

A little less conversation, a little more action please

It is well known that for every £1 of VC funding, female-founded businesses receive just 1p. Worse than that, for the last 20 years only 10% of venture funding has gone towards businesses that even include a woman anywhere in the founding or leadership team. Investors must show more than just good intentions if we're to realise the full potential of female-founded startups.

Temps de lecture : minute

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This is a terrible statistic, especially when it's also been shown that female-founded businesses generate around 78% return on investment compared with 31% for startups founded by men. The industry has launched countless initiatives in recent years to encourage more funding into female-founded businesses, from dedicated accelerator programs to office hours aimed at expanding investors' and founders' networks and allowing women to get a foot in the door. Yet nothing seems to be working. In fact, in Q3 of 2020 funding into female-founded businesses dropped to its lowest level in three years.

Fighting stereotypes

As part of Investing in Women Code we collect data to better understand the reasons behind the underrepresentation of female founders. Although it is still a work in progress, we can confidently say that more male-led than female-led startups approach investors. As a result, the chances are that male-led startups receive funding more often. This might be because, in our culture and mentality, entrepreneurship is not seen as a career for

women, as a consequence of which young women are not encouraged to take this direction.

As much as starting a business is not an easy choice, we should do more to fight the stereotype that entrepreneurship is not a female career. We need to show more examples of successful businesswomen and female-led businesses to inspire younger generations. They need to see that entrepreneurship is an option they can prepare for.



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Over-incubated and over-advised, just invest

With that in mind, there are *many laudable programs* out there that are designed to give women advice and support on seeking funding, all of which do have a role to play. However, we have to ask the question of

whether we need all of them, and whether they are having the desired effect? In fact, recent research has shown that in some cases accelerators actually exacerbate the equity funding gap between male- and female-founded businesses.

Instead, investors need to commit to actually investing into female-founded businesses. Women are perfectly capable of identifying a problem on their own, creating a solution, and drafting a pitch deck. This is not knowledge that is kept secret from them. Rather than burying female founders under mountains of advice, we just need to ensure that they are being encouraged to start businesses in the first place, give them a fair chance, and back them.

For example, at SFC Capital in 2020 we took the conscious decision to ignore often ineffective programmes, office hours, and accelerators, and instead made a public pledge to invest at least 50% of latest fund into female-founded companies. This has resulted in us investing in some truly groundbreaking companies such as ETIQ, Esther, Jack & Bry, and many more.

We haven't lowered our quality bar, and we haven't passed on other deals. The mantra should always be, if you are a good company, with a strong team, and strong proposition, and have realistic expectations, there is a high chance you will secure investment.

The first step is the hardest

Although an industry-wide problem, we believe that setting ourselves high targets at the seed stage, even if we fall slightly short, starts to make a difference in the wider industry. Securing early-stage investment provides companies with the capital and tools necessary to go on to secure further funding and expand their businesses. By working hard to achieve better gender balance at the earliest stage, we can change the long-term

fortunes of many female-founded companies. For example, without seed investors we would not have many of the successful companies like Onfido, or Transcend Packaging that we see today. By investing in women now we can see global companies founded by women in the future, and ensure the successes of future Whitney Wolfe Herds aren't as exceptional as the recent Bumble IPO was held up to be.

Unfortunately, we did not quite hit our 50% target yet. However, simply through being proactive and issuing the public statement, we saw significantly more female-founded companies proactively approach us for funding - evidence that there are plenty out there who deserve it. This has meant we have invested in significantly more female businesses than the market average, and we hope this number will only increase as word continues to spread.

It is clear that if the investor community keeps doing what it has been doing for the last few years, nothing much is going to change. Female founders do not need any more "how to" sessions. They need action, and proactive investors willing to look at the opportunity their business represents, rather than their gender. By taking these first steps, we can make the startup ecosystem more representative of our society, and also create some incredible companies along the way.