



DELL WE CITIES 2018

# Capital Deep Dive



# Outline of Capital Deep Dive

- Introduction

- Motivation and approach for the capital deep dive study
- State of funding for women entrepreneurs

- Dell WE Cities Capital Results:

- Analysis of the overall capital scores
  - › Distribution of Capital Scores overall
  - › Distributions of Capital Sub pillars
- City Case Studies
  - › Identify unique cities in capital and conduct qualitative/quantitative research to identify forces that drive funding in these cities
- Industry Analysis
- Correlations

- Summary

- Summary of the capital deep dive study
- Future of Funding for Women Entrepreneurs

# Introduction



# Motivation

- Capital is critical for scaling; in our research we heard and learned that this is often the limiting factor and women face unique challenges when it comes to raising capital.
- Whereas other research has helped document the barriers for women, this research will contribute to a discussion on solutions. Specifically, what is working (or effective) for women entrepreneurs when it comes to accessing capital.
- The research also uncovers:
  1. How women entrepreneurs are accessing capital
  2. Do women in different regions access different sources of capital?
  3. What industries do women entrepreneurs gravitate towards and how does this affect capital access?
  4. How does capital access differ across leading cities?

# State of Funding for Women Entrepreneurs



- 2017 was a great year for progress in gender equality. Movements against sexism, sexual harassment, and wage inequality were put in motion in a significant way.
- However, there was little to no improvement in the state of women entrepreneurship. The number of companies with at least one female founder has remained stagnant for past 5 years at 17% ([TechCrunch](#)). Moreover, there was not much improvement to the amount of funding these firms receive.
- [TechCrunch](#) reported that “for the first two quarters in 2017, startups with a female founder raised \$332 million in seed investment, or around 15 percent of all seed funding dollars. Approximately \$6.5 billion has been invested in female-founded companies, representing more than 11 percent of all dollars invested in the first two quarters of 2017.”



# Continued...

- The stagnation in funding is attributed primarily to the lack of progression in women's roles as investors. However, there have been minute improvements in this area in recent years.
- The [CrunchBase Women in Venture Report](#) reports that the percentage of women partners at the top 100 VC firms increased 17%. Furthermore, there was a 25% increase in women partners at accelerators and women also founded 16 micro-venture funds in the last three years.
- The rate of inclusivity of women partners is becoming more prevalent at new firms; The study finds that the frequency of women partners is nearly three times in new firms compared to the top 100 firms.
- The increase of female partners in VCs, although small, is a positive sign for both women entrepreneurs seeking funding and the emergence of women's roles in investment positions.

# Approach

- We analyzed the 2017 WE Cities data to identify which cities are leading in capital and what indicators within those categories are setting them apart.
- After identifying benchmark metrics and leading cities, we will do qualitative research into those cities to better understand what specific policies and practices are in place that are enabling greater access for high potential women entrepreneurs.
- The research will also uncover, what high potential women entrepreneurs are doing well in terms of accessing capital.
- For example: 1) How are women entrepreneurs accessing capital? 2) Do women in different regions access capital differently? 3) Do women in different industries have varying access to capital? 4) How does capital access differ across leading cities?
- Members of the Dell Women's Entrepreneur Network (#DWEN) shared their real world stories of accessing capital for this study.

# Dell WE Cities Capital Results



# Rankings of the Capital Pillar

- All in all, the San Francisco Bay Area is the winner of the capital pillar
- Out of the top 10 cities, 5 are North American, 2 European, 2 Asian, and 1 African
- Tel Aviv – in the Middle East region, was just outside the top 10 at number 11
- The Latin American region lags the most in the area of capital

