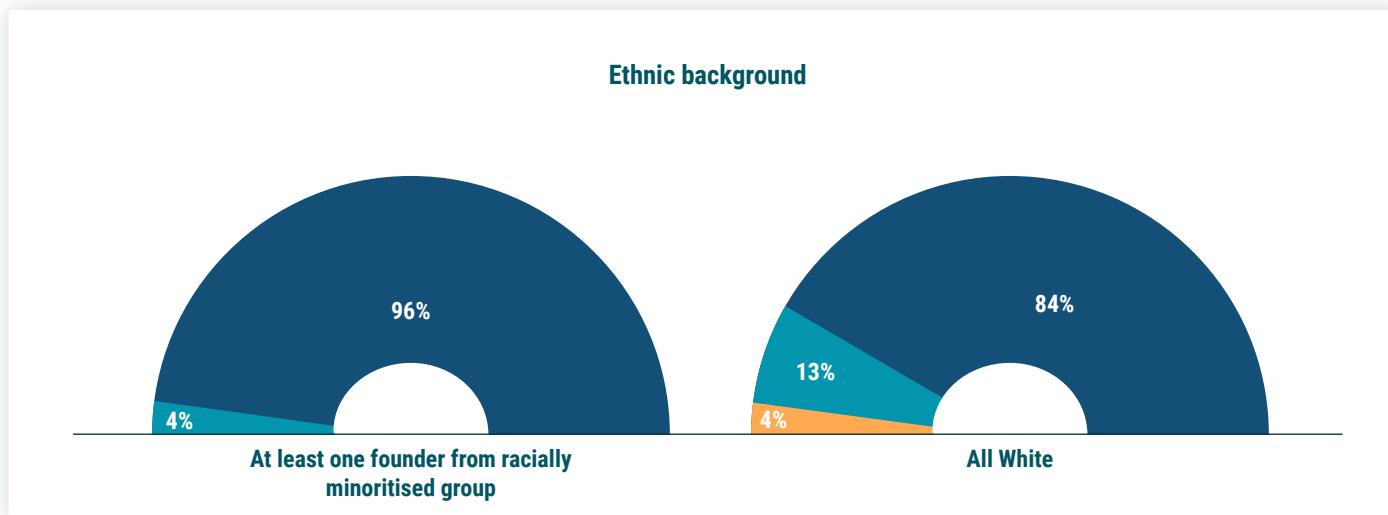


PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

FOUNDING TEAMS THAT INCLUDE MEMBERS FROM RACIALLY MINORITISED GROUPS FEEL MORE CONFIDENT ABOUT PITCHING

96% of teams with at least one member from a racially minoritised group feel very confident about pitching compared with 84% of all-white teams.

Founders from racially minoritised groups who took part in our interviews describe extremely targeted and carefully orchestrated outreach processes for connecting with investors, and controlling interactions. These individuals were highly aware of the disadvantages they face, and worked continuously to mitigate this.



Note: percentages may not add to 100% due to rounding.

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

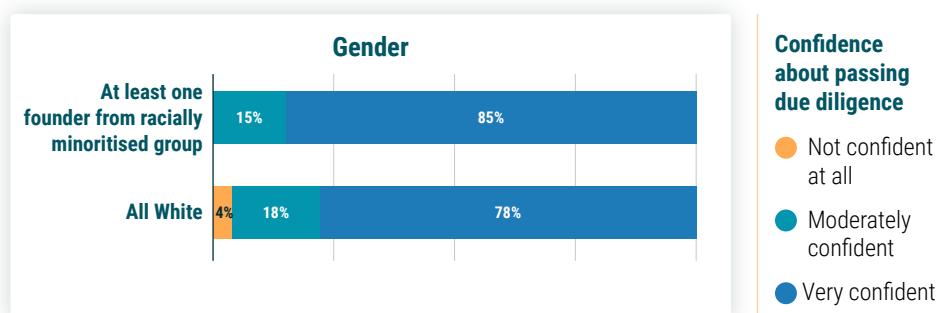
5 HOW CONFIDENT ARE DIFFERENT FOUNDING TEAMS ABOUT PASSING DUE DILIGENCE?

Founding teams with members from Black and racially minoritised groups feel more confident about passing due diligence

85% of founding teams with at least one member from a racially minoritised group feel confident about passing due diligence, in contrast with 78% of all-White teams.

This stage of the investment processes sees the investor looking more deeply into the business, typically reviewing its legal, financial, technical and operational history.

The additional confidence may be due to the proven performance advantages of teams with diverse experiences. It may also reflect that the few Black and racially minoritised founders who do reach the pre-VC stage with their business are likely to be from advantaged socioeconomic backgrounds, highly-educated, and in a comfortable financial position - as the majority the founders were found to be.



Note: percentages may not add to 100% due to rounding.

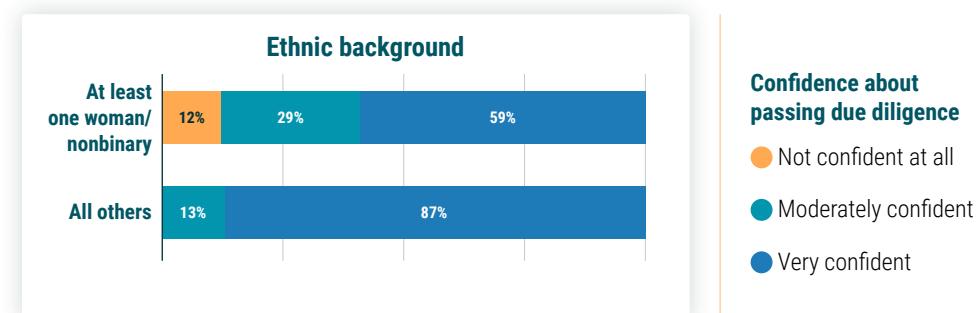
All-men founding teams feel more confident about passing due diligence

59% of teams with women/nonbinary members feel confident about passing due diligence, in contrast with 87% of all-men teams.

"I didn't come from a rich background...I've had to take risks and make difficult choices to keep the business alive so yeah having someone so privileged, who has no idea of that experience, go through the business with a fine tooth comb is massively intimidating and also just creates a massive communication and experience gap."

Sole-founder, beauty

Self-identified British South Asian, woman



Note: percentages may not add to 100% due to rounding.

PART B: COHORT 1 - PRE-VC BUSINESSES AND THEIR EXPERIENCES

6 HOW CONFIDENT ARE DIFFERENT FOUNDING TEAMS THAT THEY WILL RAISE THE INVESTMENT THEY NEED?

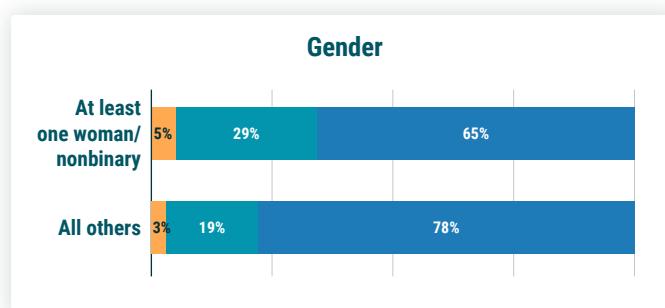
Founding teams with women/ nonbinary members feel less confident they'll get investment

65% of teams with at least one woman/ nonbinary member describe themselves to be very confident they'll get the investment they need. 78% of all-men teams feel the same.

