Female entrepreneurs find it harder than their male counterparts to attract funding, but things are looking up, finds Jane Mulkerrins

NOT JUST SMALL CHANGE

PHOTOGRAPHY: AMIT LENNON FOR THE BRIDGE STUDIO. *ACCORDING TO RESEARCH BY THE BRITISH BUSINESS BANK

Four years ago, first-time entrepreneur Emily Canino launched Doodlemoo, an online site selling bold, graphic art prints for the wall, which she designed and made herself. She quickly expanded into greetings cards, bookmarks and stationery. Canino, based in Reigate, Surrey, was confident about the creative aspect of her fledgling business, but less so about funding it. "I needed to invest in a large, professional printer, which was £3,000, so I used my savings," she says. She also applied for a grant from her local council for £1,000 towards a new computer. But in order to produce her largest print run of 1,000 creative planners, she needed several thousand pounds more. "I didn't want to go down the loan route, because I was nervous about getting into debt and dealing with high interest repayments. My bank didn't really seem approachable," she says. She funded the project, instead, through the crowdfunding site Kickstarter, raising £3,600 in just 25 days.

Now, she wants to grow her business. But she needs an investment of £20,000–£30,000. "So, I am thinking about finance and investment, but I am anxious about it. When it comes to trying to raise money, I still have a bit of a fear that I won't be taken seriously, or that people will think, oh, she's just a woman, with kids, doing something on the side."

Canino's experiences bear out the findings of the UK government-backed Alison Rose Review of Female Entrepreneurship, published last year, which revealed that one in three UK entrepreneurs is female, and funding is the number one barrier mentioned by women when it comes to starting a business. And for good reason.

Women launch businesses with 53 per cent less capital on average than men, the report found. They are less aware of funding options, and are less likely to take on debt. This may be part of the reason why only 1 per cent of all venture capital (VC) funding goes to businesses founded by all-female teams, compared to 89 per cent for all-male teams. "At every stage of the journey, whether it's start-ups, scaling up, or sustaining, female entrepreneurs receive less funding than their male counterparts," says Julie Baker, NatWest's head of enterprise and community finance, who is involved with the bank's Women in Business initiatives, and worked on the Rose Review.

Social media research conducted by social intelligence agency Storyful also found that Canino's approach to and feelings around funding are far from unique. The Storyful report, commissioned by Dell in February 2020, discovered that many female entrepreneurs were following the likes of Kickstarter but few followed UK investment groups and banks. Storyful also reported that women who had been through the investment process themselves cited bias from investors as a barrier to female-led businesses.

In the frame: Emily Canino, founder of art brand Doodlemoo; Joy Foster (right) of social media training firm TechPixies

There are valid explanations for some of the funding discrepancies found in the Rose Review. "Most VCs are not investing at the earliest stages of a business, they are investing further down the line, when they are probably generating a million pounds in revenue, but most female-founded businesses are much earlier in their journey than that," says Sarah Turner, founder of Angel Academe, a network of angel investors – individuals who put funds into early stage companies – set up in 2014 to invest in tech companies with at least one woman on their founding teams.

But there are other, more gendered – and more nuanced – barriers in the funding picture. One of these comes into play when women come to pitch their start-ups to a roomful of male investors. "Investment is a very clubby, male-dominated environment," says Turner. "I have seen that when women pitch to a group of men, it doesn't resonate in the same way as when there is a man pitching."

Baker confirms this. "Studies have shown that in pitch meetings, men are asked promotion-type questions designed to identify the potential benefits of the investment – what are the expansion opportunities, what are the markets you could go into? – questions which will have a positive response. When it came to the questions for females, it was more around potential risk: 'What will you do if it goes wrong?' So there is real bias."

"There is clear evidence that female founders feel more comfortable and are more likely to approach funds that have a female partner," says Check Warner, founder of non-profit partnership Diversity VC. It was set up to break up the largely white, male make-up of many VC panels; its 2017 study showed that just 13 per cent of VC partners were female. "Female partners are also more likely to invest in female founded businesses," she adds. "When you are making decisions about funding early stage companies, often there isn't even a product to look at. Decisions are based around gut feel, and analysis of a person or a market, without much data to back it up. So people are making decisions based around affinity bias."

But, says Turner, among angels too, "there aren't women investing. I've had a career in tech and start-ups, and when I was going to networks in London as a potential angel investor, I was usually the only woman in the room. Yet women own 48 per cent of the net wealth in the UK, so I couldn't work out why they weren't stepping forward as investors." Her Angel Academe network is 70 per cent female, however, and has invested in 25 female-led companies, many in the health tech sector.