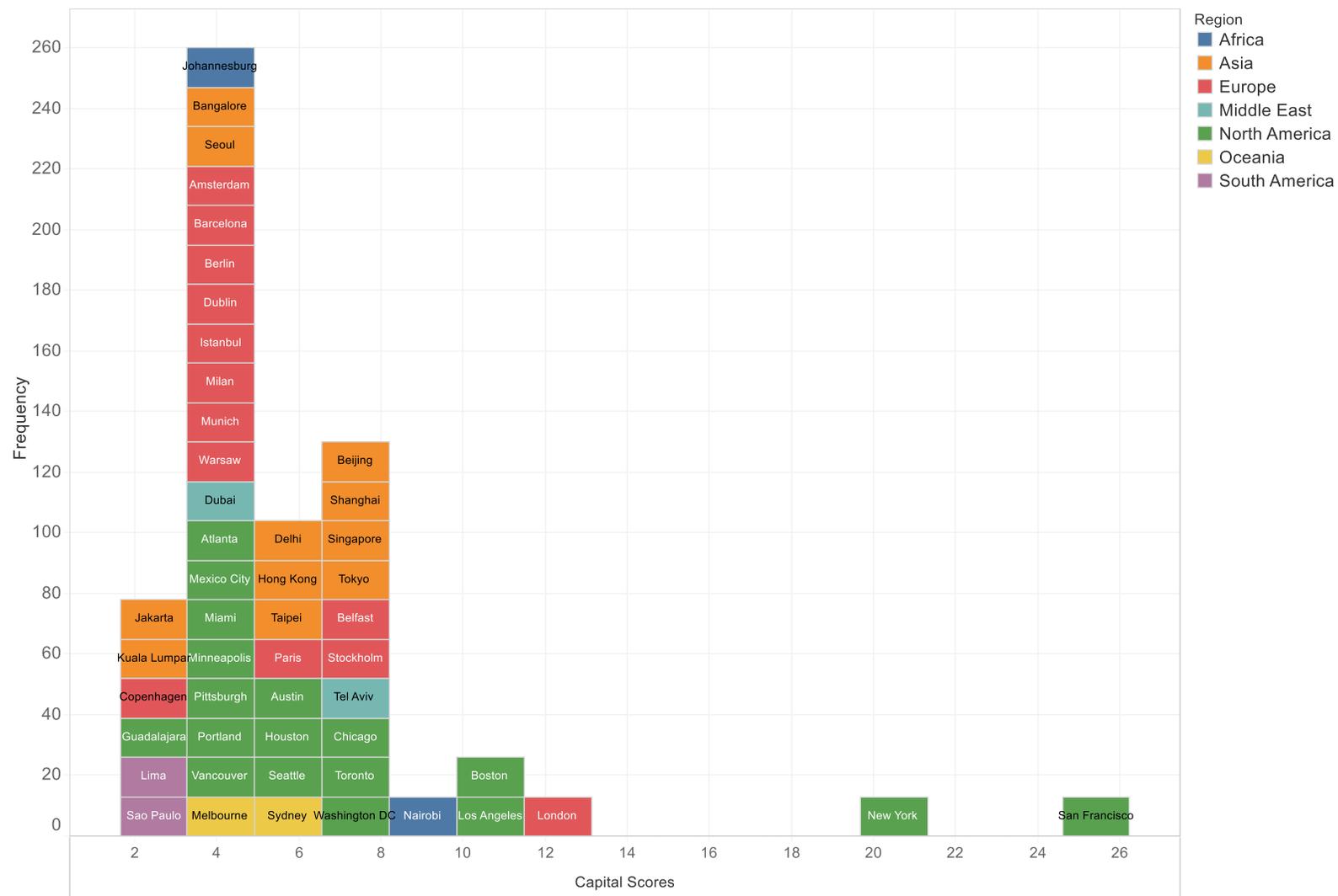


San Francisco	1	Vancouver	26
New York	2	Mexico City	27
London	3	Istanbul	28
Boston	4	Dublin	29
Los Angeles	5	Melbourne	30
Nairobi	6	Johannesburg	31
Singapore	7	Atlanta	32
Chicago	8	Seoul	33
Stockholm	9	Dubai	34
Beijing	10	Portland	35
Tel Aviv	11	Amsterdam	36
Belfast	12	Warsaw	37
Toronto	13	Bangalore	38
Shanghai	14	Milan	39
Washington DC	15	Pittsburgh	40
Tokyo	16	Berlin	41
Paris	17	Munich	42
Seattle	18	Miami	43
Houston	19	Barcelona	44
Taipei	20	Sao Paulo	45
Hong Kong	21	Kuala Lumpur	46
Delhi	22	Jakarta	47
Sydney	23	Copenhagen	48
Austin	24	Guadalajara	49
Minneapolis	25	Lima	50



# Capital Scores Distribution

- Obtaining capital to start or expand a business is one of the biggest obstacles for women entrepreneurs. It comes as no surprise that capital has a highly skewed distribution and the lowest average indicator score among the pillars measured.
- The heavy skew in the distribution demonstrates that there is still a long way to go in the area of capital for women entrepreneurs.
- The distribution of capital shines a light on the overperformers as well as the underperformers, identifying cities that stand out for better or worse.
- The San Francisco Bay Area significantly outperforms the other cities, Nairobi presents a unique case for being the only African city to make it in the top 10, and Sao Paulo, among the majority of Latin American cities, is in the bottom 5.