"Even though this was what I wanted to do, for a long time I didn't put my heart into it because I knew it was going to be so much harder for me [than for White founders]. It felt easier to just keep running the business and let it grow slowly but it felt like opportunities were slipping away as more brands began to enter the market."

Sole founder, beauty

Self-identified British South Asian, woman



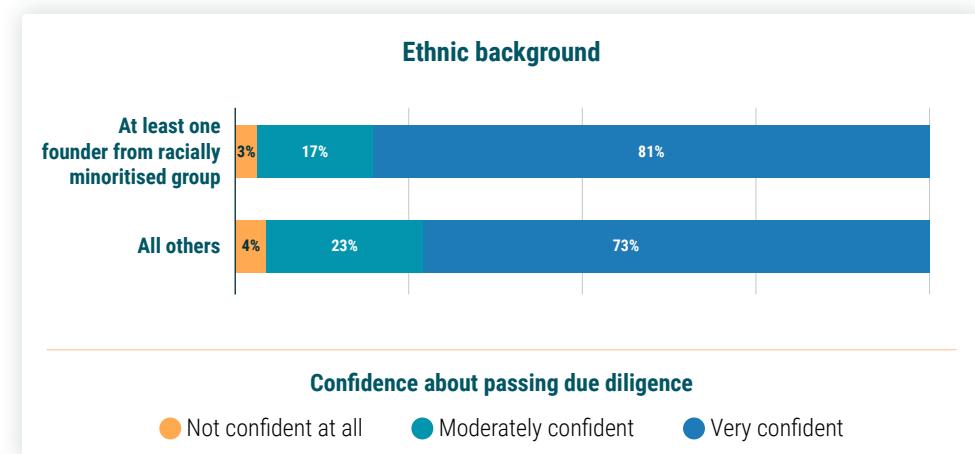
Note: percentages may not add to 100% due to rounding.

Confidence about passing due diligence

- Not confident at all
- Moderately confident
- Very confident

Founding teams with at least one member from a Black or racially minoritised group feel more confident they will get investment

81% of teams with at least one member from a Black or racially minoritised group member described themselves as very confident they would get the investment they are looking for. 73% of all-White founding teams reported feeling very confident they will get investment.



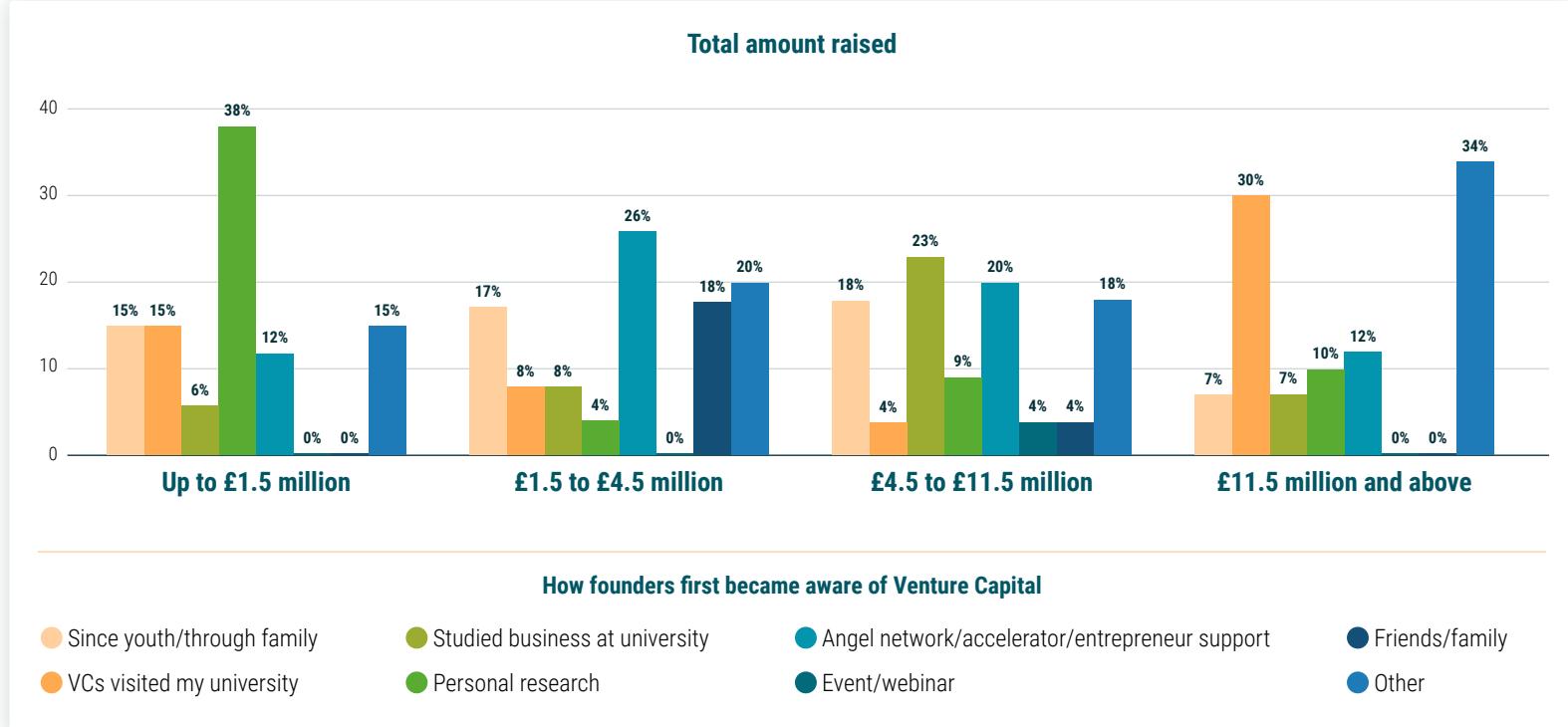
PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

1 HOW DIFFERENT FOUNDERS DISCOVER VC

FOUNDING TEAMS RAISE MORE WHEN VCS VISIT THEIR UNIVERSITIES

Founding teams who raise the most investment learn about VC at university. 30% of founders who find out about VC in this way are in the top quartile of investment raised.

This echoes research by Extend Ventures which found that a disproportionate proportion of capital is being invested into businesses run by graduates from exclusive universities at seed stage, 40% of all capital invested between 2009 and 2019 (2020a).



Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

FOUNDING TEAMS WITH MEMBERS WHO WENT TO PRESTIGIOUS UNIVERSITIES BENEFIT FROM MORE KNOWLEDGE ABOUT VC, EARLIER IN LIFE

Teams that include graduates from top tier/exclusive universities find out about VC mostly on campus (32%), through family and friends (28%), and through entrepreneur support (19%). These teams have to do less work to 'discover' VC as an option; for example, only 6% found out about VC through personal research.

