

BUILDING A MORE INCLUSIVE FUNDING SYSTEM: WHAT CAN WE DO TO LEVEL THE PLAYING FIELD?

Author:

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In 2023, research conducted by the Female Founders Forum, an organisation set up by The Entrepreneurs Network in partnership with Barclays Bank, discovered that just 3.5% of total equity investment was dealt to female-founded start-ups¹.

11.4% went to firms with a mixed-gendered founding team, whilst the remaining 85.1% was distributed amongst male-led teams. These statistics highlight a major disparity in equity investment between male and female-led teams – something discussed at great length at the Investment Futures 24 roundtable hosted by **Brianna Bao**.

As the co-founder of an early-stage AI start-up, as well as a Forbes-featured VC specialising in supporting underrepresented founders, Brianna has seen both sides of the coin. She works closely with programmes and accelerators

including Google for Startup Black Founders Fund, Tech Nation's Libra Programme and Zinc VC to promote diversity, equity and inclusion within the tech industry specifically but has also raised investment to get Platin off the ground.

"It's down to everyone to support the founder community. If we can prepare companies to be more investor-ready, not only does that make your lives as VCs easier, but it also helps those founders become more confident and visible when getting into the room."

Brianna Bao, Co-Founder, Stealth AI Startup

“What are some of the biggest blockers or pain points that diverse founders are facing right now?”

Serena Giaminardi from SETSquared opened the discussion, saying that there is a distinct lack of representation amongst the founding and investment communities.

“Something we hear a lot from our members is that there is often a lack of representation and prominent role models visible in this space. If they’re not seeing people like them showing up as successful founders, they’re never going to see themselves in that position or wearing those shoes.”

According to a study undertaken by Start-Up Genome, just 15% of tech start-ups are led by a female founder, and when that pool is widened, there are only 31% of start-ups with one or more female founders².

“Another barrier for female founders and those from other underrepresented communities is the lack of access to aligned networks,” said Sara Campin, Student Enterprise Consultant at the University of Southampton, as well as Founder of The Nourish App. “We know that the investment community is still mostly male, so if we take women as an example, they might not feel as confident in giving that refined pitch and presentation, as their white male counterparts. So, accessing those big investors who fall into the traditional investor stereotype is a huge barrier for some founders, particularly when confidence comes into it.”

Brianna agreed with this statement, adding, “Representation within the investment team sometimes determines their sourcing approach as well. It can also reflect the types of voices and investors they will have within their own network. I hear from a lot of founders that when it comes to network access, they often look for a warm introduction [to investors], especially in places like Silicon Valley which is where one of the greatest challenges is, as the investment community is largely white and male and they usually source exclusively from within their network.”

“When I was in The Valley, I met female founders from here in the UK who had physically moved over there for three months just to get into certain networks and gain access to these people, say if they needed one particular investor or one person who could make a warm introduction for them. Without that, they can try to send a message on LinkedIn, but it’s unlikely that they will ever hear back.”

“On the other side of that, however, we have the investment teams. Obviously, it’s different in different parts of the world, and Europe is definitely a bit more open than somewhere like San Francisco, but I recently talked with a lot of the funds, and they were asking me, ‘How can I attract those founders?’. ‘We want to invest in them, but because we don’t have any prior or portfolio precedents showing that we have been investing in diverse teams, we don’t know how to start,’ and that’s the biggest challenge that they face on the investment side.”



What are some of the other opportunities available to us in terms of levelling the playing field?

For VCs that focus heavily on their base of investors, hiring more from minority backgrounds will be key to ensuring that they have that kind of representation within their own communities.

The Female Office Hours scheme is just one example of how capital teams are striding to connect the dots between founders and investment teams. One-to-one mentoring sessions, pitch meetings and dedicated support sessions are all on the agenda, seeking to address the lack of funding and support readily available to underrepresented founders.

