

# The innovation ceiling: Breaking through barriers to diverse talent and potential

*Despite being worth over \$1T, having more unicorns than Europe and employing over 2M people, the hard truth of UK tech is the innovation ceiling. We've arguably created the most rivalled ecosystem on this side of the Atlantic, but the underutilisation of our resources means there is a real risk of losing that status.*

Temps de lecture : minute

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Tech is still unequivocally male-dominated, with only 28% of the sector's workforce identifying as women. But it's also increasingly middle class; a meagre 9% of tech employees reported to be from lower socio-economic backgrounds.

For startups where the holy grail is venture capital funding, the outlook hasn't changed much in the five years since we've been focussed on it. Women-led businesses still only secured 2% of equity funding invested in UK businesses, while less than 0.4% of VC funding in the UK was given to Black founders (from 2009 to 2019). This lack of diverse investment translates to a material loss of \$4.4T for women and minority-owned business enterprises. Equity funding is also heavily concentrated in the South East "golden triangle" where 20 local authorities account for 58% of equity funding in the UK. Think about that? Just 20 local authorities out of 317 in the UK account for 58% of funding. What's going on in those boroughs that's so special? Imagine as a business owner if less than 10% of your workforce were productive, you would have to think long and hard about whether to let yourself go. Issues of representation and funding are

endemic and seismic.

As the statistics illustrate, the problem of underrepresentation is vast, and despite a renewed focus on the issue, unchanging. It was *estimated* in 2020 that at the current pace, we'll have equal gender representation in tech in 12 years: it's all too slow, and getting slower as we see DEI efforts being rolled back by behemoths like *Zoom, Snapchat, Google and Meta*, under political *pressure* from both sides of the Atlantic. Moving backwards, not forwards, poses questions about the tech industry's understanding and commitment to change. Much like Instagram feeds engulfed in black squares after George Floyd's murder, big tech corporates and their DEI pledges seem to be merely optical allyship. To enact change, allyship needs to be substantive rather than symbolic - it needs to have meaning beyond the action itself and most importantly it needs to be sustained.

Change doesn't come about by just recognising the issue, but by constantly scrutinising it to find actionable ways to make change. At *OneTech*, we conducted research with *Dr Angela Martinez Dy*, Senior Lecturer in Entrepreneurship at *Loughborough University*, to identify the problems within the wider underrepresentation problem that needs to be recognised and addressed.

The first major finding was that women, people of colour and people from diverse socioeconomic backgrounds often lack awareness of development opportunities as well as access to tools, education and domain knowledge. This can be compounded by low confidence and often lower levels of education compared to their more privileged peers, leading to unequal access to social and financial capital, community assets and connections.

Our research also found that lack of representation is symbiotic in causing underrepresentation going forward. Underserved communities simply do

not see themselves in the tech or digital startup world. This causes a lack of sector diversity across all roles and levels and - crucially - people in power don't believe there is a problem.

This means that breaking through the ceiling through education and inspiring more people from underserved communities into entrepreneurship will only have compounding effects, as others see people who look like them in the industry, ending the cycle of underrepresentation.

Reframing access to capital is one of the main academic takeaways from our work. While the apex of tech often seems to be venture capital-backing, even more shocking than the measly percentage of VC funding that goes to ethnic minorities or women-led startups is that only 0.0032% of startups receive VC funding in the first place.

The outsized focus on VC funding, in contrast to its rarity, is one of the core reasons that startup founders, especially from underserved communities, lack knowledge about the broader funding landscape. It is important to remember that not all businesses are set up to raise venture capital. 75% of businesses in the UK are service oriented, a model that isn't conducive to VC funding. Not all products and business models make sense for VCs.

We use our programmes to instil in founders that you need to understand the ambition and potential of your business to find the right structure, team make up, business and funding model that works. For many founders, there are more suitable and sustainable ways to grow in the early stages that do not involve wasting your time or precious resources on pursuing investment, whether through bootstrapping, grants or crowdfunding. The key is moving away from the narrow VC ecosystem towards other models of funding that open up new avenues and unconsidered opportunities.

Yet, we also recognise that if the trends remain the same and the statistics do not change, we will need to provide the next generation of entrepreneurs with even more essential skills and training to tackle this problem. Essential entrepreneurial education will have to be about more than just funding, focused on all aspects of the startup journey. This is why, we have been partnering with redbrick universities, such as the University of Derby, to further entrepreneurial education among their cohorts, which tend to be more socially diverse than older universities. Playing the startup board game, our new educational tool, equips attendees with the essential skills and knowledge needed to launch and scale startups. Understanding the language and journey of entrepreneurship will enable them to gain the skills needed to be future leaders or entrepreneurs. If we don't influence the next generation to understand their options now and to be the change we want to see, the gap will continue to widen. If we don't put the work in now for future generations, underserved communities won't be able to see the ceiling at all.

Although there is some progress, the innovation ceiling remains very real. For the UK to be a tech powerhouse (*the government plans for the UK to be home to half of Europe's unicorns come the end of the decade*), diversity of thought, perspectives, funding and importantly, new ideas are needed. Diversity across the tech sector is a stated objective by the current government, in part through the 'levelling up' agenda - and it is of the utmost importance that this happens to break the cycles that we currently see. This can only happen in a heterogeneous, rather than homogenous, ecosystem. This is why one of our key focuses needs to be the education of the next generation. To make any real significant change we need to close the education gap. This means supporting younger people to understand their options earlier, rather than allowing them to find out about alternative pathways when it is nearly too late.

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Article by Emma Obanye