"We got innovation grants from Edinburgh Napier University, which has been important because investment philosophy isn't to our advantage. Angels were looking for revenue and traction rather than opportunity and viability and it was too early for VCs."

Founder, transport tech

Self-identified Indian, man

Founders with connection to universities explained the important role these institutions play in supporting technical and innovative ideas, which the investor market may not fully understand.



PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

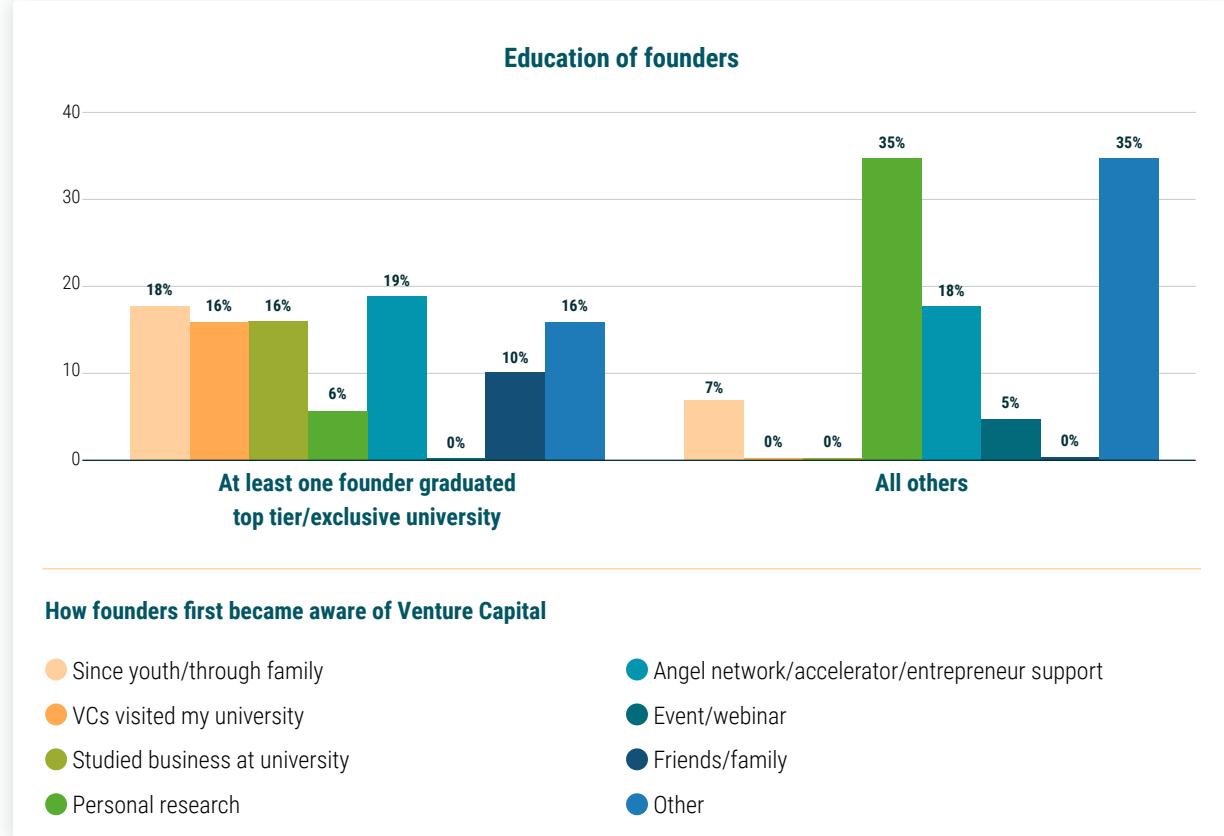
FOUNDERS WHO DID NOT GO TO PRESTIGIOUS UNIVERSITIES TEND TO FIND OUT ABOUT VC LATER, THROUGH ACTIVE OUTREACH AND RESEARCH

35% of teams without any graduates from top tier/ exclusive universities find out about VC through personal research, and a further 5% through events/webinars.

These companies are more reliant on active outreach later in their founder journey than personal networks, only 7% knew about VC in youth, and none of them learned about venture at university.

Entrepreneurs from Black and racially minoritised groups tend to be part of more informal networks, characterised by ethnicity. This relates to a community focus and the desire to spend money with other members of the group. Whilst this can be beneficial, it does not provide access to decision-makers in formal financial systems, which, as this report demonstrates, is absolutely vital.

Founders from Black and racially minoritised groups are less likely to access free business advice than White peers. Black entrepreneurs are most likely to access paid advice, which can create additional challenges. (British Business Bank, 2020).



Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

ACCELERATORS, ENTREPRENEUR SUPPORT AND ANGEL NETWORKS PLAY A SIGNIFICANT ROLE IN HELPING GENDER DIVERSE AND WOMEN-ONLY TEAMS LEARN ABOUT VC

Founding teams which include women/ nonbinary founders are less likely to find out about VC through youth or at university than all-men teams.

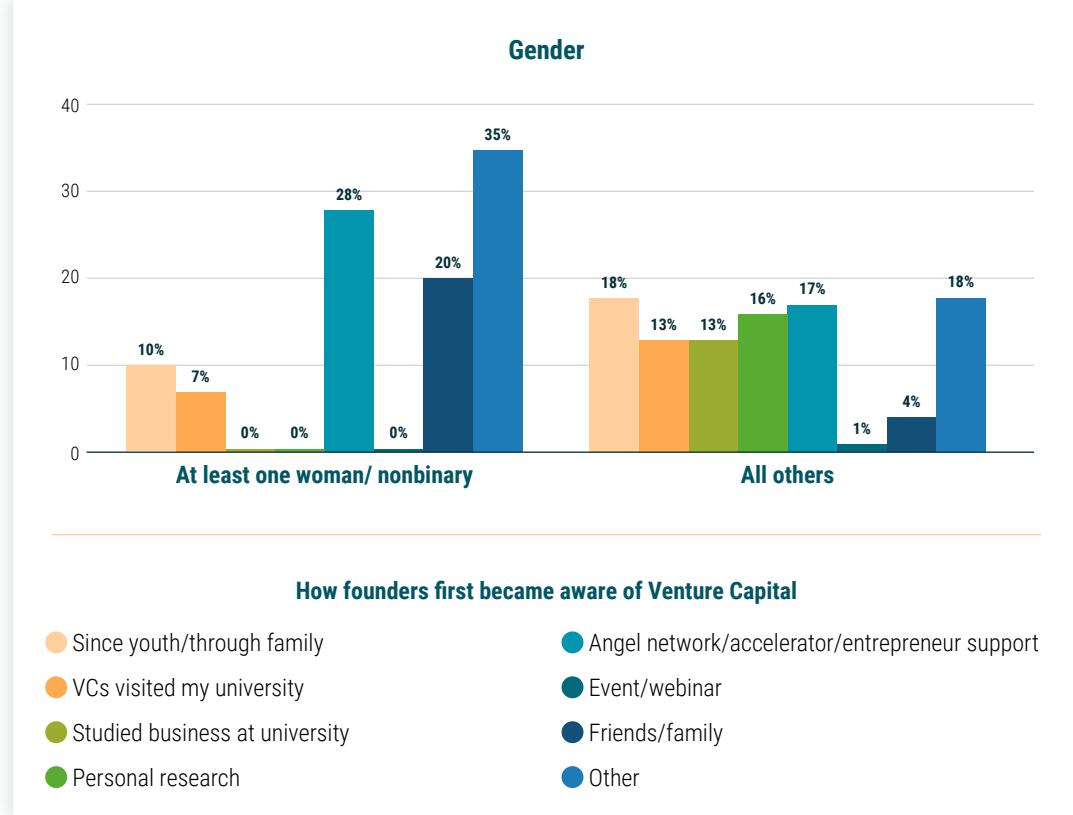
For these businesses formal business support plays an important role with 28% finding out about VC in this way. Further, informal networks like friends and family are also important with 20% learning about VC through this avenue.