Sara Campin from University of Southampton says, “I do think that the office hours is quite a good model - just giving access to those founders to come in and talk in a more informal setting. However, I think the real challenge is making people aware of these programmes and feel they can actually access them. There is also a large community of entrepreneurs: female founders, black female founders, etc that are in many ways underserved by the investor community.

“But do you think these are enough in this case, or are there any other opportunities perhaps that they could tap into?” asks Brianna.

“I think VCs could really tap into those networks more, if not for investment, then simply for partnership and mentorship in a more informal setting.”

**Sara Campin,
University of Southampton**

“That’s very true,” comments Brianna. “I recently talked to some VCs who frequently tap into their own founder communities because founders support founders, right? You’re more likely to support another female or underrepresented founder if you’re a female founder.”

The difficult fundraising conditions, particularly in the pre-seed stage where investment benchmarks have risen, were acknowledged around the table. Many emphasised that beyond merely networking and seeking financial backing, establishing trust becomes a linchpin in navigating the complexities of



early-stage investment. The dual emphasis on trust and connection building highlighted just how important this dynamic is in the ever-evolving fundraising ecosystem, particularly when raising in turbulent climate conditions as forecasted in 2024.

Turning attention to founders around the table, Brianna asked about the support that founders would like to see from investors.

Tra Nguyen from The Training Marketplace shared her experience at a recent Breakfast Club organised by HSBC Innovation Bank and SVB. “It was a very small event with only fifteen female founders and a handful of VCs, but it was good in the sense that, a bit like this, you could just say whatever you wanted and with the knowledge that it’s staying in the room. People were also very supportive, asking if there was anyone that they could introduce you to and help drive those warm introductions.”

Do you think that technology could help with more network access?

“I read recently about some of the AI technologies that VCs are trying to deploy when doing deal sourcing, mainly because it’s more efficient, right? But also, they will be able to hopefully eliminate some of the biases during the screening process,” says Brianna. “There’s platforms like Signal, which help promote introductions between founders and investors, and also Wendel, which make sure that there’s no disclosure about the gender, ethnicity, educational background, etc of the founder when they’re applying for certain funds.”

Attention turned to some of the investors around the table, asking whether they had used AI or similar tools to help source deals within their portfolio. Whilst nobody said that they had utilised these tools, **Jaivir Pall from Zubi Capital** shared that he had been exploring a model to screen for potential matches. “I don’t think it’s entirely there yet because the model has been trained only on the documents written by us, but it’s an interesting concept for sure.”

“I really think that there’s value in those face-to-face networking sessions,” says Sara Campin. “I’ve done speed networking and used platforms like the ones you mentioned, and whilst they might broaden the geographical reach of people you might speak to, it’s just so impersonal. You’re not able to make those deep connections as easily online as you are face to face.”

Serena Giaminardi added:

“If you anonymise everything with AI, you lose that person-to-person connection, which is equally as important as how solid your technology and your traction and appetite for growth are. So, striking the right balance is definitely not easy.”



So, is the investment community just too stuck in its ways?

The conversation turned back to the VC world, with Brianna making the point that “For founders approaching VCs, it’s not always a simple and straightforward process. It depends on how each individual VC does their deal sourcing, for example, exclusively through their existing network. Take the typical San Francisco Tier One VC fund - if you go onto their website and look at their team, everyone graduated from an Ivy League university, some maybe even from the same school, and that’s how they get recruited. Some probably grew up in the Valley - their parents were VCs - I mean, this is the community that they come from, and they just replicate themselves. That hasn’t really changed in the past 50 years.”

“We are seeing more emerging fund managers these days and I think that they are the ones that founders really should be approaching. But again, the challenge we face is that the market is incredibly tough for those emerging fund managers right now, and getting the money in is proving a real task.”

Mary McKenna, Awaken Angels made the point that there needs to be a change within the VC community to improve female-founder’s access to this kind of funding.