# Capital Sub pillar Scores Distributions

- All sub-pillars are skewed to the low end.
- Encouragingly, the gender proportion in funding is the least skewed of the capital sub pillars. Demonstrating that progress is being made in the area of women's access to capital relative to their male counterparts.
- Low capital scores are not simply due to biases, they are a complex function of cultural, economic, talent and technology.
- Working on some of these factors, can create a virtuous cycle where strengthening the other pillars can attract capital and more capital can strengthen the other pillars for women entrepreneurs.



# Benchmark City: San Francisco Bay Area



- The San Francisco Bay Area is the leader of the capital pillar. It ranks in the top 10 in all the capital sub pillars and benchmarks 6 out of the 14 indicators.
- It comes as no surprise that the Bay Area ranks 1st in value and frequency of funding. There is more venture capital investment on an aggregate and per capita basis than any other region in the world.
- The area's strengths in funding come down to sheer numbers. The area is home to 16 of the 62 most active, globally ranked VC firms, notably Intel Capital and Google Ventures. Furthermore, roughly 19 billion dollars of VC funds were given to businesses with at least 25% women executives, and there are 1450+ female founders or executives in 2nd round of funding or higher.
- The abundance of funding in the Bay Area does not necessarily translate into equitable funding for women. The area shows weakness in gender proportion of funding. The percent of VC funds going to women entrepreneurs is approximately 19% and the percent of businesses with a female founder or partner in the second round of funding or higher is 16%. Moreover, there is room for improvements of women's presence in investment positions, as the percentage of total investment companies with at least one female executive is 35%.

**Practices/Policies for success:** Networking is essential for obtaining capital. In analyzing the Dell WE cities data we found that cities with a large entrepreneurial network tend to score higher on capital. An advantage of living in the Bay Area is that the area is geographically small and allows for a higher interconnectedness of individuals. Our interview with Rose Broome, founder of HandUp, highlighted the areas open and optimistic culture. Furthermore, she emphasized that there is a culture of founders helping founders, which was significant in launching her business.

The Bay Area investors, compared to investors with financial services backgrounds, tend to have more experiences in launching startups themselves. Furthermore, they are more apt to take risks than other investors. This attitude leads to more investment in shorter periods of time. According to [RocketSpace](#), raising funds in the Bay Area “typically takes 2-3 month, for both seed rounds and Series A/B.

**Practices/Policies need for improvement:** The significant “bro culture” mentality in Silicon Valley can explain the gender gap in funding. Our interview with Amy Norman, founder of Little Passports, described the entrepreneurial environment in the Bay Area as “male entrenched”. There are more male VC founders and only a handful of female CEOs. The lack of women role models and women in investment positions lead to unconscious bias which affect funding opportunities for women. Recent news on sexual harassment allegations which led to the firing of Uber's former CEO, Travis Kalanick, and the forced resignation of venture capitalist Justin Caldbeck, are further instances that the area has ways to go in improving the entrepreneurial atmosphere for women.

There still a significant wage gap in the Bay Area. According to the census, “women in San Francisco earn 84 cents for every dollar that their male counterparts make” ([Fortune](#)). However, the city is making strides to combat this issue. In summer of 2017, Mayor Ed Lee announced that employers won't be allowed to ask applicants about their previous salaries.



# Benchmark City: Nairobi



- Nairobi is an emerging hub for technology start ups and is rightfully recognized as Africa’s “Silicon Valley”. The city ranks 6th in Capital overall, 40th in Value and Frequency of Funding, 48th in Women’s Capital Base, and 1st in Gender Proportion of Funding.
- Nairobi leads the gender proportion of funding sub pillar. Roughly 67% of VC funds were given to businesses with at least 25% female executives. Moreover, there is a higher presence of women in investment roles relative to the other cities; 42% of investment companies have at least 1 female executive. The city ranks 1st in the percent of city businesses in 2nd or higher round of funding, coming in at 35%.
- However, strengths in equitable funding between men and women does not necessarily speak on the availability of funding for entrepreneurs. Nairobi scores on the lower end for both women’s capital base and value and frequency of funding. The city is however making strides to make Nairobi more attractive location for investors. Initiatives such as the Konza Technopolis is Kenya’s attempt at building a smart city. Konza is located approximately 60 kilometers outside of Nairobi, and it’s purposed to “be a world-class technology hub, home to leading companies in education, life science, telecom, and BPO/ITES.”