How VCs first connect with a business makes a significant difference.

They tend to focus on three methods:

- Recommendation through someone in the VC's network (warm introduction)
- Pitchdeck submission to a VC without any prior contact (cold submission)
- Meeting the investor when they proactively attend an event or similar (outbound)

Warm introductions are thirteen times more likely to reach investment committee and raise investment than cold submission (Diversity VC, 2017).



Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

2 HOW DIFFICULT DIFFERENT FOUNDERS FIND IT TO GET INVESTMENT

More than half of all founding teams find that raising VC investment is very difficult

54% of teams describe the process of securing VC investment as very difficult, double the amount that would describe it as very easy.

Many interviewees raise the issue that VCs simply do not understand their business. Some were early in the market, and therefore found it difficult to make themselves understood. VCs, they explained, did not have the technical knowledge to fully understand these nascent ideas. One founder with a business in fashion tech argued that the majority of VCs being men works against them because they don't value or feel comfortable working in the fashion industry.

Women founders, founders from Black and racially minoritised groups, and founders born outside of the West tended to think that outcomes for the same ideas would be more favourable for White men born in the west.



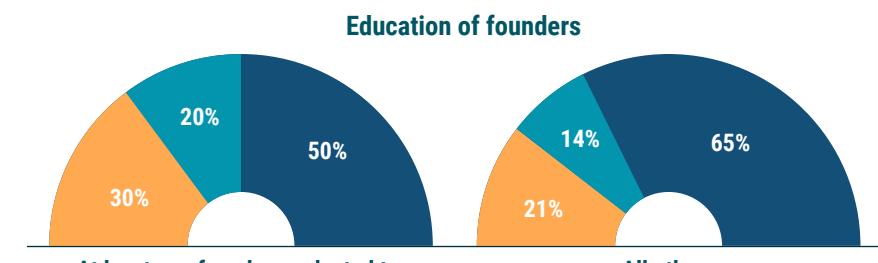
Founders' experience of raising VC

- Very easy
- Neither easy nor hard
- Very hard

Note: percentages may not add to 100% due to rounding.

Founders who did not go to prestigious universities find it much more difficult to raise venture capital

Of teams without any graduates from prestigious universities, 44% found raising venture capital more difficult than those that found it easy.



Education of founders

At least one founder graduated top tier/exclusive university

All others

Founders' experience of raising VC

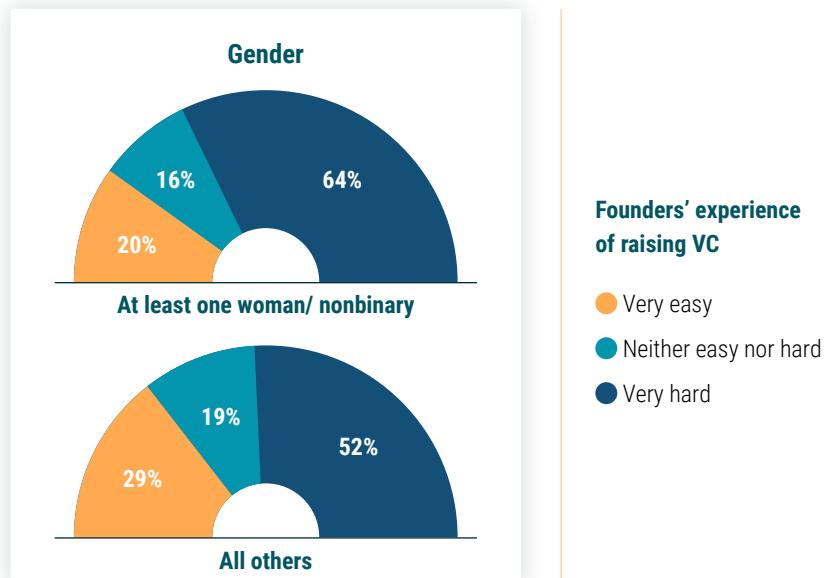
- Very easy
- Neither easy nor hard
- Very hard

Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

TEAMS WITH WOMAN/ NONBINARY MEMBERS FIND IT MUCH HARDER TO RAISE VENTURE CAPITAL THAN ALL-MEN TEAMS

Of teams with at least one women/ nonbinary founder, 44% more found raising VC more difficult than those that found it easy. Of all men-teams 23% found raising venture capital more difficult than those that found it easy.



Note: percentages may not add to 100% due to rounding.

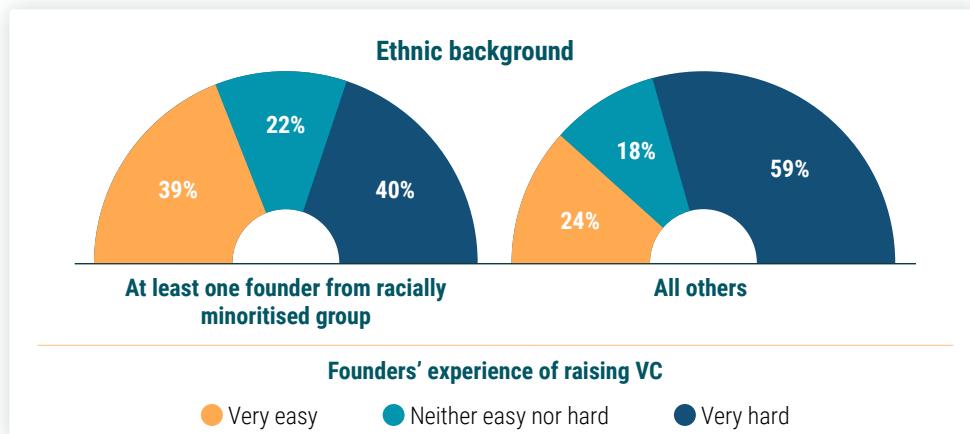
Teams including founders from Black and racially minoritised groups find it both very easy and very hard to raise venture capital

These more extreme experiences may indicate industry polarities when it comes to greeting underrepresented founders. By contrast, all-White teams find it 35% harder than easier to raise VC, indicating a more uniform experience across the sample.

