DIGITAL NATION:
FUNDING THE DIGITAL ECONOMY

Contents

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MESSAGE FROM THE CEO

Welcome

Welcome to DIGITAL NATION: FUNDING THE DIGITAL ECONOMY. This is the second edition in our Digital Nation series, which is dedicated to understanding the most important trends around VC and PE talent in the tech sector.

Venture capital and private equity funding are the financial bedrock of the industry, but there's a problem. A lack of diversity is causing issues in terms of the types of companies that receive funding, meaning they are often not truly representative of the people they are meant to serve. With technology now underpinning all our lives that is a big potential problem for society as a whole.

We wanted to find out what was causing this and what was being done to address it. So, we carried out a series of in-depth interviews with a broad section of successful and inspirational female leaders in the industry, from all stages of career and background. We wanted, too, to tell their stories to show potential talent that the VC sector was open to all and is gradually changing – moving in the right direction to attract a more diverse talent base.

We hope our publication will contribute to the incredible work already being done to increase diversity in the VC industry and that the stories we tell will encourage a greater influx of the talent we need to create an effective, flourishing financial foundation for the tech sector.

Throughout 2019 we will be publishing a series of Manifesto reports under the Digital Nation umbrella, focusing on key areas of the digital economy.

I hope you find this edition of Digital Nation a useful addition to the necessary debate around diversity in our market.

Of course, we are always more than happy to have a coffee and a chat at our lovely office in Soho.

Female diversity in venture capital

GENDER INBALANCE MISSES HUGE OPPORTUNITIES

The venture capital and private equity industries have a problem. Respectively, each only has women represented in 13% and 6% of senior investment decision-making roles. And that means start-ups with a women-only founder team get just a single penny in every £1 invested in growing firms each year.

Yet, despite this, female founder-led start-ups offer twice the returns of those provided by male-only founder teams, according to Boston Consulting Group. Beyond start-ups, McKinsey has shown that businesses with the best gender balance at a senior level have a significantly better chance of delivering higher financial returns than those which are lagging on diversity.

With the VC and PE industries being shown by research study after research study to be so far behind on gender balance, it will come as little surprise that many reports point out this leads to an unchecked continuation of male investors appearing to favour companies led by male founders.

WOMEN OUTNUMBERED IN VENTURE CAPITAL

Researchers agree that for change to happen, the male-dominance of investment teams needs to be balanced out. It is a tough challenge, as outlined by a 2017 study by Diversity VC which showed how underrepresented women are in the industry.

Against an average of 47% of the work force comprising of women, only just over a quarter, 27%, of people working in the UK VC sector are female. Furthermore, only 18% of investment professionals are women, despite other roles in the industry, such as legal, marketing and investor relations, where the proportion rockets to 43%.

When it comes to investment teams, nearly a half of VC firms, 48%, have no women at all. Hence, the research shows that just 13% of investment decision makers are women.

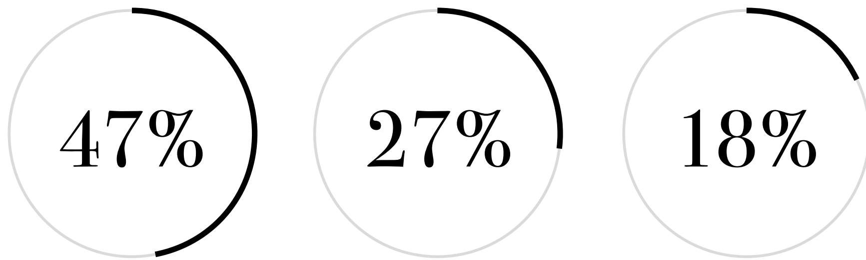
The private equity industry is no better. In fact, it is considerably worse. Figures from the UK's VC and private equity organisation, the BVCA and Level 20, a not-for-profit organisation set up to promote gender diversity in the UK's investment industry, are startling.

Their 2018 Women In Private Equity report found that 29% of the private equity work force are women, yet they comprise just 14% of investment team members and a mere 6% of senior professionals within the industry.

SMALL PRIVATE EQUITY FIRMS ARE WORST OFFENDERS

Delving deeper, it becomes clear the problem is worse in smaller companies. In private equity firms employing fewer than ten people, more than two in three, 67%, have male-only investment teams. The number drops to 25% for those employing between 10 to 25 people but is almost negligible in larger firms. The bigger the firm, the report shows, the greater the proportion of women in senior positions, yet even the largest 'mega' private equity firms still only average nearly one in ten (9%) of senior positions going to women.

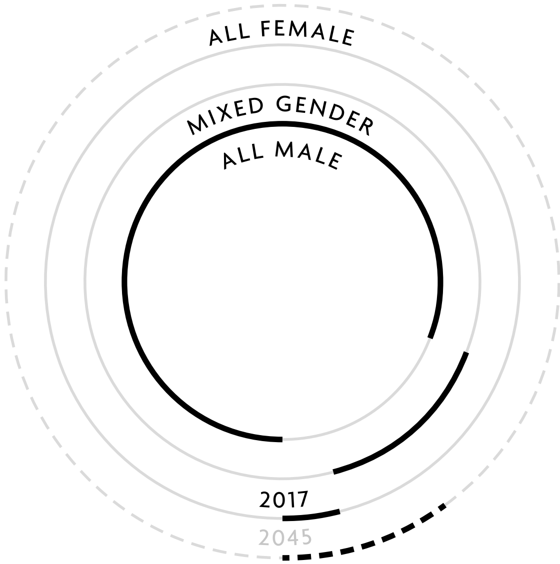
The report laments that private equity firms are way behind VC firms, concluding that while the latter has 13% of senior



of UK labour force are women

of overall VC labour force are women*

of investment professionals are women*



81%
of deals are with all-male teams

15%
of deals are with mixed-gender teams

4%
of deals are with all-female teams

10%
of deals to be with all-female teams by 2045

decision makers as women, the proportion more than halves to 6% in private equity. Neither niche compares favourably to the FTSE 100 where 28% of senior roles are held by women.

A potential answer, offered by the researchers, is that the finance and accounting industries must do more to attract women to apply for roles so more will consider furthering their career through private equity firms. Those responsible for hiring should be encouraged to stop "mirroring", simply awarding jobs to the same type of person, and instead hire women.

The picture is no more positive in America, often seen as the founding nation behind VC. According to 2019 figures from Axios just 9.65% of investment decision makers in the US are women, up from 8.93% in 2018.

MEN ARE JUST INVESTING IN MEN

Clearly the VC and PE industries have an issue with under representation of women in senior roles. If the headcount research is not convincing enough in its own right, it is worth looking at the implications of where investments are made. With so few women making financing decisions, it may come as little surprise that men are demonstrably carrying on an ages-old tradition of investing in other men.

When the Government commissioned research into where the country's investments from VC firms go, the UK VC & Female Founders report confirmed the suspicion they mostly end up with male-run companies. In fact, just a penny in every pound of VC

investment goes to a company with female founders, compared to 89p for male founders and 10p for mixed gender teams.

It ought to be pointed out that a partial reason for why the figure is so low could come from the fact only 5% of all "pitch decks" reaching VC firms come from companies with only female founders, compared to 20% mixed gender and 75% all-male-owned businesses.

The report was compiled by the British Business Bank, Diversity VC and the British Venture Capital Association. Its findings also show just 4% of the total number of VC deals made in the UK go to companies with female-only founder teams, compared to 15% for mixed gender and 81% for all-male teams.

At the current rate of progress, the researchers conclude it would take until 2045 for all female founder teams to account for just 10% of VC deals in the UK.

Liz Truss, Chief Secretary to the Treasury, reacted to the findings, in the Financial Times, by pointing out how this bias towards male-led companies needs to be challenged if the economy is to grow.

"It's incredible that in 2019, men seem to have a virtual monopoly on venture capital," she wrote. "We need more investment going into start-up ventures and more women putting businesses forward. It's in everyone's interests that financing processes are open and meritocratic to grow the economy and make use of all the talent we have."