**Practices/Policies for success:** The success of women entrepreneurs in the Information Communication Technology (ICT) sector, although slow, has been more prevalent in Nairobi. University of Nairobi, largest university in Kenya, has been **actively partnering with technology hubs and incubators** to promote entrepreneurial development in the ICT sector; often, with the special focus of encouraging women into ICT. These initiatives are supported by the high rate of return among the Kenyan diaspora, who have professional and academic experience in STEM fields from the US, UK, and Europe. These entrepreneurs are typically responsible for finding new companies because they have experience in finding and persuading funders to finance new projects in Kenya. This is especially important as private funders are typically risk averse when providing start-up capital in sub-Saharan Africa.

Regionally, Kenya has a comparative advantage in the quality and reach of the **ICT infrastructure** throughout the country; especially via broadband and mobile networks. In 2017, internet penetration overall was around 85% nationwide. This is largely facilitated by mobile internet utilizing telecommunications infrastructure that has been rapidly developed by the market dominant Safaricom, in which the government retains a major ownership stake. For this reason, Kenya has experienced the fastest growth in mobile payment and transfer systems in sub-Saharan Africa, as well as the adoption and use of social media platforms. Since a new political party gained power in 2013, the government has exploited these comparative advantages by partnering with various technology hubs and incubators in Nairobi. This trend is expected to continue with development of the Konza Technopolis.

**Practices/Policies need for improvement:** The **availability of funds** for women entrepreneurs is lacking in the city. Although women have had relatively more success with microfinances, they are not sufficient to sustain their business. According to an IFC report, “women entrepreneurs who have outgrown microfinance loan limits have a hard time obtaining loans as small KSh1 million from commercial banks.” Furthermore, banks tend to discriminate against women entrepreneurs. The same report, noted that “bank officials tend to ignore [women] and prefer speaking to their husbands or male business partner.”



# Benchmark City: Sao Paulo



- Sao Paulo ranks among the bottom 5 cities for capital. The city ranks 50th in Gender Proportion of Funding, 37th in Value and Frequency of Funding, and 15th in Women's Capital Base.
- Sao Paulo ranks the lowest in Gender Proportion of funding. This comes as no surprise as a survey by Sebrae and Dieese found that only 10% of all women founded organizations in Brazil receive outside funding. Roughly 3.5% of VC funds were given to businesses with at least 25% female executives. Moreover, only 5% of women founded businesses were in the second or higher funding round. The presence of women in investment positions also lacks in the city, only 13% of investment companies were found to have at least one female partner.
- The city also lacks in sheer numbers when it comes to funding opportunities for women entrepreneurs. Sao Paulo scores on the lower half in value and frequency of funding. The low score stems from the total amount of funding going to businesses with at least 25% female executives and the lack of major VC firms in the city. However, the city does particularly well in Women's Capital Base. Crowdfunding is just starting to become an option to some businesses and Sao Paulo ranks 29th in the index for the number of projects on crowdfunding sites. Just as an example, Catarse, the main crowdfunding site in Brazil, has moved around only BRL 32 million (about US\$ 10 million) in more than its five years in existence. And, no significant data exists to show crowdfunding options for women enterprises in Sao Paulo alone.

**Practices/Policies for success:** Sao Paulo offers generous **paid maternity leave** to women. The city ranks 10th in terms of maternity leave policies. The Brazilian law guarantees 120 days of paid maternity leave for mothers, and this can be extended for another two months following an agreement between companies and the unions. This level of support both during and after the baby is born provides women with stability at work.

The Sao Paulo local town hall is striving to encourage women to venture into new businesses. The local town's **partnership** with Google and Rede Mulher Empreendedora is an instance of a project with the intent to support women interested in investing in the tech sector –an area mainly dominated by men. This in turn helps Sao Paulo mobilize its women's capital base, where it ranks in the top half.