"I have run another start-up before and I have to say the UK VC valuations are really ridiculous. And on top of that they don't really understand medical tech, so the value add is not there. So for us it made much more sense to go to the US."

Co-founder, digital therapeutics

Black West African, man



Note: percentages may not add to 100% due to rounding.

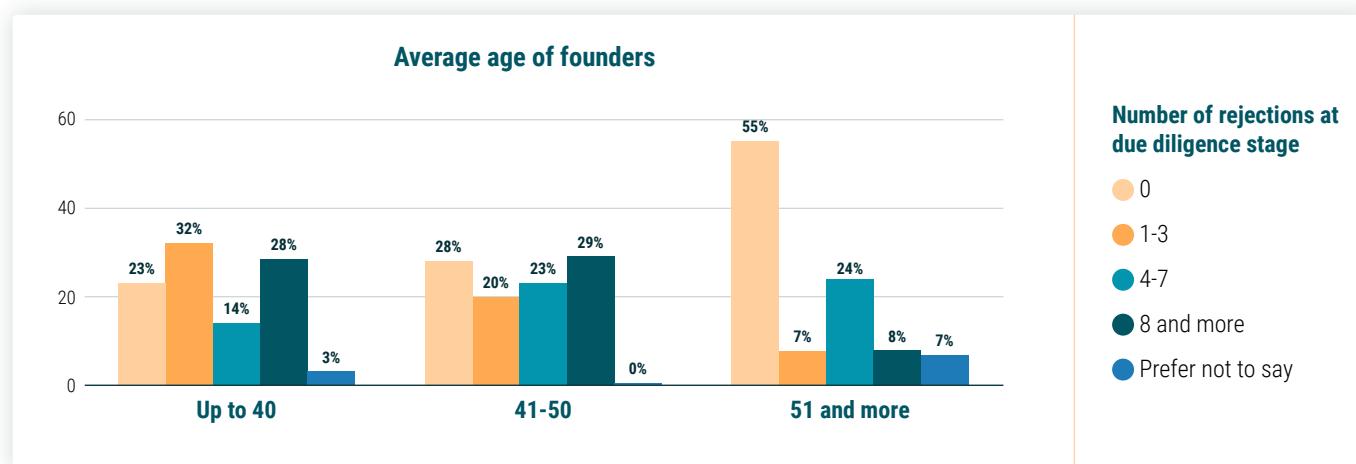
PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

3 TO WHAT EXTENT HAVE DIFFERENT FOUNDERS EXPERIENCED REJECTION AT THE DUE DILIGENCE STAGE?

Older founders report fewer rejections at the due diligence stage

55% of founding teams with an average age of over 51 report that their business has never been rejected for investment during due diligence. This stands in contrast to younger founding teams, of which 28% report more than 8 rejections during due diligence.

This could be related to older founders having more experience of the process, or more mature businesses. It could also be related to older founders having more entrenched networks at higher levels of seniority (relative to their own years of experience).



Note: percentages may not add to 100% due to rounding.

Number of rejections at due diligence stage

- 0
- 1-3
- 4-7
- 8 and more
- Prefer not to say

"I think what really helped us was that we had all worked together for years in a team at [global entertainment company]. So when we decided to start-up our own business we already had these established working relationships, friendships, we know how to work together and it shows."

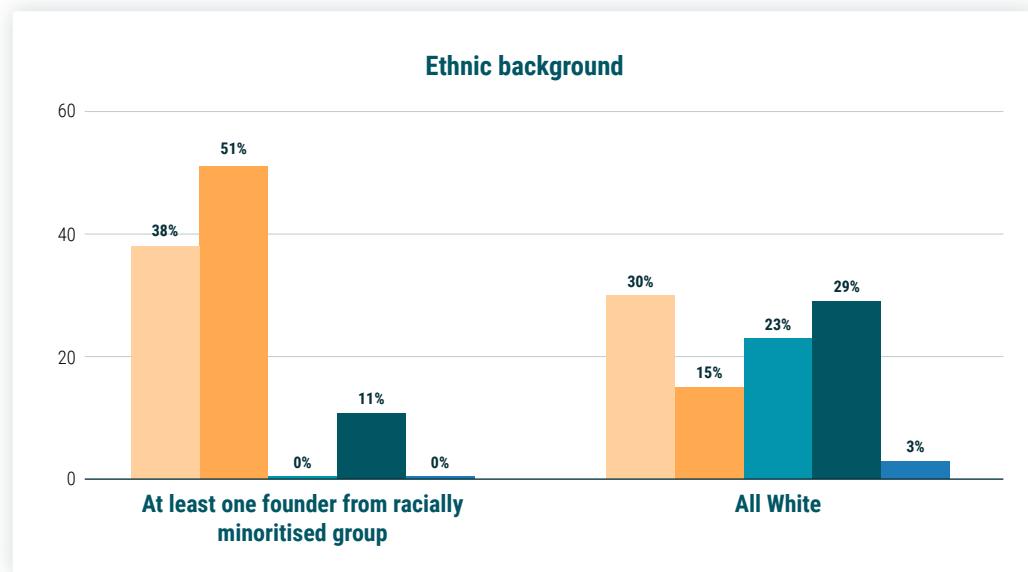
Co-founder, gaming tech

Self-identified, White British man

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

TEAMS WITH MEMBERS FROM BLACK AND RACIALLY MINORITISED GROUPS REPORT FAR FEWER REJECTIONS DURING DUE DILIGENCE THAN ALL-WHITE TEAMS

89% of founding teams with at least one member from a Black or racially minoritised group report under 3 rejections during due diligence; by contrast 45% of all-White teams report the same.



Note: percentages may not add to 100% due to rounding.

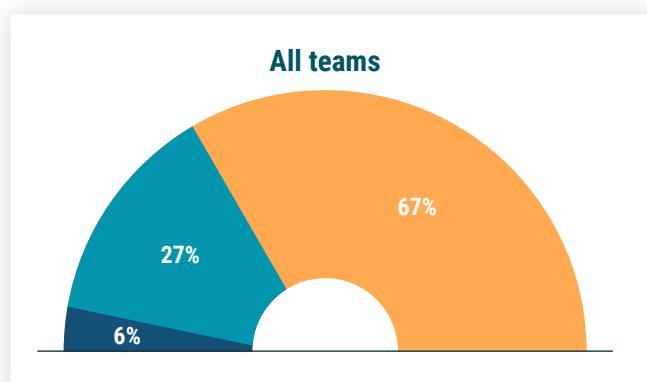


PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

4 DO FOUNDERS FEEL AS THOUGH INVESTORS HAVE TREATED THEM WITH RESPECT?

OVER TWO-THIRDS OF FOUNDERS FEEL THEY HAVE BEEN TREATED WITH RESPECT BY VCS

67% of respondents feel they have been treated with respect by VCs at all times. 6.3% of founding teams report feeling they had rarely or never been treated with respect.