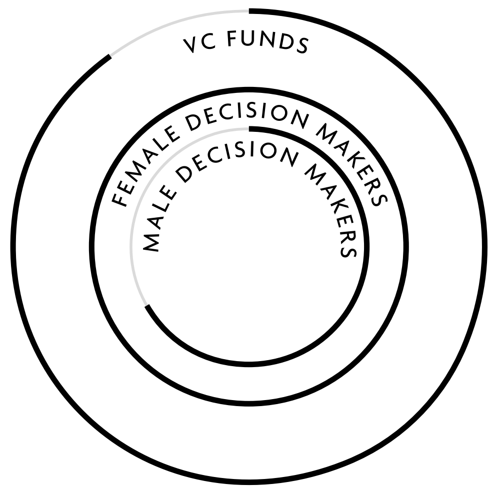
FEMALE ENTREPRENEURS ARE PERCEIVED DIFFERENTLY

It is not just a UK problem, research by VC firm Atomico found that across Europe 90% of VC funds go to all-male-led companies. Interestingly, it is not solely a case of men rating men more highly. The research found that while two in three, 67%, male investment decision makers believed men pitching them for funds would have better

90%
of VC funds go to all-male teams

100%
of female investment decision makers invest in men

67%
of male investment decision makers invest in men



networks and access to capital, the same sentiment was shared by 100% of female investment decision makers.

The Harvard Business Review decided to look closer at this potential for biased opinions of what female and male company founders have to offer. Its researchers chose Sweden where although a third of the country's businesses are owned by women, they only receive 18% of government funding. They found only one in five of the government's VC decision makers were women, leading to women entrepreneurs only receiving a quarter of the amount they asked for while men received 50% of the applied-for sum.

The HBR researchers found clues for this in the language used by the VCs. Women were routinely referred to as "young and inexperienced" whereas similar men were given a summary of being "young and promising". Women were termed "enthusiastic but weak" while men labelled other men as "aggressive but a good entrepreneur".

A STORY REPEATED GLOBALLY

It is a similar story, globally, if one looks behind the headline figures, Crunchbase warns. Its research showed that, on the surface, last year may (at first) look like the time in which VC mended its ways and reached out to female founders. Funds raised by companies with at least one female founder nearly doubled between 2017 to 2018 to hit just under $39bn.

However, look closer and although the main figure doubled, the proportion of overall funds going to companies with at least one female founder only went up 3%, from 14% to 17% of the overall total. In other words, the amount doubled but the overall pie was so much larger that the proportion barely shifted.

In fact, look even closer still and it is clear that one deal alone, by Ant Financial, accounted for $14bn of the $39bn which went to companies with at least one female founder. Were it not for this massive sum, the Crunchbase reporters lament, the proportion of global VC dollars going to companies with at least one female founder would have actually fallen in 2018 compared to the level set in both 2016 and 2017.

WHAT ARE THEY MISSING OUT ON?

To pick out technology as one sector that is prominent for seeking VC funding, it becomes clear that men are lending to other men and raising the potential for existing thinking to carry on unopposed with the risk of missing out on opportunities. Research by VC fund Atomico, for example, found that 93% of VC investments in technology companies during 2018 went to businesses with all-male founding teams.

'It may come as little surprise that mistakes can be made. A classic example would be FitBit, which was widely criticised for misunderstanding the menstrual cycle by only allowing women to log their periods if they lasted fewer than ten days. This is what can happen when men make decisions about lending money to other men.'

Hence, improving gender diversity in the VC and PE sectors is not just a noble aim in its own right. It can help avoid mistakes and spot new opportunities.

If one accepts the premise that a better gender balance would arguably lead to investments being made in companies with more diverse founder teams, the figures are clear. Shifting away from the cycle of men lending to men would improve the bottom line.

A case in point comes from research by Boston Consulting Group which showed that companies with all-female founders typically receive a million dollars less in a funding round than those with all-male teams. However, crunch the numbers and it turns out they actually deliver twice the returns.

This does not just apply to young start-up businesses looking for funding. A 2017 McKinsey report found that, across the board, companies with the highest proportion of women in senior roles have a 27% better chance of delivering long term value compared to the average performance of businesses in their industry. The analyst firm's researchers had already concluded, in a 2015 report, that the top quarter of companies, in terms of gender balance, are 15% more likely to generate more revenue than the average for their industry.

The reason could be that, as the Harvard Business Review has found, gender-diverse companies are more likely to innovate than those which are not. This improved performance is put down to the fact that teams that are diverse – in race and nationality, as well as gender – tend to improve the organisation's "intellectual potential". This is achieved through less "group think", where decisions are made as they always have been, and more questioning of previous assumptions and potential biases.

The multiple studies of the VC and PE industries underline that if female under-representation is allowed to continue, not only will the boys' club moniker remain but firms will miss out on opportunities that would never have occurred to them, until their decision making becomes more gender balanced.

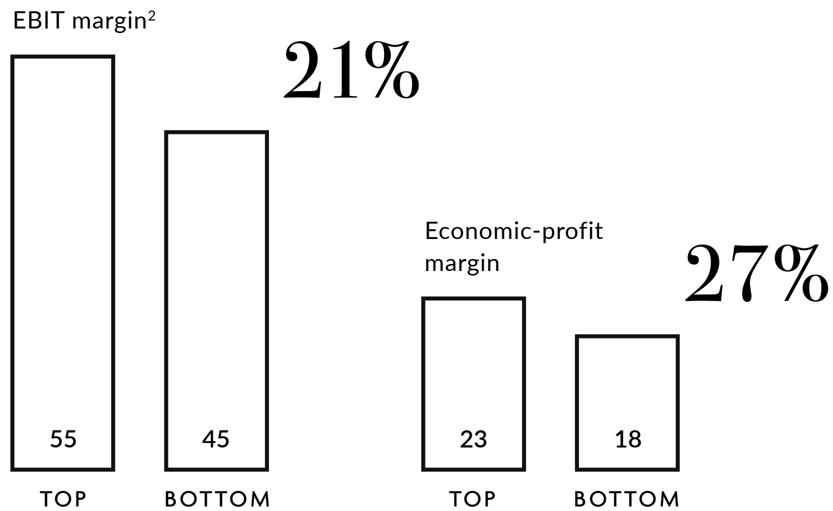
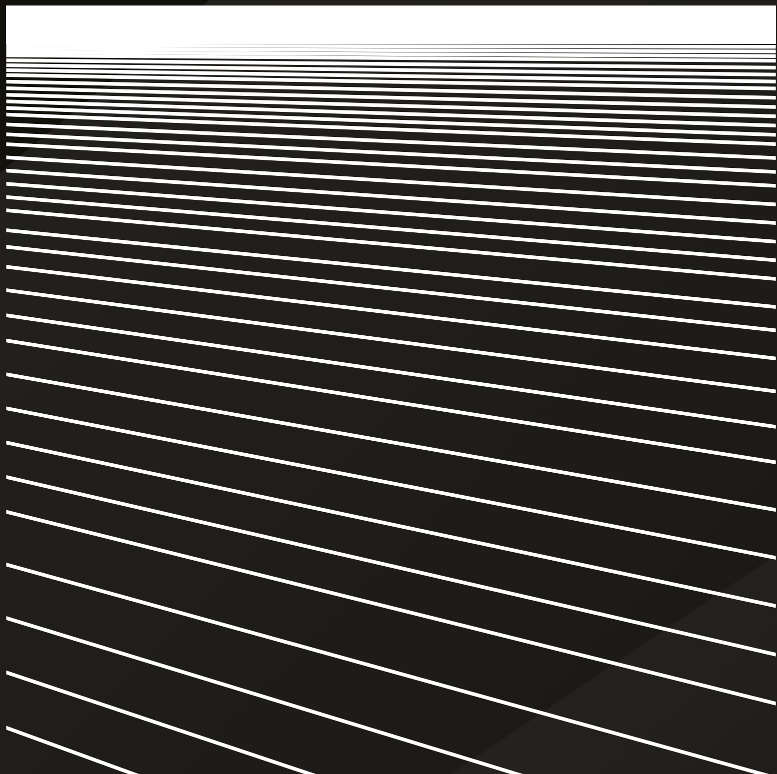


Fig. **McKinsey & Company,** Delivering through diversity, January 2018



Viewpoints

Technology underpins and supports every aspect of human life today.

