

Female Founders Pulse Check

Understanding the fundraising process
for female founders



The Survey

Our Mission

btov Partners and Grace - Accelerate Female Entrepreneurship initiated a pulse check survey, addressing female founders with the goal of finding out how they experienced their fundraising process with investors in the DACH region and to understand what could be improved.

We wanted to find out more about their access to venture capital and the process during fundraising. The survey aimed to gain a better understanding of the current processes and practices and to discuss recommendations for actions.

Background

Previous studies not only show that female founders are still a minority (15.7 % in Germany) but that they also receive less funding in fundraising rounds compared to male founder teams.

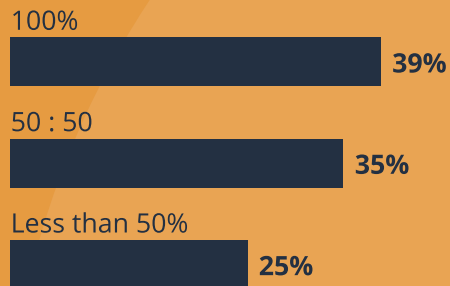
The BCG report about “Diversity in Startups” in 2019 revealed that female startups in Germany are 18% less likely to receive funding than other startups. Even though on a global level, investment in all-female founding teams was only 2.7 percent of capital invested in 2019, the funding situation was improving slowly.

Unfortunately, the economic fallout of COVID-19 will disproportionately affect women according to the United Nations and in times, where access to capital is slowing down for everyone, it might affect female founders even more and undo the small progress which has been made over the years.

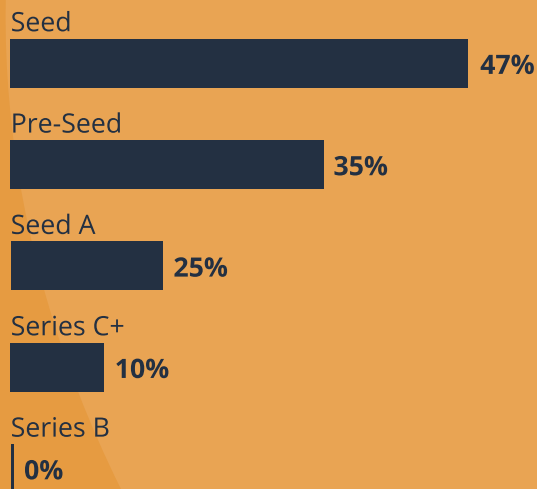
Participants

110 female founders took part in our survey. **84%** of the participants were leading the fundraising process.

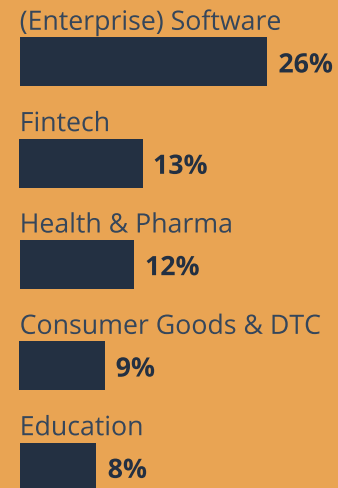
What is the % of female co-founders in your founding team?



Which stage are you in?



Which industry are you in?



Results

The survey was structured to find out more about the access to investors, the process of fundraising and experiences with female investors or diverse investment teams during the process. We asked quantitative as well as qualitative questions to gain further insights.

30% of the participants received funding from Venture Capital investors. We highlight the difference between founders who received investments from VCs and founders who received other forms of funding (accelerators, business angels, public funding) in the results, if they are varying massively.

Access to Investors

How did you meet your investors?

Personal network plays a vital role to meet potential investors. Yet women often have a harder time to access founder & investor networks, which are predominantly male.