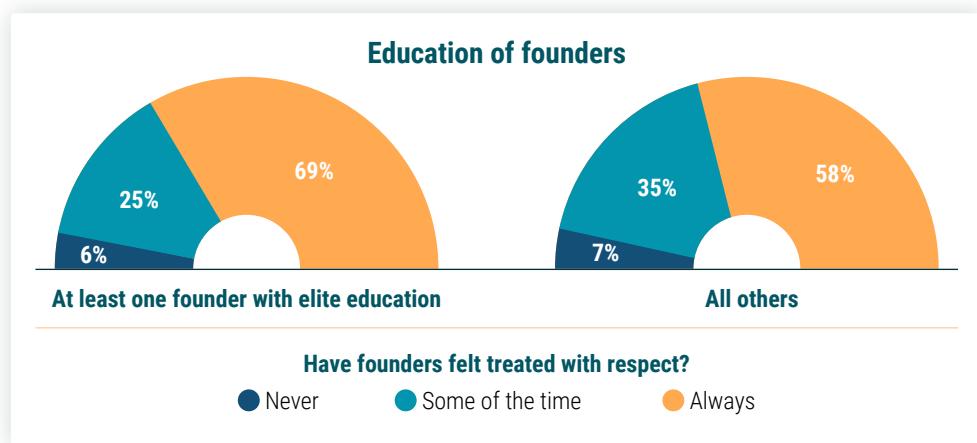


Note: percentages may not add to 100% due to rounding.

- Have founders felt treated with respect?**
- Never
 - Some of the time
 - Always

TEAMS THAT DO NOT INCLUDE FOUNDERS WHO GRADUATED FROM PRESTIGIOUS UNIVERSITIES ARE LESS LIKELY TO FEEL RESPECTED

69% of founding teams with at least one founder who graduated from a prestigious university report being treated with respect at all times. 58% of teams without any graduates from prestigious universities feel the same.



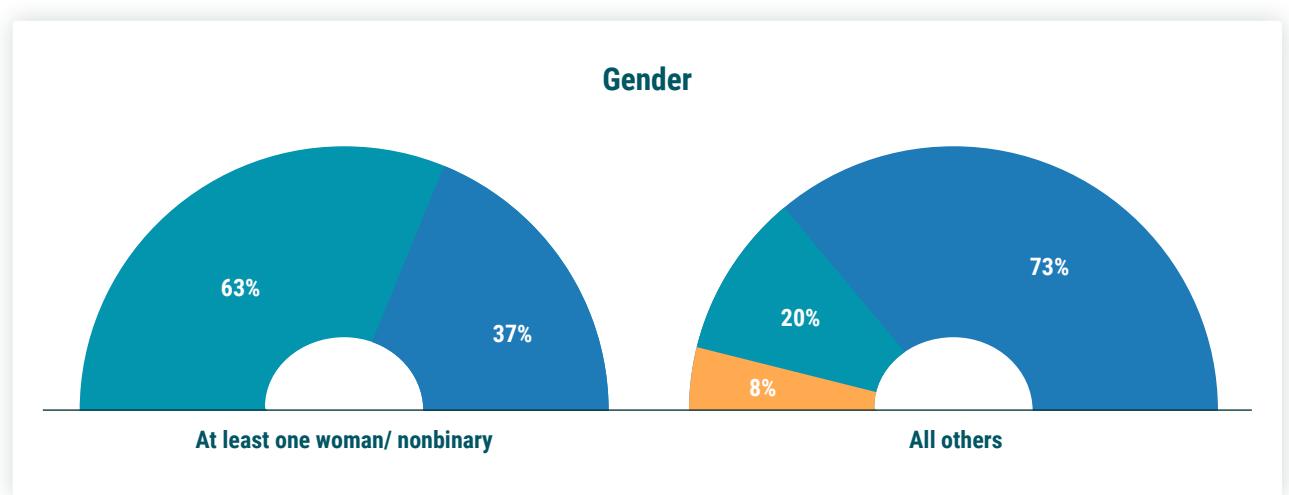
Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

ALL-MEN FOUNDING TEAMS ARE TWICE AS LIKELY TO FEEL RESPECTED THAN TEAMS WHICH INCLUDE WOMEN/NONBINARY MEMBERS

37% of teams with at least one woman/ nonbinary member feel they have always been treated with respect by VCs, in contrast to 73% of all-men teams.

The UK VC workforce is 70% men, and this is likely to be much higher in decision-making positions (*Diversity VC, 2019*). This is likely to relate to the degree of comfort women founders feel in interacting with potential investors.



Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

5 TO WHAT EXTENT DO DIFFERENT FOUNDERS FEEL DISCOURAGED?

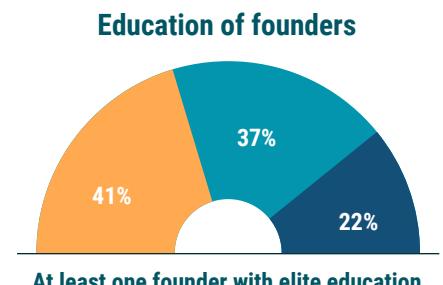
FOUNDING TEAMS THAT DO NOT INCLUDE GRADUATES FROM PRESTIGIOUS UNIVERSITIES FEEL MORE DISCOURAGED

41% of teams with at least one member who went to a prestigious university report never feeling discouraged. By contrast 25% of teams without graduates from prestigious universities feel the same.

"Eventually I had to just stop. It was detracting from the business, from my mental health and belief, and the whole process was so much more work and I could see other founders, white men around me getting money thrown at them. Maybe I'll try again one day."

Co-founder, b2b tech

Self-identified mixed race, woman



Have founders felt discouraged?

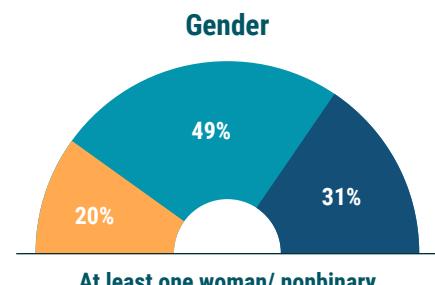
● Never ● Some of the time ● Always

Note: percentages may not add to 100% due to rounding.

NEARLY A THIRD OF TEAMS INCLUDING WOMEN/NONBINARY MEMBERS REPORT ALWAYS FEELING DISCOURAGED

20% of teams with at least one woman/ nonbinary member report never feeling discouraged. 41% of teams with all-men members report the same.

31% of teams with at least one woman/ nonbinary member report always feeling discouraged and 20% of teams with all men members reported the same.



Have founders felt discouraged?