The tech industry in the UK is financed and supported by the work of inspirational and dedicated individuals in the venture capital and private equity industries.

However, like many industries, it has a problem with diversity. The worry is that this lack of diversity poses a clear potential threat to the future of society in terms of the tech products it produces.

We've spoken to some of the most successful and influential members of the VC/PE industry to understand how the diversity issue is being addressed and this threat headed off.

The interviews over the next few pages provide a fascinating insight into how real change is starting to happen.

Margot James

CONSERVATIVE MP

Margot James was appointed Minister of State for the Department for Digital, Culture, Media and Sport in January 2018. Margot was previously Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy from July 2016 to January 2018. She was elected Conservative MP for Stourbridge in May 2010.

How important is the VC/PE industry for the UK's technology and creative industries?

It is crucial. VC/PE is the rocket fuel that small companies, founders and entrepreneurs need to turn their creativity and innovation into industry leading companies that redefine their sectors. This is vital because successful businesses are the driving force behind our prosperity.

The VC/PE industry supplies a huge amount of this funding. Recent Dealroom and Tech Nation statistics showed UK startups raised $7.9 bn in 2018.

The UK's venture capital industry is also leading the way in Europe and saw the industry make $40 billion in exits in 2018, higher than any other European country.

How effective is the VC/PE industry at increasing diversity among its workforce and how can government policy help here?

Well, we all know that solutions to problems come from a diversity of ideas. The same people suggesting the same things is very limiting. Bringing different people together and funding a wide range of companies will help create new ideas and innovations.

That is why I am determined to increase this diversity and why we have backed Diversity VC's 'toolkit' which helps investors to combat biases within the industry and increase the diversity of their staff.

How can diversity in the VC/PE industry bring opportunities to society in terms of the tech products it enables and how can government policy help here?

Making sure your workforce reflects the diversity of society is not only the right thing to do but it also makes good business sense.

To help people achieve this we have launched the Tech Talent Charter (TTC) and 290 firms have already pledged to improve the gender diversity of their tech workforce.

This Charter puts the UK right at the

> *"VC/PE is the rocket fuel that small companies, founders and enterpreneurs need to turn their creativity and innovation into industry leading companies that redefine their sectors"*

"Funding a wide range of companies will help create new ideas and innovations"

forefront of reducing the gender imbalance in the tech workforce. More than seven in ten signatories have active diversity and inclusion policies in place and an additional 27% planned to launch policies this year.

We have also provided £20m to help boost equality and diversity in technology-related education and careers through the Institute of Coding consortium which aims, as part of its five central core themes, to widen participation in tech.

How does the government work with the VC/PE industry to ensure it is enabling companies in the UK's technology and creative industries to remain competitive on the global stage?

We are fortunate to have a world-leading VC/PE industry. British investors are the largest providers of capital to the EU after the US. We are also home to seven of Europe's 10 leading unicorn venture capital funds.

But if we are going to keep this edge on the competition, we need to support the industry and keep those funds flowing.

That is why we work closely with the British Business Bank to support venture and growth capital investors in SMEs in the UK and are establishing the 10-year £20 bn, Patient Capital Action Plan, to provide financial support to venture and growth equity investment programmes, investment reliefs for knowledge-intensive businesses and a pensions investment package to better enable DC pension funds to invest in this asset class.

How does the government work with the VC/PE industry to ensure investment flows to all parts of the UK?

Well, this country's economy relies on the innovation and opportunity in all parts of the UK, investment in these nations and regions is the lifeblood of our economy.

To make sure these funds flow to where they are needed, we have established the £100m Regional Angel Programme to help small business all over the UK access the finances they need to grow.

We have also set up regional investment funds to provide support for their local communities: the Northern Powerhouse Investment Fund, the Midlands Engine Investment Fund, the Cornwall and Isles of Scilly Investment Fund and the Northern Ireland Growth Finance Fund.

Carolina Brochado

INVESTMENT DIRECTOR, SOFTBANK INVESTMENT ADVISERS

Carolina Brochado joined SoftBank Investment Advisers as an investor for its Vision Fund in early 2019. Previously she was partner at VC firm Atomico, having first interned with them while studying for an MBA at Columbia. She has also been acting COO of an e-commerce start-up, was an investor at Madison Dearborn and started her career at Merrill Lynch's investment banking division before moving into private equity.

What made you want to work in venture capital and what advice would you give others who want to enter the industry?

I started my professional investing career around the time the first iPhone was released, and I soon realised that technology was going to be pervasive in every sector and change the way we lived. At the time I was at a large private equity fund in the US investing in large businesses that were not growing very fast. A lot was about cost efficiencies, but what excited me was investing primary capital into businesses to help them grow and expand quickly.

I would advise anyone coming in to any private investing dealing with management teams the importance of being humble and having empathy. That's especially true with venture because it's early on and it is volatile: you are saying 'no' to funding people's dreams many, many times per day. And when you do say 'yes' there is a very big chance that everything isn't going to go to plan. You have to be available to founders, you have to keep your cool and remember that these teams have devoted their lives to this journey.

Why do you think that the industry has struggled with diversity, both in terms of gender and in a wider context?

Part of the problem is that funds have not traditionally tried hard enough at the top to form diverse teams. That's everywhere – at Atomico I had to push head-hunters to give us lists that were 50/50. We all have to push for that to happen.

There is also an education piece that has to happen: I realise that women and people of different socio-economic backgrounds maybe haven't been exposed to investing as a career choice. Yet the moment you talk to them a little bit about it they realise that this is something they might like to try out and do.

Beyond gender, there is not much being done and that is super disappointing. When I've been involved in hiring, some people might see that someone didn't go to a certain school, for example, and pass on the resume. There have been experiments where blanking out the name of a candidate so you can't tell what background they come from produces a different result from when their names were known. We all have biases and we all have to work to get around those.

We need people at the top really pushing the agenda from the hiring to the retaining of talent together with the education piece, which is so important. The decision-makers have to really believe that this is best for the organisation.

What impact does a lack of diversity in venture have in the wider world?

The world is a diverse place and technology is serving people of different genders, races, ethnicities, backgrounds, and so on. If the people creating those products and funding these companies do not have diversity in their mindset then the majority of the planet is going to be served by products funded and created by white males. We need to reflect the world that we're living in.

There is evidence that diverse investment firms have better returns, so even if you're a total mercenary and you don't care about society at large you should at least care that the returns are better.

How far is the problem being addressed and what do you think is driving change?

The press has done a lot on the gender diversity piece, and so have tech platforms such as Twitter and Facebook. The #MeToo movement has been huge and very positive in pushing these issues to the forefront. These brave women have created a huge impetus at the top to change things. Unfortunately, there is still not enough focus on other parts of diversity.

How can or should support networks help?

A lot of people are realising that they have a diversity problem in their firms and they don't know how to fix it. The more that different organisations can do to help people figure out how to fix it and implement change is the key to everything. That could be things such as education around bias or helping people understand the pitfalls they might fall into when they hear a pitch from someone from a diverse background. A great example I've come across is an internship programme that interviews high achieving students from underprivileged socio-economic backgrounds and then they place them. Initiatives that take a lot of the work and thinking out are really helpful in penetrating some of the organisations that are blind and don't know where to start.