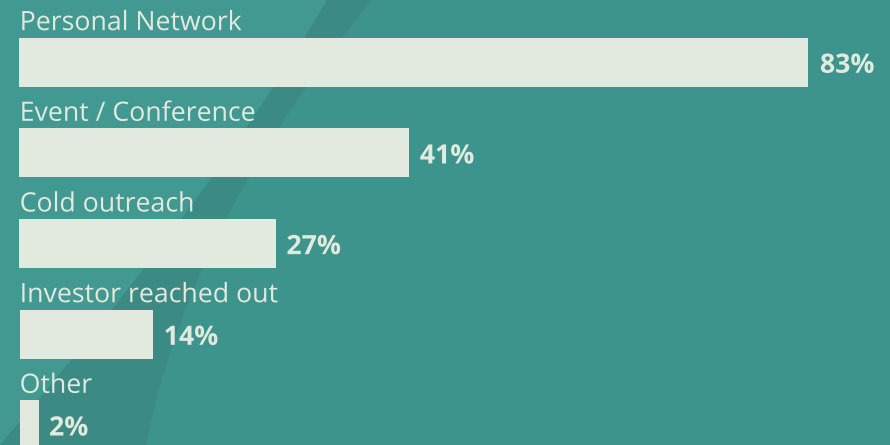
This minimizes the chances to receive funding from potential investors and also doesn't allow female founders to learn about the fundraising process and gain valuable feedback.

Participants of the survey wish to have more networking opportunities with VCs e.g. events, workshops, trainings as well as more inclusive networking opportunities.

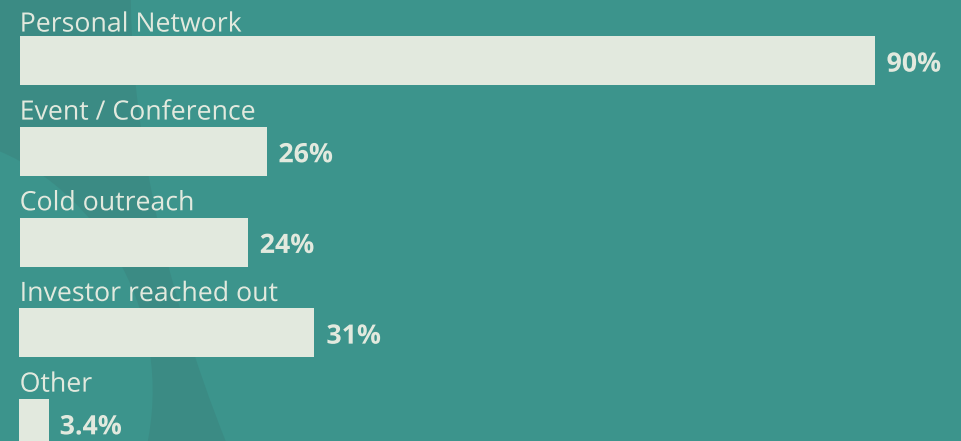
Some participants pointed out, that it is not sufficient to be part of networks with the same characteristics (e.g. female, first time founders), but actually get access to a mixed startup ecosystem.

“ VCs should improve access opportunities and have different/dedicated networking opportunities for female founders ”

