

Briefing Paper

# Unleashing the power of Europe's women entrepreneurs: Six ideas to drive big change

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# Introduction

Europe has the potential to lead on digital innovation, but it still lags behind the United States and other regions.<sup>1</sup> One way to close the gap is to address Europe's gender imbalance in entrepreneurship. In 2018, Europe had six women entrepreneurs (tech and non-tech) for every 10 men – the lowest ratio among the global regions measured in the *Global Entrepreneurship Monitor Report*<sup>2</sup>. The disparity was even greater in tech – only 5% of Europe's tech founders were female<sup>3</sup>. Furthermore, the percentage of venture capital going to European all-female teams has declined from 2.6% in 2017 to 0.4% in 2019<sup>4</sup> and less than 8% of European investors and business angels are women.<sup>5</sup>

The male-dominated culture of the tech sector creates a particular challenge: 38% of women in European tech say they have experienced discrimination.<sup>6</sup> The under-representation of women entrepreneurs is a missed opportunity, both socially and economically<sup>7</sup>. The time to act is now. Equal representation could promote the needed cultural shift towards a more entrepreneurial mindset, as well as overall growth, job creation, leadership and creativity.

There are three major challenges facing women entrepreneurs worldwide and especially in Europe.

## **a. Lack of access to venture capital funding**

It is clear there is not enough venture capital (VC) funding available to women entrepreneurs. Only 0.4% of all funds raised by European VC-backed companies went to all-female founding teams in 2019, while just 8% went to mixed-gender teams.<sup>8</sup> In 2019, no European all-female teams raised over \$10 million.<sup>9</sup> To put that in context, UK-based Deliveroo alone raised \$575 million.<sup>10</sup> Research indicates this could be driven by the fact that investors have a “similar-to-me” bias. Women are twice as likely as men to invest in companies with female founders, and three times as likely to invest in companies with female chief executive officers (CEOs).<sup>11</sup> This suggests that one of the means to increase funding for female entrepreneurs would be to have more female investors – and another is to find ways of tackling the “similar-to-me” bias among male investors.<sup>12</sup>

## **b. Lack of role models for the next generation**

Entrepreneurship is often perceived as a riskier career choice than traditional alternatives. Many women are concerned that it may require a level of commitment and risk that could be hard to reconcile with building a family or having time for anything else. Women role models can demystify the trade-offs and increase understanding of the challenges and rewards that women can expect if they pursue this path. Successful women entrepreneurs have reframed this career choice as an option that can provide considerable control of one's own destiny. However, too few role models exist today. Although the proportion has increased almost threefold in 10 years, still less than 5% of S&P Euro 350 companies have women CEOs.<sup>13</sup>

## **c. Socio-cultural barriers**

Socio-cultural barriers have traditionally put women at a structural disadvantage. Women's household work and caregiving are often unpaid and not reflected in official statistics, minimizing their contributions and accomplishments. For example, women globally perform 75% of unpaid care work which is not reflected in economic productivity metrics<sup>14</sup> (mothers in the US, for instance, spend almost twice as much time with their children as fathers<sup>15</sup>). To truly accelerate women entrepreneurs, there needs to be systemic effort to help women balance work-life priorities.

# Big ideas for addressing the challenges

We propose six big ideas to address these challenges:

## 1. 30% pledge for venture capital and accelerators to expand dedicated funding programmes for women entrepreneurs

There is evidence that women entrepreneurs are more likely to get higher returns for investors. For instance, the Boston Consulting Group found that start-ups with female founders or co-founders generate 78 cents for every dollar of funding, versus 31 cents for male-founded start-ups.<sup>16</sup>

Given the potential for better returns by investing in women entrepreneurs, we propose a pledge focused on VCs and funds investing in start-ups to significantly increase their funding to start-ups led by women thereby driving meaningful change. This pledge would have three components:

- VCs and limited partners (LPs) would target 30% of funding for teams with a least one woman founder
- Start-up accelerators would aim to have 30% of their accelerator cohort to be women-led start-ups
- VCs and accelerators pledge that 30% of their investing teams comprise women

The more dedicated funding programmes are created in Europe to encourage women entrepreneurs, the higher the chance investors will discover the opportunities they present. The [SAP.iO No Boundaries](#) programme is one example. It aims to invest or accelerate at least 200 early-stage software start-ups founded or led by underrepresented entrepreneurs by 2023.<sup>17</sup> Examples of support for women entrepreneurs also include the Dutch #fundright<sup>18</sup> commitment, Ernst & Young's Entrepreneurial Winning Women programme, which supports high-potential, women-owned businesses around the globe,<sup>19</sup> and We-Fi, an international partnership founded by the World Bank that has invested \$249 million in women entrepreneurs in over 50 developing countries.<sup>20</sup>

## 2. Create a trusted data programme on women's entrepreneurship

There is a need to aggregate trustworthy, verified and independent data on the effectiveness of companies wholly or partly founded or led by women to raise awareness among investors. We propose creating a programme that will aggregate and curate data on women entrepreneurship similar to the Lean In Women in the Workplace study, which surveyed more than 68,500 employees of 329 organizations.<sup>21</sup> It could draw on data sources that include PitchBook and Dealroom, studies by VC funds and the World Economic Forum, statistics from incubators and accelerators, and analysis of bank loans and public funding.