"*There is evidence that diverse investment firms have better returns, so even if you're a total mercenary and you don't care about society at large you should at least care that the returns are better.*"

Anne Glover co-founded Amadeus Capital Partners in 1997 with Hermann Hauser. She is a former chairman of the British Private Equity and Venture Capital Association and Invest Europe and has almost 30 years of VC experience. In 2018, she was appointed as a non-executive director on the Court of the Bank of England and is also a member of the UK Government's Council for Science and Technology. She was recently appointed to the investment committee of Yale Endowment.

How did you enter the VC industry and what qualities do you need to succeed?

I was working in the US and I became involved in a Junior Achievement programme where I helped schoolchildren set up businesses. Over the course of two semesters we'd help them form a company, make products, sell them and wind up the business – and I learnt more in that year than in two years of a business degree. I found it more interesting and more educational and more challenging so that's when I decided I wanted to work with small companies, not big ones.

Successful companies and successful people have to do an awful lot of things, not perfectly but adequately well and across a lot of fronts. I choose my partners wisely. I work hard and master detail when needed – I don't try and wing it. I think I'm good at problem-solving, finding options and I persevere. I'm resilient. And I'm curious as well. These are all essential qualities for someone in this industry because there are more negative situations than positive ones and you need to be capable of bouncing back pretty reliably.

Why do you think that there is a lack of diversity in this industry?

First, there's a difference between the issues in VC and in PE. In venture, it's to do with a lack of female scientists and engineers – and that starts very young, with not enough girls choosing STEM subjects in both school and university. For the PE world it's more lifestyle, it's more like investment banking: very unpredictable and high pressure and just not that interesting to women who feel they have other obligations. Some do and they do very well at it, but it's a minority.

We also need to talk about work-life balance choices, which are material. There are very fundamental life decisions that women face that are very different, but nobody dares talk about it. You can have all this discussion and you miss the essential point which is a lot of women want to spend time with young children and their families early on. They have great jobs until their mid-thirties, take career breaks and can't get back into the system. That is a huge problem – and a massively wasted resource.

How can we drive sustainable change and at what point?

You'll change VC when you get more women in science and engineering. It will automatically happen – and it is happening, but it needs to start young, when girls are perhaps seven years old, not when they're choosing university degrees. It's about self-belief. There isn't the same systematic bias in Russia, China and Singapore that science and engineering is for boys. The West has more of a problem than Asia.

> *Gender is the only thing we talk about and it's disgraceful. Taking diversity more widely, and in particular cognitive diversity, there is evidence that the lack of it leads to poor decision-making*

> *The gender balance issue is not being addressed very quickly, and although there are institutional moves it's a generational problem*

The gender balance issue is not being addressed very quickly, and although there are institutional moves it's a generational problem. There are short-term things that can be done, such as how recruitment and promotion lists are put together, mentoring initiatives and networking, but they are not going to swing the needle that much. I'm more interested in how you move the needle in a big way and in the long term.

The academics are tearing their hair out as much as everyone else – they'd love women to apply to STEM subjects. Academia is probably among the most liberal and gender-neutral environments you can get. It's getting the pipeline below that developed and getting girls interested in scientific careers of various kinds.

What about the challenges facing diversity in its widest sense?

Gender is the only thing we talk about and it's disgraceful. Taking diversity more widely, and in particular cognitive diversity, there is evidence that the lack of it leads to poor decision-making. The danger is you have a problem with not enough perspectives on a situation, that there is 'group think' or just a narrow approach to problem solving.

Ethnicity is a very awkward subject in America and race is a very difficult subject to talk about there. There are distinctions between immigrant Asians who have been successful in Silicon Valley and African Americans who have not seen as much success that illustrates it's not just race but the whole cultural background and societal norms. I suspect that's probably also true here but the data isn't as readily available.

Any advice you can give?

I grew up in a man's world and never expected much of a support network from women at work or in my work environment. Support has helped, such as when I was on the edge of deciding to do my own thing versus pursuing a career, I found peer relationships in the US rather than in this country. I'm not saying move country in order to get your support network although I do credit having moved and studied in the US with my optimism and willingness to take risks.

Reshma Sohoni co-founded European seed fund Seedcamp in 2007. The firm has since invested in more than 300 start-ups which, between them, have raised close to $3bn in follow-on funding from leading global investors. Their portfolio includes unicorn businesses such as TransferWise, Revolut and UiPath. She is a senior advisor to Anthemis Group SA and an advisor to Credo Ventures as well as being a Kauffman Fellows Program fellow. Prior to Seedcamp, she held senior positions at 3i Group and Vodafone.

How easy was it for you to enter the VC world and what qualities helped build success?

I was in the right networks to be able to get those first few roles – particularly the first one. The second one as well, although there was a job application out there my name was put through a network and that's how I got into 3i. And then Seedcamp started out of that.

I've been lucky enough to have studied engineering and business, with a degree from a school ranked among the top five in the world and an MBA from a similarly-ranked institution – that helps a tonne. As does having an engineering background. I've been able to work on the things that I'm very strong at, being quite numbers driven and problem-solving focused. It also helps being positive and that I really enjoy working with people. That's all key in VC – you need to enjoy it, be optimistic about what entrepreneurs are pitching to you but also as a fund manager be extremely driven by numbers.

Why do you think that the industry has struggled with diversity?

Because VC and PE are network-driven industries, people recruit from each other and reach others through their networks. There is a huge need for underlying trust within these organisations – which are small, generally. There is trust you get with where people went to college, and what their first few roles and experiences were. That all builds a lot of validation and credibility in the network and I think that is the issue, it starts right from the beginning.

How can increasing diversity, or failing to do so, help or hinder in terms of the wider society?

The way certain companies are funded with a drive towards revenue and ultimately going public has a very specific homogeneous pattern to it. We don't have that diversity of viewpoints and experience points.

A lot of the problems we've been trying to solve are very first world, and even then often at the highest socio-economic levels – should we really be solving the problem of how to get your Starbucks faster versus trying to solve the bigger problems out there? However, there is a lot of effort happening in building new types of funds, getting new kinds of people involved in VC and PE firms and different strategies being taken on by different funds but also the types of family offices and others who back different types of firms who want to do things differently.

> *"The way certain companies are funded with a drive towards revenue and ultimately going public has a very specific homogenous pattern to it. We don't have diversity of viewpoints and experience points"*

How can VC firms themselves adapt in terms of structure, approach or philosophy?

There are multiple points within where you recruit and how you recruit for your own teams in order to be able to bring diverse perspectives together so that when you see start-ups you don't essentially pick the same ones over and again. You can also actively look to diversify your investment strategy or at least add on to that strategy across these bigger problem areas. It is something that we have done. We have invested in companies like Elephant Healthcare, that focuses on the digitisation of health records for some of the poorest and most iterant populations, such as migrants; Adia, which looks at women's fertility end to end and CupClub that is looking to battle climate change especially around single cup usage. We have co-investors in those companies along with us – but none of us were making those sorts of investments a few years ago!

Can academia help change the diversity agenda further down the pipeline?

Yes, and I think that things are changing. Academia needs to have an element of real-world experience within that academic journey, which is something that American schooling systems are extremely focused on, something that I was a beneficiary of. One of the things we do with London Business School, and we're kicking off with INSEAD as well, is as part of a student's entrepreneur or VC course they come and meet our companies that are willing to hire an intern. Putting much more energy into bringing interns on will give them that experience and propel them to enter into the right networks. It's a virtuous cycle to get into, and we can do that at a very basic, entry level.

How can support networks help drive change?

I think, rightly, that things are getting magnified across diversity in all its forms: conversations are happening and once they do we start to see results. Role models matter a lot and shining a light on them across different groups shows that this is very doable and possible. Places like London and New York are also ahead of the game when it comes to support networks. For instance Female Founder Office Hours is an initiative whereby female VCs meet female founders looking to raise capital and they'll have pretty great open discussions. But I doubt that's being done in Romania or outside of London in the UK, or beyond Paris or New York. These things need to be dispersed more than they are.