Angel investment proved a great solution for Joy Foster, founder of Oxford-based TechPixies. It helps women who have been out of work upskill in tech and social media, build their confidence and re-enter employment. As a start-up, she sourced funding through grants and a crowdfunder campaign, but in order to scale up, she needed investment of £150,000. "It was a small raise compared to what many companies would need, but I felt like my company would be best invested in by women who had been through career breaks themselves and come back to work, so I was looking for a female-led investment round," says Foster. She secured the money from seven female investors, and now it's just about to report its first profitable quarter.

'I used my savings and a grant, but it still wasn't enough'

Worldwide, women face the same funding gap issues as in the UK, but things are looking up. The Dell Women's Entrepreneur Network (DWEN), an international support and resource network, found that the level of funding for female entrepreneurs had improved in all 50 global cities it researched in the two years to 2019. London ranked as third best in the world after San Francisco and New York. The majority of cities studied saw an increase in the percentage of VC funds going to women.

In the same period, DWEN co-hosted the Women Funding Women series of 17 global events, connecting entrepreneurs, investors and crowdfunders.

Ingrid Devin, global director of DWEN, says: "We've found that women are really keen to support each other; and over the years, our members have invested in fellow members, turned into customers for each other, and set up businesses together."

Female founders must be armed with both an awareness of the funding options available and the skills to succeed in pitch meetings. "They will have to pitch to male investors, because there just aren't enough women investing yet," says Turner. But Warner adds: "It's important that the onus is not put on female founders to do something about this, or change the way they are. It's up to the industry to change."

GET TECH SMART

Small businesses can struggle with mushrooming costs. So what are their options?

Costs are inevitable when you are starting a business. There's training, staffing, licensing, book-keeping, accounting – the list can feel endless. But one of the biggest is often tech, which can not only demand a large chunk of start-up cash but also needs ongoing funds. But there are ways to make sure the initial outlay is a lot less overwhelming.

"Whether a customer wants to finance something over a period of time, and own it at the end, or rent the asset and at the end of the period, return it, there are options," says David Roberts, VP of sales at Dell Financial Services, which offers small businesses a range of options in acquiring technology, including hardware and software, storage and servers. Dell Tech Advisers support start-ups by assessing their needs, and develop bundles that spread the payments over the lifecycle of the tech, with monthly or quarterly predictable payments.

For entrepreneurs, the choice to rent, rather than buy, the latest technology, with options to refresh it regularly, is becoming increasingly popular. "For many small businesses, IT is becoming the business, rather than just a function of the business; digital commerce is the route to market," says Roberts. "Smaller, fast-growing businesses need the ability to refresh their technology at a pace." That's when things are going well, of course; there are other costs involved with dealing with unforeseen tech incidents. "What is the cost to your business of downtime or an outage? And how do you quantify it?" asks Roberts. "If you were unable to take orders for 24 hours, what would that mean for future and current customers? There is a reputational risk as well as the downtime and outage itself, and IT resilience is crucial."

Security is the other big bugbear for small businesses: without the support of corporate back rooms, they are particularly vulnerable. Roberts adds: "Technology and security changes so fast, and being able to avail your business of up-to-date security know-how and assets is crucial."

Speak to a Dell Technology Adviser on 0800 085 4878

Bridging the gender funding gap

In 2019 only one penny in every pound of venture capital invested in the UK went to all-female founder teams.* The wider investment picture, however, is more hopeful – the total amount of funding from all sources has almost doubled between 2011 and 2018, from 11 to 21 per cent.
Enterprise Nation is a UK-wide network of small businesses and advisers offering support, events and advice. Founder Emma Jones recommends these funding avenues:

- **START UP LOANS COMPANY** Part of the government-funded British Business Bank, last year almost 40 per cent of its loans went to female-run firms.
- **CROWDFUNDING** For reward-based crowdfunding, try Crowdfunder, Kickstarter or Indiegogo. For equity crowdfunding Seedrs or Crowdcube have a good track record.
- **ANGEL INVESTMENT** Register for EIS or SEIS to ensure your investors are making a tax-efficient investment. To seek out and pitch to potential angel investors, try the Angel Investment Network or Funding Xchange.
- **INNOVATE UK** offers government-backed grants, often for environmentally friendly business ideas.