No VC funding



With VC funding



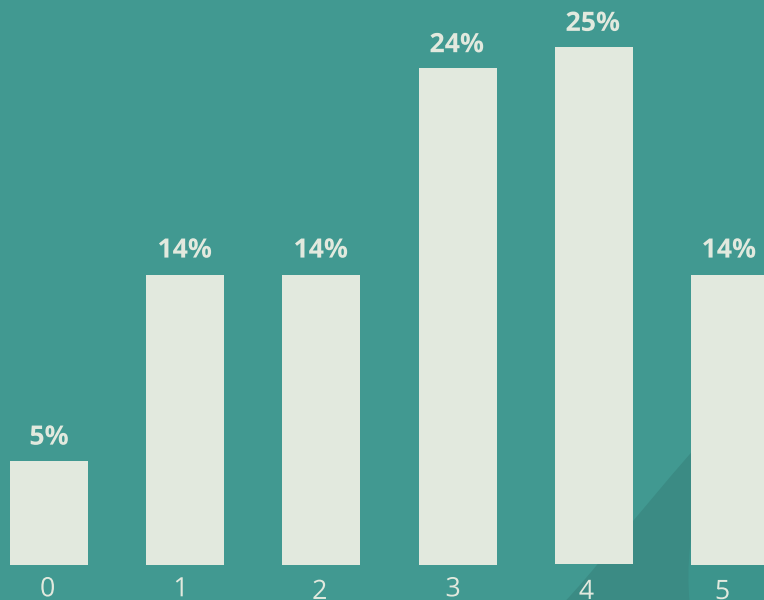
Access to Investors

How easy was/is it for you to get an opportunity to pitch to investors?

With an average rating of 3, the participants rate the opportunity to pitch to investors as neutral. The qualitative feedback shows, that female founders with an immigration background have a harder time pitching to investors.

Range 1-5 (5 being the easiest)

Average rating: 3.0



“ VCs are difficult to approach, too busy to speak to startups, and coming from a diverse background, it is difficult to meet investors without a 'soft' introduction. This is not normal for me in the circles I am in. ”

“ Make it easier for us to meet investors, not just women, but also for people of colour. ”

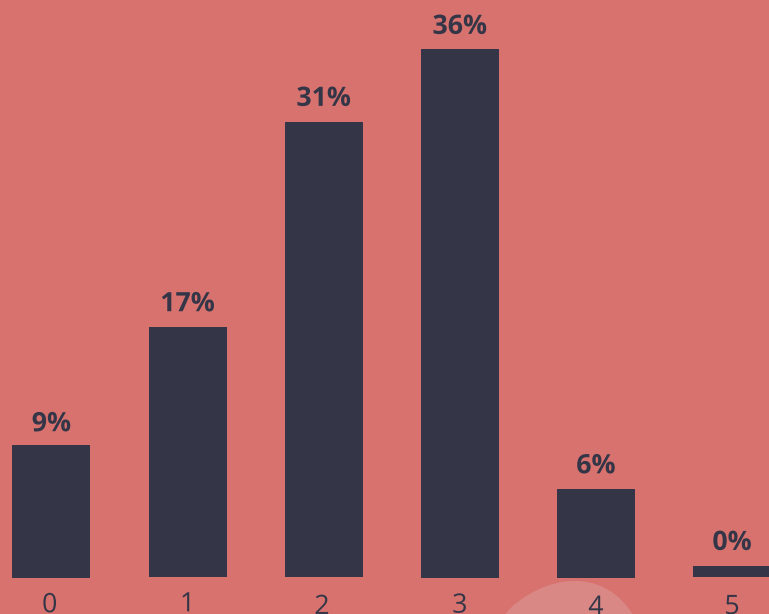
Investment Process

How do you evaluate the overall process with VCs?

The participants rated the overall process with investors on average 2.1. The biggest issues seem to be intransparency, communication, lack of clarity and feedback regarding decision making as well as a perceived tendency to favour “male attributes” in a founder.

Range 1-5 (5 being the best)

Average rating: 2.1



“ As a female founder, you would hardly get to connect with some that tend to only invest in “crazy”/“A-type guys” as one wouldn’t fit into this narrative as a woman. I believe VCs need to be more open minded and look for diverse founders that “perform” in their own personal way ”

“ The overall process is very frustrating (we talked with Tier 1 US VCs to smaller, local European VCs) but it is very much the same. We play with open cards, are straight forward and well prepared but don’t get the transparency back from investors. ”

“ The process is not transparent and depends on whom you already know. It seems highly biased in terms of gender ”

“ VCs still seem to look for founders that fit the one shape they have on mind: Young, male and inexperienced. ”