Laura Connell

PRINCIPAL, BALDERTON CAPITAL

Laura Connell joined Balderton, Europe's largest early-stage venture capital investor, in 2018 as investment principal. Previously, she spent three years advising technology start-ups on their fundraising and launch strategies as well as financial and operational structure. Connell has also worked for Goldman Sachs, first in investment management and later its financial institutions group in M&A. She was a Fulbright Scholar and gained her MBA from Harvard, after studying PPE at the University of Oxford where she was the Sir William Paddy Scholar at St John's College.

How did you enter VC and what qualities do you need to succeed?

My entry to VC was slightly unorthodox, as it is for many VC investors: I started my career in finance at Goldman Sachs, first as an investment manager then as an M&A banker. I then spent some time in neuroscience research at Imperial. While there, I started working with startups, helping to structure and raise early rounds as well as formulate their first business plans and early operations. After a few years doing this, I went to the US to do my MBA at Harvard. By the time I joined Balderton, I had worked with some great founders and teams over the course of several years in the US and UK but was particularly excited about how quickly the venture ecosystem was developing in Europe. When the opportunity came to work with a great team on a new European strategy at Balderton, I took it!

To identify important VC qualities, it's helpful to break the job down into its individual components: sourcing, identifying the highest potential teams and businesses, structuring a good deal for all parties involved and being a trusted sounding board for management. Different VCs tend to be particularly strong at different bits of that bundled job. All of them however require endless curiosity, humility and good EQ, analytical rigour, and the ability to develop real conviction around a thesis or an individual investment. This also means knowing when to walk away and cultivating the resilience to move on when you get it wrong, which all investors inevitably do from time to time.

Why do you think VC has lagged behind in tackling diversity?

I think much of the lack of diversity among VC investors is due to the relative youth and size of the industry compared to other types of financing – particularly in Europe where only 10 years ago the European

> *"As the financial gatekeepers to tech, a lack of diversity in our ranks has unacceptable implications"*

startup ecosystem was significantly smaller too. That's obviously all changed: the fact that venture capitalists fund tech, now the fastest growing industry for most economies, leads to significantly more scrutiny. As it should.

Another factor is that the people who end up in VC often join after at least a few years of experience elsewhere. So the pipeline of future VCs is a lagging indicator of the diversity in the industries these investors were previously in, be it the startup ecosystem, finance or other sectors.

Combine this with the fact people often hire from their existing or captive networks and in their own image, you have huge path dependence around the types of people being hired.

How does a lack of diversity in the industry affect society at large?

As the financial gatekeepers to tech, a lack of diversity in our ranks has unacceptable implications: it means a huge swathe of the population is locked out of the value created by the tech industry. That's as clear in the paucity of diversity in big tech as it is at the early stage. But it's not just a question of being locked out in terms of funding and employment, it's also about having a narrower set of problems addressed for a subset of the population only. That is indefensible.

It also directly impacts VC funds in a very material way: the lack of cognitive diversity in the investing team means investment committees may be more constrained in their ability to assess businesses beyond the realms of their own experiences, i.e. build conviction around the proposed use case, consider alternative applications and ancillary verticals. What an absurd reason to miss out on the opportunity to fund great founders and businesses.

How can VC firms themselves enable change?

There are several important levers for change.

Firstly, the solution requires identifying both the size of the problem as well as its location, i.e. where the narrowing of the pipeline happens. How much of it is cognitive bias at the hiring stage and/or the lack of diversity in our pipeline, either because of over-reliance on existing networks, because more diverse candidates don't apply or aren't studying STEM subjects? Obviously we know it's a combination of all the above but assessing this accurately requires data and tracking at the industry as well as the individual firm level. There's been a huge improvement in the quality and quantity of data gathered thanks to the likes of Diversity VC, which we work with and one of our partners is an advisor to.

The second part is being accountable for translating data into action. That means having a rigorous D&I framework with clear hiring policies and practices for every VC firm. It means being proactive about addressing the various bottlenecks identified. Whether that's through cognitive bias training for the current team, using search firms focused on promoting diversity, as well as working earlier in the pipeline with graduates, every firm needs to have a clear and actionable set of policies they hold themselves accountable to.

It's encouraging to see lots of this happening already but we mustn't be complacently optimistic. We still have a long way to go. Given how exciting tech is now, one can only imagine how exciting the ecosystem will look as diversity increases. The sooner the better.

Sonali De Rycker

PARTNER, ACCEL

Sonali De Rycker joined Accel in 2008 and invests in consumer internet, enterprise software and fintech businesses. She led Accel's investments in businesses including Avito, Lyst, Spotify, Wallapop, Calastone, Monzo, Shift Technology, Kry and Soldo. Prior to Accel, Sonali was with Atlas Ventures.

What was your journey into VC?

I stumbled into the business nearly 20 years ago. I began my education in India but was lucky to get a scholarship to the US. After graduating, I started my career with a whole bunch of student loans and joined Goldman Sachs in NY. It was the start of the internet economy, and I was staffed on a project covering a Netscape competitor that had just gone public. The exposure to these entrepreneur-led, fast paced, high growth businesses was intoxicating. I've never looked back since. My heart was set on tech and all things entrepreneurial.

I decided for a number of reasons to start my venture career in London, but it was 1999, and there was literally nobody on the ground in terms of VC. Luckily, one big, successful European investor opened their London office about the time I was looking for a full-time role. That was the start of my venture career.

What is the secret of your success and what advice would you give women wanting to enter?

Success is very relative. The reason I'm still here is really to do with the learning, you're doing a daily PhD in this business! Every project brings a multitude of lessons – you need to be able to spot great entrepreneurs and make instinctive yet informed decisions about markets, products and most importantly people. It's a combination of intellectual curiosity, absorbing and always challenging oneself to think that you could be completely wrong.

For those wanting to get into VC, I'd advise authenticity: really figure out who you are, where you do your best and in which environment. It can be a sometimes lonely and hard business, even though you have a great team around you. Think beyond the short term, as this is a very long-term business, and it takes a lot of time to learn the trade. The key is to ask yourself where you want to practice the sport and with whom. Ask yourself if you want to be with those people in a decade? Anything less than ten years does not count.

Why does the industry struggle with diversity?

There are a great number of initiatives out there that are bottom up and top down, there are groups, programmes, databases, informal and formal mentoring. But from my perspective, the most important thing is mindset. How can you have the right mindset if you don't have a role model who you feel a connection with, even if it is from afar?

The business we're in is binary, and that hampers the inclusion of women. Either you have a moonshot company or you don't. The VC model is that you're looking for outlier businesses that grow quickly from nothing to the size of a Spotify or a Slack, hopefully with the right team and culture. But that is really a handful of the companies out there. What about the rest?

Being an entrepreneur is not for everyone, but the bar is even higher for women, especially those who are trying to raise a family at the same time. It shouldn't be that hard, and they have my utmost respect. Often, it's a feeling of 'I'm all in' or 'you know what, it's almost impossible'. Even as an investor, I struggle with the daily juggle. If you're a founder of a start-up, that juggle is increased tremendously.

> *"We should all hire more women. Everyone says that there's a pipeline problem and that they're trying. I don't doubt that, but it just isn't that hard. A third of our partnership is female"*

The women I know who are doing it well have strong and supportive teams and are undoubtedly incredibly focused and efficient, but the bar is higher.

How fast is the industry reacting to gender diversity, and how?

I now see a lot more women getting into technology because tech is at the centre of our lives, whereas when I entered the industry, it was on the periphery. It is no longer esoteric but 'the' path to pursue, and that's encouraging: in all functions and roles you have women who are interacting with technologies, products and the commercialisation of those products. I'm seeing all entrepreneurs starting younger – in their twenties and thirties – and I think it's great for women, as it can give them clear runway to establish themselves before dealing with some of the constraints of raising a young family.