● Never ● Some of the time ● Always

Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

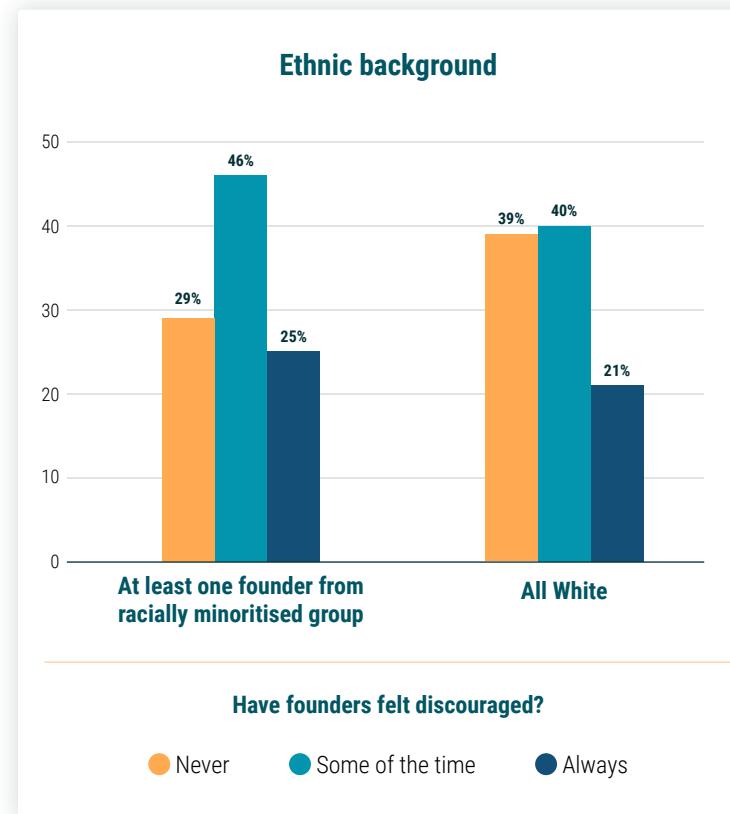
TEAMS WITH MEMBERS FROM BLACK AND RACIALLY MINORITISED GROUPS MAY FEEL LESS DISCOURAGED THAN ALL-WHITE TEAMS

29% of founding teams with members from Black and racially minoritised groups report never feeling discouraged, rising to 39% of all-White teams.

However, a quarter of teams with members from Black and racially minoritised groups always feel discouraged, slightly more than reported by all-White teams.

This could be related to some Black and racially minoritised founders' expectations of hardship as demonstrated below. The idea of needing to work harder than White counterparts came up in several interviews, and showed in what the founders did to get investment.

One London-based founder wrote to over one-hundred investors. Another described preparing several versions of his pitchdeck to be adjusted according to the individual investor he was presenting to - after having researched them on social networks to understand their interests - he had pitched to more than 60 funds. Another founder took a course to learn about how the VC industry operates before approaching them.



Note: percentages may not add to 100% due to rounding.

"My parents instilled in me that we always need to work 10 times harder than White Americans to be successful, so doing that doesn't surprise me at all. It's been like that throughout my life until now, so I haven't changed my approach."

Co-founder, design tech

Self-identified African American, man

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

6 DO FOUNDERS FEEL SATISFIED WITH THE CURRENT FINANCIAL SUPPORT SYSTEM?

TWO-THIRDS OF RESPONDENTS FEEL SATISFIED WITH THE VC ECOSYSTEM, BUT A SIZEABLE MINORITY ARE VERY DISSATISFIED

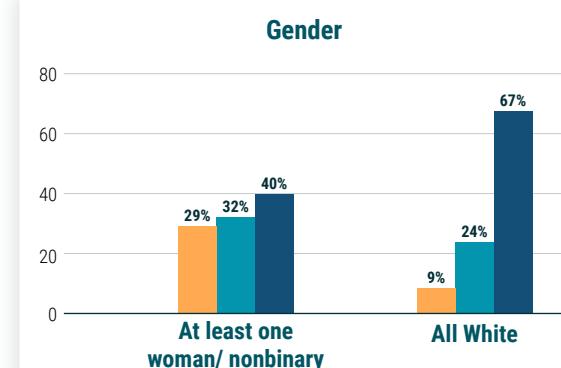
62% of teams report being very satisfied with the financial support system available to them as entrepreneurs, and 13% were very dissatisfied.



Note: percentages may not add to 100% due to rounding.

Founding teams with at least one woman/nonbinary member are less satisfied with the VC ecosystem than all-men teams

29% of teams with at least one woman/ nonbinary member have never felt satisfied, in contrast to 9% of all-men teams. Whilst two-thirds of all-men teams have always felt satisfied.



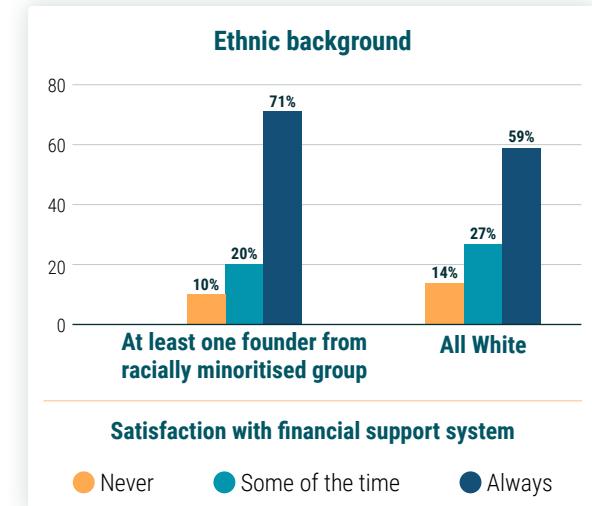
Satisfaction with financial support system

● Never ● Some of the time ● Always

Note: percentages may not add to 100% due to rounding.

Teams that include members from Black and racially minoritised groups feel far more satisfied with the financial support for entrepreneurs than all-White teams

71% of founding teams with at least one member from a Black or racially minoritised group report feeling very satisfied, as against 59% of all-white founding teams.



Note: percentages may not add to 100% due to rounding.

PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

7 WHAT DO FOUNDERS PERCEIVE AS THE BARRIERS TO VC?

FOUNDING TEAMS THAT INCLUDE WOMEN/ NONBINARY MEMBERS HIGHLIGHT MORE BARRIERS TO FUNDING

Teams that include women/ nonbinary members selected a greater number of barriers to venture funding than all-men teams.

Founding teams with women/nonbinary members find a lack of response the greatest obstacle

42% of teams with women/ nonbinary members find a lack of response from contacts to be a barrier, in contrast with 15% of all-men teams.