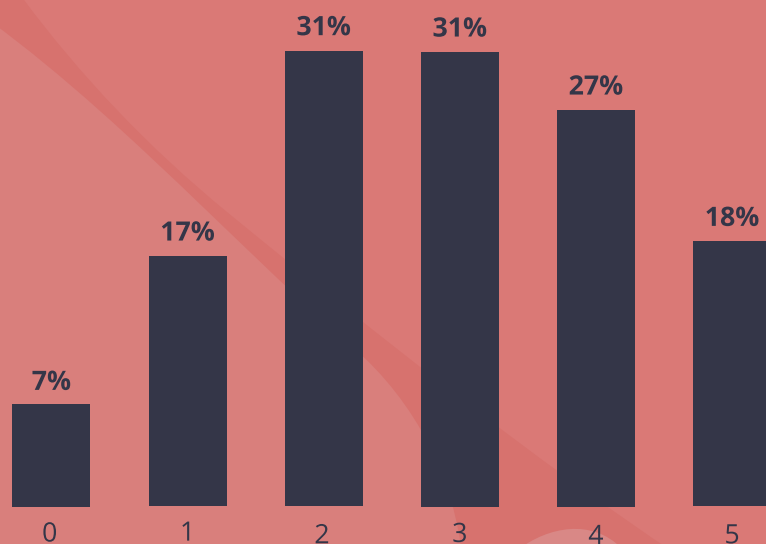
Investment Process

How biased in terms of gender would you qualify the overall process with VCs?

The overall process shows a tendency towards gender bias based on the qualitative feedback we've received which also resulted in an average rating of 3.2. Stereotypes and certain expectations towards founders/founding teams got mentioned often.

Range 1-5 (5 being very biased)

Average rating: 3.2



True gender bias is obviously difficult to grasp, because it's more subtle and the founders don't know how / if VCs would have treated them differently if they would have been a male founder. Nevertheless the responses referred mostly to the individual perceived experiences or comparing their experiences to male co-founders and befriended male founders.

Expectations

“

We get a lot of good feedback regarding our strategy and business plan. I'm very cautious with regard to expected revenues and returns. I hesitate to promise too much, but I get the feeling I'm forced to exaggerate and boast... This is my third venture in Germany since 1999 and NOTHING seems to have changed.”

“

I was even told by someone "You should hire a guy to play the CEO for you, it will be easier to get funding.”

Similarity Bias

“

We see investors bond much easier with male founders. Access is made via informal channels.”

Investment Process

How biased in terms of gender would you qualify the overall process with VCs?

Difference in treatment

“Of course, there have been situations where my male co-founder was clearly being treated in a different way than I have when it comes to pitching to VC's, however most times, from our experience at least they were absolutely professional and a biased decision could not be determined.

On the other hand, when dealing with private individuals, such as investment clubs and angels or with corporations, a significantly greater interest in our project was shown when my male co-founder was the main contact person, even when using the exact same materials and pitches. ”

“We feel that we're being asked more critical questions than befriended male founders. VCs challenging single assumptions on our very elaborate financial model, questioning different aspects of scalability even though we show traction. Overall asking predominantly prevention questions, not promotion questions (vision, roadmap). ”

“The questions a female founder is asked varies drastically from what male founders are asked (e.g. "Do you plan to start a family any time soon?") A man is never asked if he has children, however I am. ”

Unrealized market potential

“I was mainly talking to men about a company, that sells products and services for women. The market is huge, yet it was perceived by investors as a niche ”