We should all hire more women. Everyone says that there's a pipeline problem and that they're trying. I don't doubt that, but it just isn't that hard – a third of our partnership is female. I don't think hiring women should be about quotas or reporting though, as I don't believe it produces a healthy dynamic. It needs to be authentic or it is not enduring.

Beyond gender, is the industry doing enough about diversity in its wider context?

There is not enough conversation around diversity, particularly socio-economic. Startups are hard. Regardless of gender and access, it's incredibly rewarding but not an easy journey. On the socio-economic side, where do you even start? There is a need to teach the concept of entrepreneurship earlier in curriculums to allow children to dream and seek avenues and internships that are not reliant on privilege. As an industry, it's not something that we've done a lot about.

Leila Rastegar Zegna

FOUNDING PARTNER, KINDRED

Leila Rastegar Zegna is a founding partner at Kindred, an early stage venture capital fund based in London that practices equitable venture. She is also a board director for a number of companies including LabGenius, a pioneer in the use of synthetic biology for the development of new materials, Verve (formerly StreetTeam), Kalo, Daye, Portify and Mrs Wordsmith. She has an MBA from Harvard Business School and a cum laude with distinction BA in Mathematics and Philosophy from Yale.

Describe your journey into the world of VC

I spent about 15 years building and operating companies prior to moving to the venture side and that gave me first-hand experience of what it's like to be in a founder's shoes. For a long time, I was the 'customer' and got to experience lots of innovation on the venture side, such as funds which were trying to position themselves as being quite different from one another and therefore trying to garner the interest for you to take their term sheet versus anyone else's. That was a lot of the inspiration for founding Kindred with quite a different model in terms of how we practice venture capital, based on a huge amount of empathy for the founder journey, and differentiation in approach and structure.

What do you think are the main reasons for a perceived lack of diversity in VC and PE?

It's not one issue in and of itself: instead it's a whole host of factors that contribute not just in this world but business at large – even in female-dominated industries such as beauty and fashion. There is a sudden narrowing of the funnel at the mid and senior levels and part of that, from my own experience, is it's hard to feel like you belong in a group of people who look, act and seem very different to you. That goes back all the way to the academic environment where there's a smaller representation of women in STEM subjects. It automatically makes you feel a bit 'other'. And that contributes to why a lot of women either drop out or don't get tapped to be in that next tranche of leadership.

What are the longer-term consequences of failing to address diversity?

Our entire world is being built on top of technology and we've all experienced just how powerful a lot of these companies and much of their underlying algorithms can be. You need a balanced, diverse set of individuals on the 'building site' – be that age, gender, race or diversity of skills. Wouldn't it be great to have an ethicist or philosopher or someone looking at the more qualitative and the secondary ramifications of some of what's being built as the code is being written? Without having that balanced perspective around the table, we run the risk of that unconscious bias being baked in to the products and services that we use, which in turn shapes the way we live our lives and the perspectives we hold as ground truths.

In my own industry, I'm optimistic about some of what I'm seeing happening around me today as it pertains to building more diverse teams.

> *All of a sudden there's a huge rush of awareness and conversation about how it needs to change but the issue isn't new. Yet change isn't – and probably shouldn't be – driven overnight*

> *I'm optimistic about some of what I'm seeing happening around me today as it pertains to building more diverse teams*

All of a sudden there's a huge rush of awareness and conversation about how it needs to change but the issue isn't new. Yet change isn't – and probably shouldn't be – driven overnight. When it is it tends to be top down and not something that is deeply felt at the authentic level by the folks who are actually making those changes. Over and above just being the 'right thing' to do, there is a lot of research out there helping people understand that diverse teams drive greater business outcomes. And I think that's critical to making change from a place of deep understanding, appreciation, and authentic belief, and not just top-down pressure.

Then I think it comes down to everyone's responsibility to be the change that you want to see in the world. There's massive under-representation of venture dollars that go to minorities. If you want to change that then changing the configurations of partnerships and investment committees to attract and source that talent and in the decision-making itself, is hugely powerful.

It's going out and taking this approach of saying we understand that talent is evenly distributed, and we are going to do the hard work to find it.

Are support systems and networks working to increase diversity?

Yes and no – we could do more. I try to go to as many events as I can to support the cause, but part of the challenge is the fragmentation of efforts towards driving more diversity. I think we'd all be a bit better off if we combined forces and unified together as opposed to a large number of disparate efforts. I also believe that you need to include the majority in the minority search for representation. I go to a lot of women's events for example where there are only women in the audience. We need buy-in and involvement from everyone to instigate long-lasting change.

Karen McCormick is Chief Investment Officer for Beringea, an early stage growth capital firm with offices in both the US and UK. She is responsible for making new investments and working with portfolio companies through to exit. Her investments include Watchfinder, Thread, Blis, Monica Vinader, and MatsSoft amongst others. She has experience with start-ups as both a founder and advisor, and was previously with Boston Consulting Group and ran the Watch division of Swiss Army/Wenger.

How did you become involved in the VC industry and what is the secret of your success?

I got lucky, basically. I entered the industry in 2007 – and it was a completely different place. A £50m fund was a decent size at the time and most were comprised of a couple of senior partners plus support and back office staff. Most people were recruited from either the investment banks and corporate finance houses, but this was the year before the financial crash and bankers were very well employed and well paid. So the VC industry had to look outside of its traditional feeding ground. I was one of four people at Boston Consulting Group who went into venture that year, having had none, I think, previously.

In terms of success – it is yet to be determined! To some extent you're only as good as your last deal, but I'm winning more than I'm losing which is an indication of reasonable success. There are no secrets as such but you do need to make sure you are positioned to see every deal possible. We do only about half a percent of the deals that we see. If you're going to end up doing a few deals you need to see lots of them to make sure you're not just getting the best in the market but the best deals for you, those where you can add the most value.

Why do you think it has traditionally suffered from a lack of diversity?

It's really important to have diversity amongst the entrepreneurial community as well. In order for us to see the best deals we need a good cross section of the human population because if we're only getting ideas from 50% of the population that's half of the good ideas that we're never going to see.

I recently hosted a very positive lunch for female entrepreneurs and one comment came up that everyone had experienced, which was that all had pitched to a VC who had said "Let me see what my wife says about it." If the people round the table are not capable of making judgment calls about the product then of course we have a problem.

How do you think the industry is – or should be – changing?

One of the best things that's happened to the industry is having funds of scale. When a fund is at scale – that's usually in the £100m+ bracket, but probably £200m+ – you can afford a whole team from analysts and associates to investment managers, directors and partners. You don't always have to look for those primary deal-doers from investment banks or corporate finance. At more junior levels there is actually a career path in venture capital that wasn't necessarily there before and there is diversity in those junior and mid-ranks, particularly in terms of gender.

I don't yet know if that level of gender diversity is going to work its way up the ranks; I'm sure it will to some extent, but looking at other industries there is still an issue at partner level. A lot of that had to do with age-old biological issues rather than sociological issues. Women start having families at the same time you're usually starting working on partner promotion. It's either a slower track or people fall out. My nervousness is that could happen in VC.

> *In terms of the ecosystem and networks there are so many now that there is almost an overwhelming sense of community*

> *It's really important to have diversity amongst the entrepreneurial community as well. In order for us to see the best deals we need a good cross section of the human population*

But on the other hand, VC firms are generally really small and concentrated, there isn't extra capacity around and if a partner – a deal-doer – goes off on maternity there aren't hired guns in the industry who can easily 'back fill' senior positions.

I would love an easier answer than this. One thing the banks are doing well is forced paternity leave. I was initially sceptical about it but if everybody is taking parental leave it doesn't become a maternity issue or a women's issue it becomes a 'people have kids' issue.

How can initiatives in education or support systems help in terms of solving the wider diversity issue?

I don't think that venture capitalism has made its way to academia or general discussions about career paths in the way that, say, entrepreneurism has. People aspire to be entrepreneurs now whereas it used to be something that you chanced upon rather than went to school for.