**Practices/Policies need for improvement:** Due to **the lack of outside funding**, women entrepreneurs tend to use their own savings and or get help from family members to start their business. However, direct bank loans, often secured against property, remain by far the most common way to finance new enterprises in Sao Paulo. One interviewee pointed out that the “the credit model in Brazil is still an old credit model, which only provides credit for someone who has a property. If the woman does not have a car or a house in her name, then she has less access to credit than men. Her situation is worse than men's to get the money in the banks.” This has disabled most businesses in the city to find cheap funding, and business owners have to negotiate with bank managers on rates that are usually very high. However, the recovery from the recent recession in Brazil, should enable the Brazilian Central Bank to cut interest rates to ameliorate the situation, at least in the medium term.

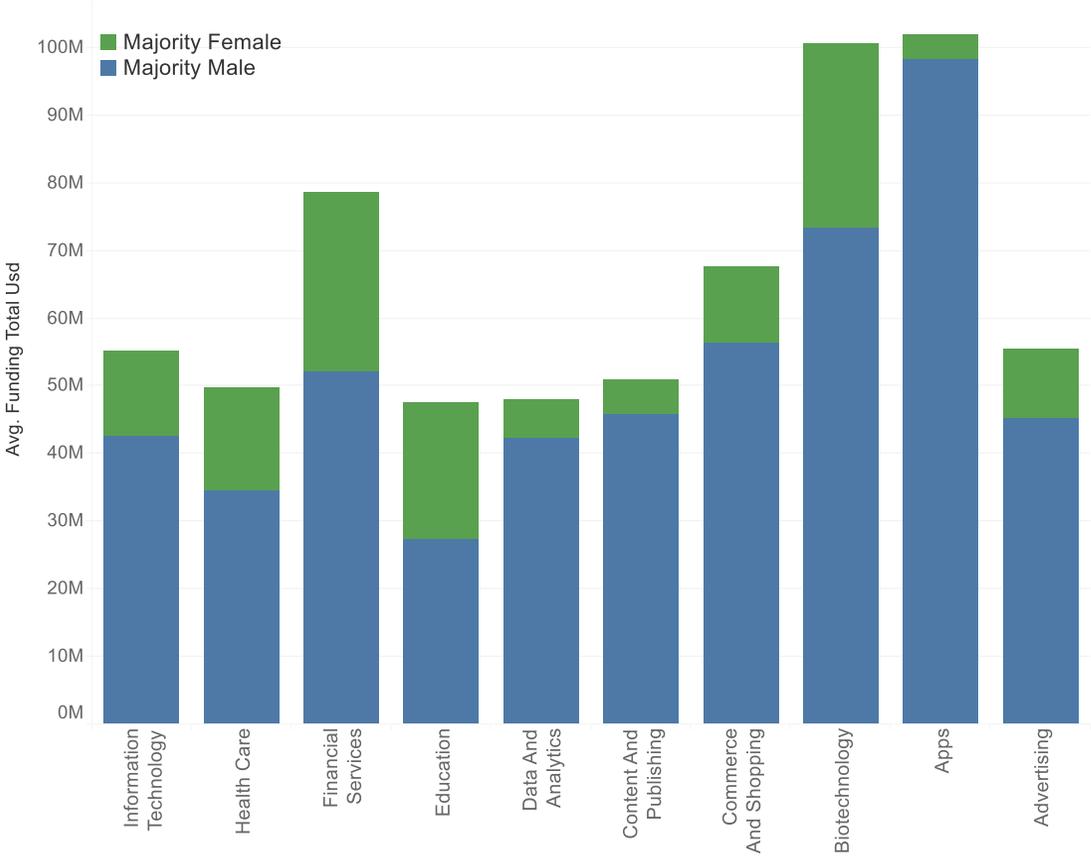
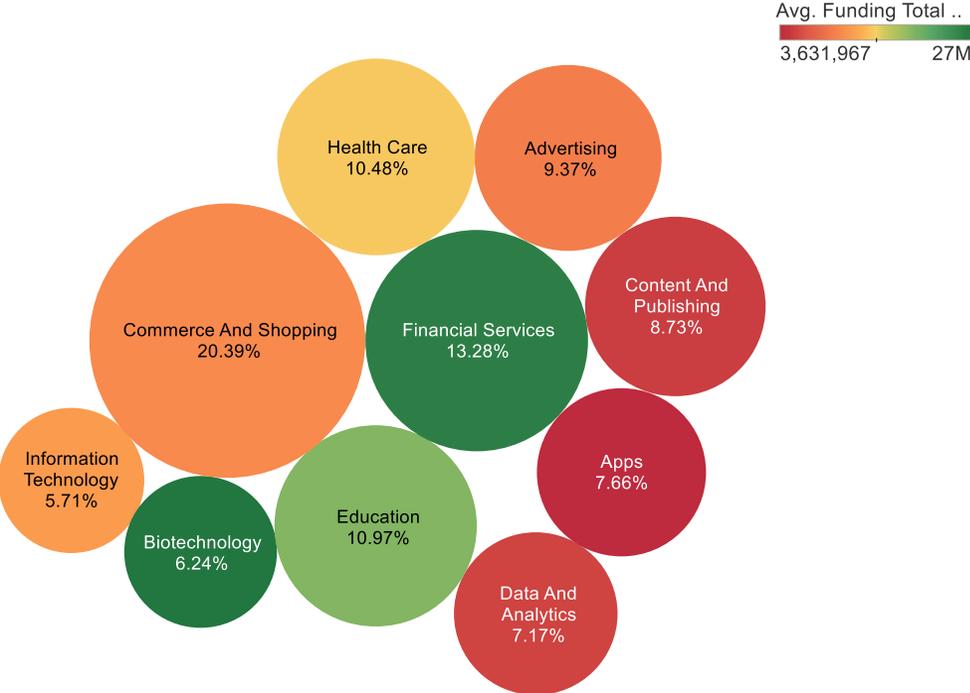