The programme would help raise awareness among VCs, public funds and governments of data and prove the higher efficiency of female founders per dollar investment. In particular, it would aim to convince traditionally more risk-averse investors, such as pension funds, to consider greater diversity.

## 3. Make women visible – the “30% airtime” pledge

Media plays an important role in changing perspectives. We propose campaigning that media organizations take a “30% pledge”; that women will comprise at least 30% of the experts they put on air and quote in articles, and conference organizers ensure that at least 30% of panellists are women.

If women role models in finance, tech and science are given more exposure on TV, in online and offline media, they will have opportunities to rebrand entrepreneurship by sharing their best practices and explaining how women can start small and work their way up. To enact this idea, one of the participants has already submitted a proposal for USAID on tackling gender bias in investing by creating a series of videos that challenge the stereotypes of female entrepreneurs. These videos show that ambition, resilience and passion are good attributes for both men and women entrepreneurs, and prove that women do not lack confidence and do not have to act like men to be successful.



Examples from the corporate world are relevant in how this idea can be executed. *NIKE's Dream Crazy advert*, bluntly calls out many of the negative stereotypical reactions that women in sport have to deal with, such as being called emotional and crazy, before providing examples of outstanding women in sport. Bloomberg's global New Voices Initiative aims to increase the representation of women in media output by compiling a database of women experts in finance and business and funding media training for them.<sup>22</sup> Similarly, The Women's Room is a database of UK women who can be booked as expert voices on the media or at panels or conferences.<sup>23</sup>

Social media can also help to change the narrative about women entrepreneurs, taking advantage of relevant existing hashtags such as the Web Foundation's #foreveryone.<sup>24</sup> It would be useful to identify public figureheads for female entrepreneurship, analogous to the role Greta Thunberg has taken up for climate activism.

#### 4. Educate the next generation

We propose that we need to start educating the next generation of women entrepreneurs and women in STEM subjects (science, technology, engineering and mathematics) as early as possible. Many great programmes exist at primary and secondary school level, such as 100,000 Entrepreneurs<sup>25</sup> in France and the entrepreneurship education process in the UK.<sup>26</sup> Yet the majority of high school pupils still do not know what being an entrepreneur entails daily or how they can try out and develop their entrepreneurial skills at a young age.

Gap-year students could work on coding or entrepreneurial projects to teach girls and find mentors among local entrepreneurs. Games and books could promote entrepreneurship using heroines such as Pippi Longstocking,<sup>27</sup> Captain Marvel<sup>28</sup> and Kake Make.<sup>29</sup> Other approaches include girls' clubs, mentoring and coding programmes for girls.

For younger children, cartoons can help to prevent the formation of unhelpful stereotypes and make entrepreneurs look "cool" and approachable – depicting a lifestyle that looks exciting, attractive and attainable. Cisco's Global Problem Solvers cartoon aims to demystify technology and encourage students to explore how to use it for social good.<sup>30</sup>



#### 5. Promote women-friendly networks

Women entrepreneurs tend to have lower-quality business networks and are less likely to come into contact with individuals who are in a position to help them.<sup>31</sup> In one study, 48% of women and underrepresented founders said a lack of mentors holds them back.<sup>32</sup> "Bro culture", primarily associated with overconfident but inexperienced young white men, makes it more difficult for women to expand their networks at after-hours events.<sup>33</sup>

Organizations that focus on supporting female entrepreneurs can be great platforms to build connections and find mentors. For example, start-up networks and entrepreneur networks such as the NOI Club,<sup>34</sup> investment funds such as Voulez Capital,<sup>35</sup> support organizations such as Global Invest Her,<sup>36</sup> and angel networks such as Angel Academe<sup>37</sup> and GoBeyond.<sup>38</sup>

We also propose that accelerators pledge that women comprise at least 30% of the accelerator mentor network to ensure there is a strong set of women mentors available for female entrepreneurs joining accelerators.

#### 6. Build flexible infrastructure to address socio-cultural barriers

European governments have multiple policy options to improve flexibility of infrastructure to facilitate women's entrepreneurship, including improved childcare and parental leave, lower taxes on small businesses, and interventions to increase loan approval rates for women applicants. One example is adopting a similar approach to social housing by ensuring that nurseries and childcare facilities are included in large developments.

We propose that cities and governments proactively invest in childcare facilities that are heavily subsidised and easily accessible for women entrepreneurs. Another way to address the infrastructure challenge is to provide tax relief to organizations investing in childcare facilities in their premises.



## Background and context

Focusing on gender diversity and developing entrepreneurial talent are among the top 10 priority areas identified in *Innovate Europe: Competing for Global Innovation Leadership*, a report published by Digital Europe, an initiative of the World Economic Forum to promote a pan-European approach to innovation.<sup>39</sup>

At a workshop in Berlin in September 2019, over 30 European founders, investors and corporate leaders (both men and women) came together to explore the underlying underrepresentation of women as entrepreneurs and investors in Europe. The workshop was hosted jointly by the World Economic Forum and SAP. The workshop began with a panel representing the founder, investor, corporate and government perspectives, followed by a design-thinking activity in which participants were split into five idea teams, each challenged to develop one new solution leveraging their existing resources and expertise. After the workshop, the five teams continued collaboration via an online platform to further elaborate their ideas and document the first steps needed for implementation.

This paper builds on the workshop results and summarizes the big ideas that will be further explored for implementation.



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# Endnotes

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