Things like Founders for Schools could help – talking to students at an earlier stage about what VC is and how to build an exciting career is probably the most effective way to do it.

In terms of the ecosystem and networks there are so many now that there is almost an overwhelming sense of community amongst the VC and entrepreneurial industries.

To me the objective of all of these Women in VC, private equity and banking initiatives has to be to eradicate the need to actually have these events – that someday it's going to be just as ridiculous to have a Women in VC event as for a Men in VC event. We are getting closer to that but we're still pretty far off.

Esther Delignat-Lavaud Rodríguez

INVESTOR, OXFORD CAPITAL

As an investor at Oxford Capital **Esther Delignat-Lavaud Rodríguez** focuses on discovering and engaging with entrepreneurs, deal execution and supporting the firm's fundraising efforts. She also works with Diversity VC, the voluntary organisation looking to help shape positive change in the industry. Her background is in business and finance, studying at Cambridge, Madrid and Lancaster and she previously interned at Accuracy in its valuation and transaction service teams.

What made you want to work in VC and what are the qualities that have helped you succeed?

In between studying for a double degree and my Masters I did an internship in a financial advisory firm as part of the Valuations team. During my time there I worked on a pro bono project, building the business model of an organic farming start-up.

It clicked from there: I enjoyed the more personal format of founder relationships and realised I could add value to start-ups with my business background. I knew I wanted to get involved in the industry after my Masters and spent that year getting out there to build the profile I needed (and at the time, didn't have!) for an entry-level position. It was a year of grinding and groundwork, leading to a six-month internship at Oxford Capital which was converted to a full-time position after three months.

The secret to that was resourcefulness and self-discipline. It was humbling to accept that I did not have the knowledge of tech and investments, nor the network, to market myself properly, and so it took curiosity and grit to get out there and build both from scratch. Those are things I try to hold on to today.

Why do you think that there is a perceived lack of diversity in the VC sector?
It all comes down to education at various points of a person's life and along the whole VC value chain. The first is at a childhood social construct level, which is one of the hardest to address. The idea of capitalism, making money and being successful, is usually connected to more 'male' attributes. Risk-taking is perceived as a masculine trait.

Secondly, education around the VC industry. Who knows what VC is and how do they get exposure to it? I went to business school and specialised in economics and finance but had never heard of venture capital until four years down the line.

The last education piece is around diversity. There is a big lack of data that the likes of Diversity VC are trying to address. These all need to be tackled.

What should academia change?
This is something that has puzzled me since joining university: why is finance taught theoretically? You have to put people in front of actual, straightforward business models. And VC should be the absolute perfect material for anyone teaching finance because it combines theoretical finance, ie. investment, with corporate finance, i.e. P&Ls, balance sheets and the like. If you changed the curriculum to something more practical and accessible, you would attract a much wider set of brains, people and backgrounds.

Why do you think VC initiatives have focused mostly around gender rather than diversity at large?
There is no taboo around being a woman where there perhaps is around, say, your sexuality, race, religion or socio-economic background. Gender is low-hanging fruit: it's more obvious, it's easier to measure and to some extent it's easier to solve. In fact, the industry has made it even easier on itself by focusing on gender rather than sexual identity, putting trans or gender-fluid individuals under the LGBTQ+ umbrella – which is again more taboo and thus less addressed.

But we must think about diversity in general – about diversity of thought. It's hard to do – it's qualitative rather than quantitative, whereas VCs tend to be quantitatively-minded.

> *"Be resourceful and relentless: don't expect any of these networks just to hand you stuff"*

> *"There is no taboo around being a woman where there perhaps is around, say, your sexuality, race, religion or socio-economic background"*

Do you think that there is a case for more networking, more initiatives aimed at increasing diversity?
My very drastic and honest answer is no. To me diversity was never a thing, it shouldn't be a thing, I never thought about it as a concept. Who cares where you come from, who you are? With the obvious and important caveat of unconscious bias, I really could not care less once it comes down to getting the job done!

We have hit a point where, in VC as well as wider society, there is so much polarisation: males versus females, BAME versus non-BAME, LGBTQ+ versus the rest of the world and so on. Support networks are certainly important and positive discrimination can play a part in getting the ball rolling, but we desperately need non-polarised dialogue. To take a VC-specific example, funds that invest only in female founders are puzzling to me: conceptually, doesn't it destroy diversity to focus on a single group: and in practice, what does it mean for portfolio diversification and performance?

As always in life, we also have to be careful with the very human temptation of blaming circumstances. Be resourceful and relentless: don't expect any of these networks just to hand you stuff.

Megumi Ikeda

MANAGING DIRECTOR, HEARST VENTURES & GENERAL MANAGER, HEARST VENTURES EUROPE

Megumi Ikeda is a managing director of Hearst Ventures, where she oversees investments in Europe. Previously she ran the European arm of the Peacock Equity Fund, GE Capital and NBCUniversal's corporate venture capital fund. She started her career in Tokyo as a reporter for Dow Jones and an international business manager at Wired in San Francisco.

How did you get involved in the VC world?
I had been doing M&A and then negotiating large multi-year deals with telcos, satellite and cable operators in the US. These conversations increasingly were focused on digital offerings – what was then called 'new media'. I was excited by the fact that small companies were clearly driving the growth and innovation in digital. So when I moved to London from New York, about 12 years ago, I made the leap into corporate venture and have loved every day.

Why do you think that diversity is such an issue in this industry?
Before we get started, let's acknowledge that diversity is getting better. There are finally more than a handful of women in VC in Europe. At the principal and associate level, the numbers certainly look a lot better than 10 years ago. We need to now see that this changes at the partner level too. So what happens between the junior and senior level? There are a million small biases that play out every day. The partnership model of most VC and PE shops is not helpful. I think the balance between men and women in corporate venture capital is perhaps stronger – Hearst Ventures has an equal male-female balance of investing partners.

What are the longer–term dangers of a lack of diversity in VC for society at large?
Missed opportunities, or opportunities that take longer to come to market or fruition. Perhaps the most motivating way to address this with VCs is to highlight that they will miss opportunities. This isn't just a problem in the tech world – take a look at medicine and all the recent news reports about gender imbalances in drug testing, for example.

How is this being addressed – what, if anything, is driving change?
A number of brave women and some men are speaking out. There is certainly more awareness of the issue.

I and many people in venture have been encouraging various initiatives to get more women entrepreneurs in front of VCs and to get more female VCs to support each other. We've formal and informal networks, WhatsApp groups and organisations like Female Founders VC which are a big help.

Like most women in VC I probably spend proportionately more time meeting female founders and advising younger female colleagues. Many women in venture will tell you that they go out of their way do that extra coffee with the woman who wants to be in VC and the entrepreneur who wants to pitch.

What do you think firms themselves can do to effect change?
In the last 18-24 months, the best funds have made a conscious effort to hire a more diverse group of people and many of the funds have also instituted policies that make them more accessible to a wider demographic. I think LPs should have a role here in pushing for this change as well. Ultimately, by changing the composition of who's in your organisation, a firm should be able to access and support a wider group of entrepreneurs to invest in. Look at Glossier, Shippo, FrontApp, Mirror, PagerDuty, Threads Styling, The RealReal. These are all exciting female-led companies. They may not be looking for female partners in their funding rounds, but as they get bigger, funds should be aware that a diverse partner base might help them to clinch the deal with a future unicorn led by a female CEO.

What other industries or geographies can we look to for inspiration on addressing diversity?
We have a large number of female CEOs in China. From Ting Li the CEO of The Look, a monthly subscription of personalised clothing, to Weiyu Chen, the CEO of Atzuche, a peer-to-peer auto rental company.

I think another area to point to is politics. We saw an unprecedented number of women win seats in the recent US congressional elections and an unprecedented number of women who are running for the 2020 US presidential elections. And current women country leaders: Jacinda Arden of New Zealand, Angela Merkel of Germany, Theresa May of the UK, Erna Solberg of Norway, Viorica Dăncilă of Romania, Dalia Grybauskaitė of Lithuania are all great examples of female leadership.