# Industry Analysis

Leveraging data from CrunchBase, we identified the industries that men and women entrepreneurs tend to gravitate towards. This was done by aggregating the organizations with majority women executives. Furthermore, we color coded the industries by the average amount of funding raised.

About 20.39% of organizations with majority women executives fall into the commerce and shopping sector, yet on average the biotechnology sector has raised the most amount of VC funds.

Top 10 Industries with Majority Female Executives



Even among the industries that women gravitate towards, they raise less VC funds on average compared to their male counterparts.



# Non-Capital Factors that drive Funding in WE Cities

Correlations between capital and non-capital indicators provide insight into outside forces that drive funding in WE cities.

We calculated correlations between the capital scores and non-capital indicators listed the top 3 highest correlated indicators:

## Accelerators

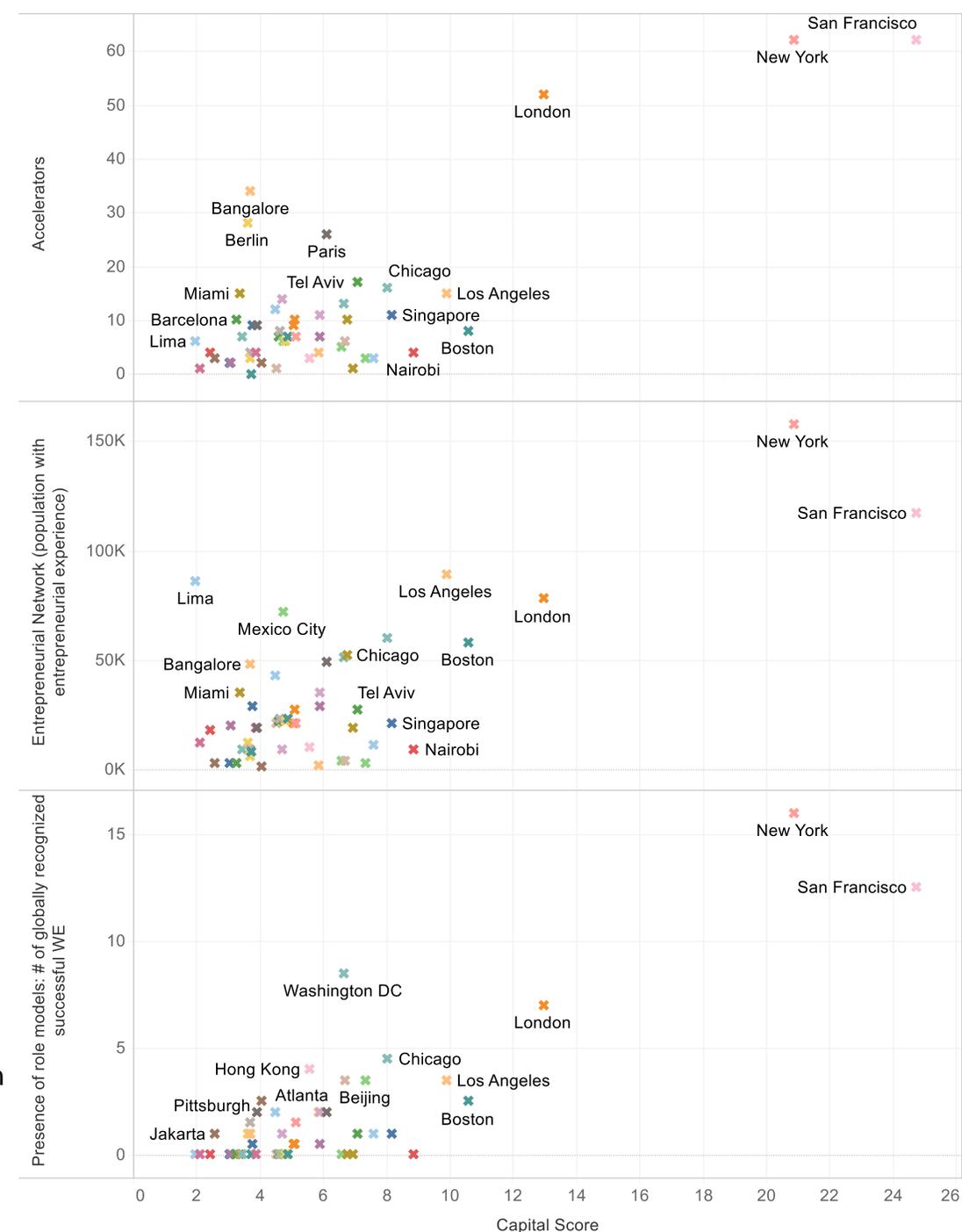
- Accelerators provide entrepreneurs with the proper network, investment and mentorship to start their business. Naturally, cities with higher number accelerators tend to provide better access to capital.

## Entrepreneurial Network (population with entrepreneurial experience)

- Through our interviews and research we found that women entrepreneurs often noted networking to be a key factor in their success. Although networking does not guarantee funding, access to the right network can provide guidance to ensure that women are equipped with the right tools when pitching their businesses to investors.

## Presence of role models: # of globally recognized successful WE

- The presence of role models in a city provides more than just inspiration for women entrepreneurs, they are a reflection of the environment. Thus, cities with a higher presence of role models tend to have a more inclusive and accepting culture, which can lead to less bias when it comes to funding.