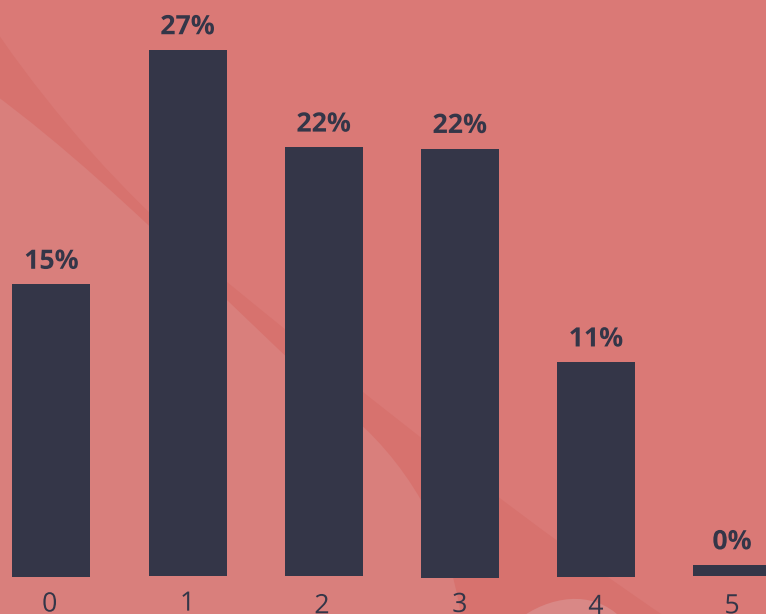
Investment Process

How transparent and clear would you qualify the overall process with VCs?

With an average rating of 1.9, transparency and clarity was perceived as the most challenging aspect in the fundraising process. We assume that these results would be similar in the case of male founders. Nevertheless, since there are more first-time female founders with a lack of experienced network, it seems to be more challenging for female founders.

Range 1-5 (5 being very transparent)

Average rating: 1.9



“

Pro: quick answer times

Con: intransparent decision making and not clear process on which steps follow next - it was sort of different with every VC. ”

“

The process is pretty intransparent and very much network based. Serial founders (most male) get >20m valuations based on pitch decks and female founders (who are mostly first time founders) get investments based on traction. ”

“

Instead of saying "This is not a VC case " investors should give feedback why it is not a VC case and what would need to be adjusted so it actually would be a VC case ”

“

It's a real intransparent process, allowing for males to flourish in a male dominated industry, on both sides of the table ”

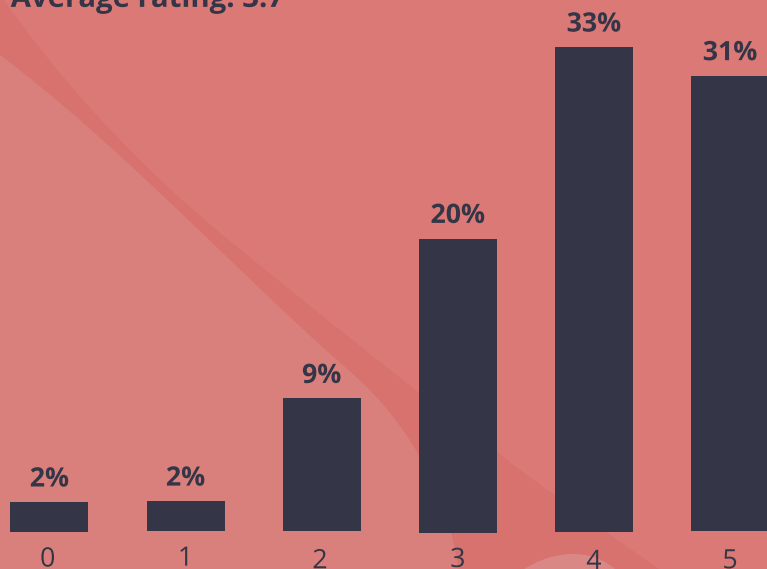
Investment Process

How challenging would you qualify the overall process with VCs?

There was no big difference on the overall assessment by founders who received VC funding (average rating of 3.8) and founders without VC funding (average rating of 3.75). The process is perceived as challenging for both groups. To overcome obstacles in this process it might be helpful to provide more knowledge exchange or office hours for first time founders to prepare for challenging funding rounds.