Brianna Bao said:

“The reality is, that a lot of VC funds don’t invest in first-time founders. They do invest in serial entrepreneurs, and whilst this is hugely beneficial for those seasoned entrepreneurs, it does leave first-time founders out of the loop. Of course, there are some VC funds focused on investing in these founders, but they’re few and far between,”

The recent Finding What Works: Pathways to Improve Diversity in Venture Capital Investment report³, published by the British Business Bank, shared some interesting insights on the subject. It’s widely understood that venture capital plays a large role in shaping the innovation economy, and whilst there is strong appetite to improve diversity and inclusion, there is a large demographic that still receives a disproportionately lower share of investment than others.



“It’s up to all players in the ecosystem to make sure that founders are as well prepared as they possibly can be to access these challenging funds.”

adds SETsquared’s Serena Giaminardi.

“It’s not just a case of investors on one side and founders on the other. For us at SETsquared, our centres try to simplify the lives of founders who aren’t perhaps - excuse my bluntness - male, pale, and stale. We try to really bring in those diverse communities by giving business support bursaries and running cohorts that target the likes of female founders etc.”

“But really, it’s down to everyone to support founders from all backgrounds as much as we can. If we can prepare companies to be more investor-ready, yes, that makes your lives as VCs easier, but we’re also helping those underrepresented founders become more visible too.”

As one of the founders around the table, **Tra** agreed with the statement:

“I do think that those accelerators and investor-readiness programmes are incredibly valuable. For myself, being involved in a female-founder accelerator programme was really helpful in refining my pitch and getting that feedback. But what you really need after that are, again, those warm introductions to investors where you can get up and do that longer pitch to really establish a connection with those investors.”

³ Finding What Works: Pathways to Improve Diversity in Venture Capital Investment - The British Business Bank <https://www.british-business-bank.co.uk/research/finding-what-works-pathways-to-improve-diversity-in-venture-capital-investment/>

What about increasing diversity across sectors?

“There certainly are sectors which are more male dominated than others, both from the investor and founder perspective,” says **Brianna Bao**. “If we look at AI right now, I think that only 2% of companies actually have female co-founders – and with so many AI companies being funded right now, where are all the female founders?”

According to recent Higher Education Statistics Agency (HESA) data, 31% of core STEM students in the UK’s higher education system are either women or non-binary⁴. This is slowly increasing year on year, as is the number of women in the STEM workforce, now up to 26% from 21% in 2016.

Sara Campin, made the point about increasing founder pipeline through both encouragement and inclusion within the education system. With an increased number of schools, colleges and higher education facilities offering STEM subjects, it’s hoped that we will see a shift in the workforce which includes more visibility of those from underrepresented communities.

A report published by the Science and Technology committee in early 2023 suggested that improving diversity and inclusion across STEM should be part of the mission of the new Department for Science, Innovation and Technology; and the education and research sectors must follow their lead. This report confirmed that those from disadvantaged socio-economic backgrounds, BAME communities, and those with disabilities are visibility underrepresented in certain areas of STEM education, research, and employment, and that in order to change this, educational experience should be at its core.

However, the underlining message that emerged from this roundtable discussion, is that in order for us to make strides to a more equitable and inclusive funding system, all stakeholders must come together and work collaboratively. There is no one-size-fits-all approach. Suggestions included implementing transparent and straightforward application processes, establishing more diverse review panels, and encouraging first-time founders to engage with support programmes to help build

skills and confidence, which could in turn, help them get into the rooms where some of those larger deals are made.

Discussions around the founder pipeline suggested that a shift needs to come from within the education system itself first and foremost. Encouraging underrepresented groups into white, male-dominated subjects like the sciences and engineering will help to level the playing field, but this is only part of the challenge. Concerted efforts must be made to ensure that those communities are supported continuously throughout their educational careers and inspired to consider a career in entrepreneurship throughout.

All of these recommendations, which have been suggested largely from personal experience of those around the table, seek to break down barriers, foster diversity and inclusion across a breadth of sectors, ensuring that access to vital resources is fair and equitable for all.



To catch-up on all the action from the Investment Futures 24 event, go to [SETSquared.co.uk/investment-futures-24](https://www.setsquared.co.uk/investment-futures-24)