# SUMMARY

ACCESSING CAPITAL



# Summary of the Capital Deep Dive

- The Dell WE Cities capital results and the city case studies show there are still major gender gaps in traditional investment channels e.g., VCs and banks.
- Recent [research](#) by Harvard Business Review, finds that there is bias in VCs approach to the questions posed to male and female entrepreneurs. The study finds that in the US “67% of the questions posed to male entrepreneurs were promotion-oriented.” Meaning, the questions focused on achievements and hopes of the entrepreneurs.
- While, “66% of [the questions] to female entrepreneurs were prevention-oriented”. These questions were more concerned with safety, responsibility and security. The study finds that entrepreneurs who were asked the prevention-oriented questions tended to raise less capital on average than those with the promotion-based questions.

# Future of funding for women entrepreneurs: crowdfunding



- The difficulty of raising funds through traditional investment channels has led women to partake in new sources of funding. Crowdfunding has become a thriving source of capital for women entrepreneurs. A recent [study](#) of Kickstarter found that although women set lower funding goals, “they have been better able to raise funds in excess of their original funding goals, even in [male-dominated] categories, such as technology”.
- **Women’s success in crowdfunding is global.** [PWC](#) finds that globally, “22% of campaigns led by women reached their target, compared to the 17% of those led by men”. Furthermore, “on average each individual backer contributes \$87 to women compared to \$83 to men.” The gap widens to \$10 in the UK and US. Women’s success in crowdfunding is attributed to the even gender-level playing field for the backers. Unlike, the male-dominant traditional investment channels, crowdfunding allows for a diverse pool of investors.