Range 1-5 (5 being very challenging)

Average rating: 3.7



“ I believe the overall process is as hard for men and for women. The difference comes with results: VC funded teams are mostly male founder teams. Most women do not get an investment. I do not know if the problem is with the pre-concepts (clearly seen in the deep tech area, where most of the founders are equally educated, but less women get funded) or the sectors women usually target (e.g. wellness) ”

Investment Process

Did you talk to female investors along the process?

Female founders feel more comfortable talking to female investors or diverse investment teams. The participants mentioned often that women seem to rather understand product market fit (especially if women are the target group), ask different questions and communicate better.

Yes (Without VC funding)



Yes (With VC funding)



“ Start by encouraging more women to found a start up and lay the foundation for successful businesses. Then listen carefully to women. I think we are missing out on some great ideas because of limited support. We experienced almost exclusively having men with us in the room. White middle aged men. We need to mix it up ”

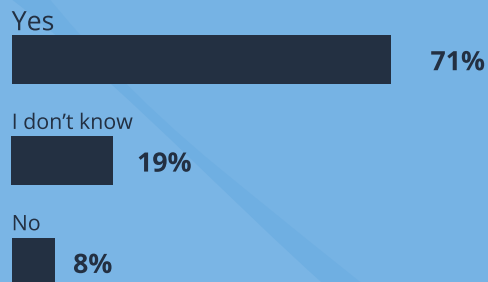
“ I've only met 1 female investor (out of almost 50) and I believe she understands the process of fundraising in a male dominated industry. She can actively motivate other women in her industry, lead with example and highlight to male colleagues how biased their investments are. ”

Investment Process

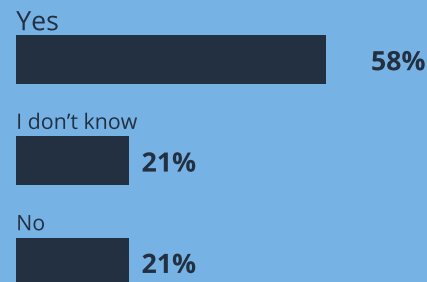
Do you feel female VC investors could make a difference in meetings?

A majority of the founders ask for more female decision makers and female perspectives in investment teams. Discussions with female investors are experienced as more open, honest and understanding. Moreover, female founders feel more comfortable and represented with another women at the other side of the table. A better understanding of the market and product was mentioned as well.

Without VC funding



With VC funding



“ Female investors tend to better understand the different circumstances that female founders face, e.g. having kids while founding a company, and don't see this as a problem but merely a challenge that is pretty much solvable ”

“ Female investors understand the product and/or target group better ”

“ They are more supportive and less biased. They are generally more open and ask the questions that get to the core, out of standard routines. ”

“ It gives a greater feeling of "belonging" seeing another female there and not always being the odd one out, which can be intimidating. Especially given the few role models. That said, out of the 40+ meetings and chats we had (by today probably 60+), I remember maybe a handful with women on the VC side present. Often junior. ”

Recommendations & Ideas

Access

Open Office Hours

Attend/ organize Open Office Hours with an application system to filter for relevant companies while at the same time removing the barrier of a “warm intro”

Role Models

Increase visibility of success stories from female founders who raised successfully from VC funds

Scouting Programs

Diversify dealflow with scouts who can tap into other/different networks

Coaching / Mentoring Programs

Offer Pitch trainings, Support founders with fundraising preparation, Connect founders to relevant investors

Networking

Offer different and more inclusive networking opportunities

Fundraising Process

Cultural transformation processes in VCs

Challenge own dealflow and investment decision process as well as set clear objectives within organization to diversify dealflow & investments

Transparent Investment (Decision) Process

Investors should carry out the investment process as transparent as possible and set out clear expectation management towards founders

Diverse investment teams

Hire and develop diverse investors (on junior and senior level)

Mentoring Programs

Prepare first time founders for fundraising process and requirements

Trainings

Attend (Unconscious) Bias trainings

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