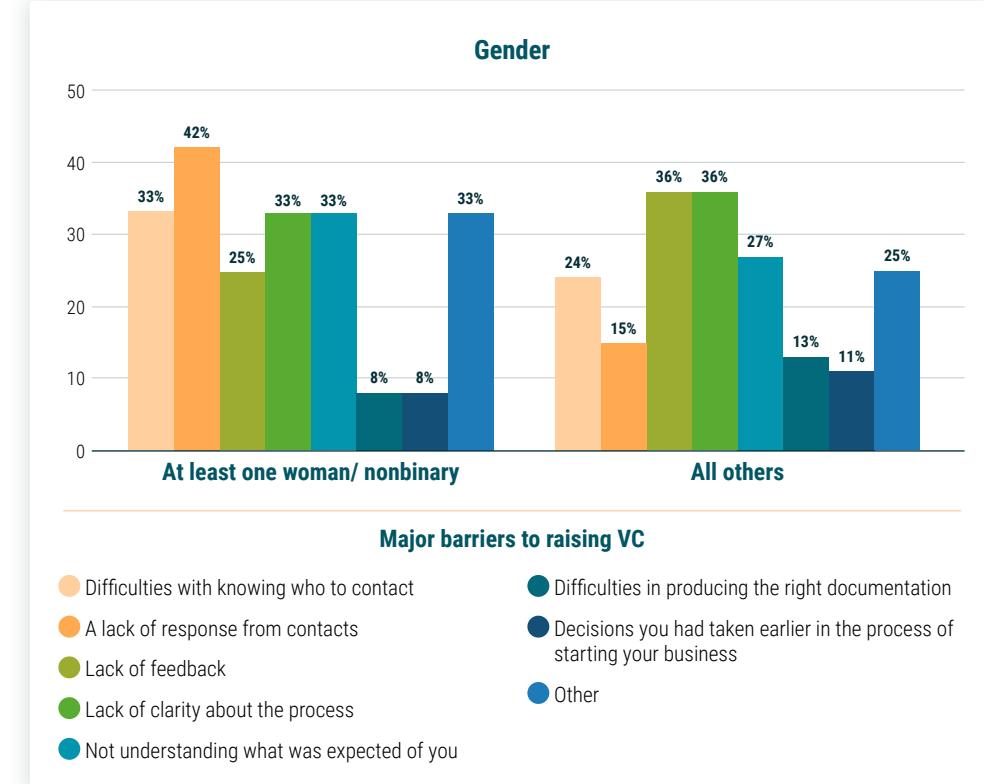
For all-men teams a lack of clarity about the process is the greatest barrier

Whilst all-men teams struggle less to get a response, they still cite different issues around lack of communication about process. 36% consider lack of feedback an issue, 36% a lack of clarity about process and 27% not understanding what is expected of them.

"I do what I can to help other founders from minorities because I realised how much it's just down to chance and luck. One day I was meeting an investor who wanted to put some money in towards our round, and he said 'let me call my friend, he's around the corner'. That guy came and he just got it - he put in the rest of the round then and there."

Co-founder, fashion tech

Self-identified French, North African, man

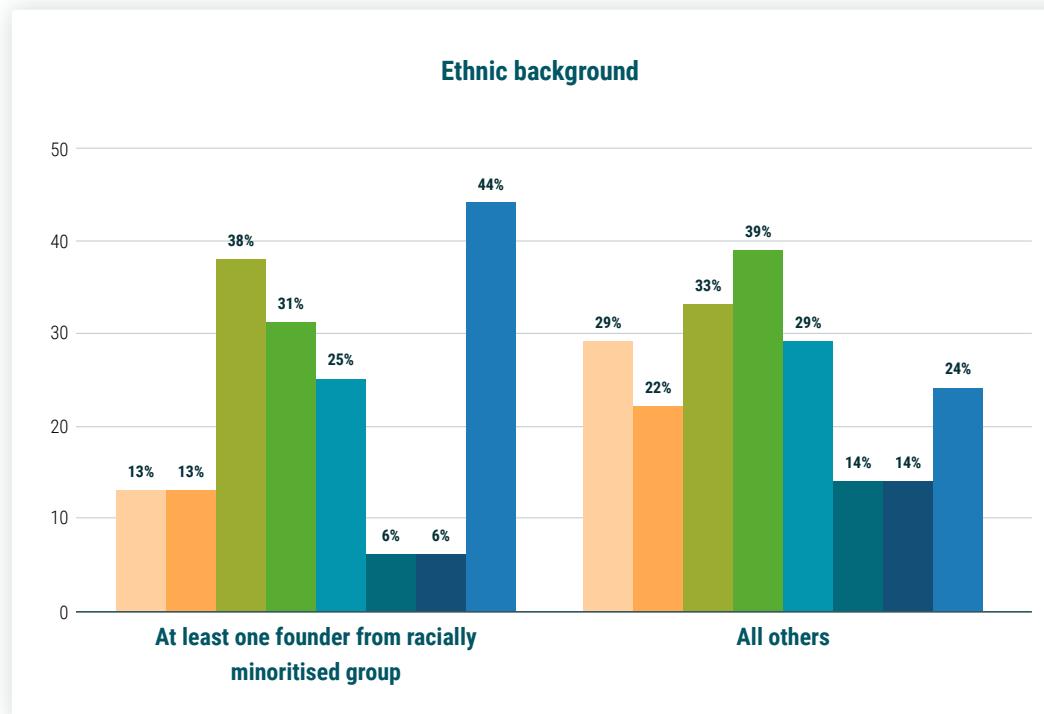


PART C: COHORT 2 - VC-FUNDED BUSINESSES AND THEIR EXPERIENCES

TEAMS WITH MEMBERS FROM BLACK AND RACIALLY MINORITISED GROUPS REPORT DIFFERENT BARRIERS TO FUNDING THAN ALL-WHITE TEAMS

A larger proportion of founding teams with all White members selected from the multiple-choice options describing various barriers offered in the survey, whilst founding teams with Black and racially minoritised members generally considered these factors less prominent obstacles.

44% of teams with Black and racially minoritised members report 'Other' barriers, suggesting that their difficulties require further qualitative research to fully grasp, and that their primary barriers are different from those of all-White teams.



Note: percentages may not add to 100% due to rounding.

Major barriers to raising VC

- Difficulties with knowing who to contact
- A lack of response from contacts
- Lack of feedback
- Lack of clarity about the process
- Not understanding what was expected of you
- Difficulties in producing the right documentation
- Decisions you had taken earlier in the process of starting your business
- Other

PART D: CONCLUSIONS - OPAQUE CLOSED NETWORK SYSTEMS MUST CHANGE

"It's like playing a game, and you think you know how to play, so you sit down at the table and you do your best. But what you don't realise is that everyone has extra cards and intel that you just don't have."

Sole founder, luxury confectionary

Black British West African, woman

Pre-VC and VC-funded cohorts are similar

The research has shown that the path to VC begins much earlier in founder careers than when they start their business. The many similarities between the demographics of the pre-VC and VC-funded cohorts indicates this. However, there are some key differences that show which groups are not currently able to access higher investment amounts.

Societal inequities play a significant role in exclusion from investment

Communities that face socioeconomic disadvantage are not adequately represented or supported to access pre-VC or VC investment.

Equity investment has an exclusive culture and uses these practices as a blunt sorting instrument

Biases that see investors backing businesses with a similar demographic, socioeconomic and educational profile is a form of mitigating risk. However, these practices are a blunt instrument and the cost is the exclusion of high potential founders.

Standardisation of process is essential to hold investors accountable for their exclusionary investment practices

Whilst these processes are opaque they will only benefit those who have been socialised into an exclusive culture from youth.

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