How is diversity in its widest context being tackled?
There are great initiatives such as Diversity VC and 'blind' hiring processes being instituted. Again, the most compelling reason to do this is because often the entrepreneurs behind some of the world's most successful companies are from "minority", "disenfranchised" or "underprivileged" backgrounds. These are the people who are the scrappiest and fight the hardest. A lot has been written about Zoom's Eric Yuan whose US visa application was denied multiple times, Google was started by Sergey Brin, who emigrated to the US from Russia and Yahoo by Jerry Yang, who was Taiwanese. In the UK, Marks and Spencer's roots are in the market stall of a Jewish immigrant, Michael Marks.

The cream can rise to the top despite the barriers. I don't think we should use that as an excuse – but we should use it as a thing to celebrate.

Who or what are your inspirations and why?
Famously, the former US Secretary of State Madeleine Albright, said: "There is a special place in hell for women who do not help other women." I've always looked to women five to six years ahead of me in my career path to talk to and that's been very useful. It's really useful to understand what's around the corner. I hope I can repay that by mentoring those who are younger than me.

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A number of brave women and some men are speaking out. There is certainly more awareness of the issue

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Irina Haivas

PRINCIPAL, ATOMICO

Irina Haivas is a venture investor with Atomico, the European technology VC firm founded by Skype's Niklas Zennström, which she joined in 2018 from GHO Capital Partners. She previously spent seven years with Bain & Company and is a former surgeon and former surgical fellow at Harvard Medical School.

How and why did you get involved in the VC industry?
I actually started life as a doctor, briefly working in the US in surgery before coming to London, doing a Masters degree and joining Bain where, among others, I worked for many private equity firms on due diligence projects. I then transitioned to the investment world and worked in growth and private equity before moving to earlier stage investing.

For me, personally, I had been exposed to the technology transformation of an old industry – healthcare – from the early days. I was also exposed to the emergence of digital health and later on the more fundamental innovations in healthcare such as machine intelligence. It made me understand the potential of technology to transform an industry – one that was not functioning and had a lot of inefficiencies. I also have a natural tendency to challenge the status quo so working with more disruptive ideas and businesses suits my personality.

Why has the industry struggled with gender diversity?

There are a lot of reasons – some of which are more obvious, and some that are more societal or subtle. Investing as an industry has a pipeline problem: if you don't get women involved early at the junior level and nurture them through the organisation, its not surprising that you end up asking 'why aren't there any senior women'?

Many firms will just hire and then stop there: thinking that just by hiring more diversity alone is going to solve the problem. A lot of the networks are male, a lot of the firms are male, and the rules of communication, behaviours, leadership are often based on male models. This is where the subtle issues come in – women are being managed by frameworks that were not designed for them.

How can VC firms themselves change to encourage diverse environments?

We need to build organisations that understand what is important for diversity and then embed those values into expectations. That can be a lot of things depending on how you define 'diverse'. There are a lot of superficial judgements that need to change. The industry has recognised the need to hire for diversity, but the retaining, growing and ensuring an enjoyable career journey is different.

Often as a woman asking for a promotion or raise, or just pushing the envelope a little bit, you're told you're pushy. It's going to take a generation to change: you need more women who don't behave like men, that speak up and are willing to deal with discomfort themselves because they are the ones who are the minority.

> *"Many firms will just hire and then stop there: thinking that just by hiring more diversity alone is going to solve the problem"*

How can a lack of diversity internally affect who and what you choose to fund?

A lot of the established VC networks still produce far more male founders so even to get to, say, 30 or 40% of female founders as part of your sourcing requires a proactive effort in seeking them out.

One way is through events that are focused on that because they tend to be smaller communities. Once you get in you meet more, but you have to get into that community first. It's something that female VCs will do more naturally, because they themselves get calls and invitations to attend. We are lucky at Atomico because the investment team is quite balanced.

In order for the industry to really change we need the male colleagues to be present as well, to understand the differences, and to learn a different communication and relating style. That's important. A lot of female founders that we have surveyed say they find male partners intimidating.

Beyond gender, what is the industry doing to address diversity in its widest sense?

Honestly, this is harder to address: gender and race are somewhat easier because they are also more obvious. It is harder to address other diversity elements like socio-economic backgrounds because it's a more delicate question to ask. In the US most VCs come from Harvard, Stamford or Ivy League schools and we see a similar bias towards that here as well. Historically within professional services the way we have hired has been based on preselection earlier in their careers, things that could bias against certain socio-economic backgrounds.

Not taking into account all sorts of diversity means we'll miss out on opportunities, on those people who don't look like "typical" founders – the older founder, the married couple, the less "trained" presenter, and so on. Are they more or less likely to succeed? We don't know – we make a judgement without the data.

So many diversity issues, beyond gender and race, we haven't even started on, but you also have to take it in steps – you can't deal with everything at once. It would be nice to at least solve a few and then see how we've done it and be better when we solve the rest.

Anya Navidski is a serial entrepreneur, turned VC. An incurable cosmopolitan and idealist, she is increasingly becoming a catalyst of change in the VC industry. Last year she founded Voulez Capital – Europe's first VC for female founders – just weeks after giving birth to her first child. A week later she closed on Voulez Capital's first investment. She has almost 20 years' experience building businesses and her personal ventures included launching an incubator for social impact enterprises and running a £250m renewable energy venture, as well as multiple venture turnarounds on behalf of investors. She has advised JP Morgan on innovative funding instruments, is an Investor in Residence at Google for Startups and runs a monthly pitch clinic for female founders, which has become a top event of its kind in London.

How did you enter the venture capital space?

I am an entrepreneur. In some ways Voulez Capital was born from an entrepreneurial idea. With less than 1% of capital in the UK going to women-run businesses, I saw a huge gap in the market. The idea came when I was pregnant and looking for a breast pump. I came across a company called Naya Health and the story of its founder. She faced horrific stigma and maltreatment raising capital from VCs. This story resonated with me. I had observed and heard about similar experiences too many times before and decided to grab this opportunity to create value.

How have those experiences changed or shaped how you approach venture capital?
There are two critical things that I try to do differently. First – I seek an appropriate balance of risks and rewards between founders and investors, specific to each particular portfolio company. At the moment, instruments like ratchets and liquidation preferences are prolific in the industry and, I believe, they create an unhealthy imbalance. Second – honest and open relationships are at the core of what we do. Our relationship with founders is based on trust, transparency and clarity in terms of boundaries and possibilities.

Feedback that I get from female founders indicates that this approach often enables female founders, who might otherwise have shied away from the VC industry, to approach us, and to feel comfortable doing so. Yes, the VC industry can be harsh and subconscious bias plays a role. However, in my dealings with female founders, I find two things. One - they are just as ambitious and just as talented as their male counterparts. Two – for many women their business is about freedom and flexibility and purpose. So, they would rather not raise external capital and grow the business more slowly, then give a chunk of their business to an investor that is not the right fit.

What are the main reasons why the VC industry appears to have a diversity problem – and what is being done to tackle that?
Finance has always been dominated by men. That is slowly changing, but the VC industry, in particular, is still a gentlemen's club. Nine out of ten decision-makers are men.

The #MeToo moment was a real catalyst for throwing light on something that was hidden and not talked about. A number of recent reports have been commissioned to start gathering actual data on inclusiveness in the industry (and lack thereof) and on deal pipelines.

That was a great first step. But to truly change things, we need to flip the conversation away from what needs to be done to help women break in and towards showing people value that is being lost by not building gender balanced VC firms and gender balanced portfolios. Only then can we ensure that efforts to facilitate balance and inclusiveness are not being met with defensiveness, lip service, passive-aggressive resistance and alienation.

> *"Finance has always been dominated by men. That is slowly changing, but in the VC industry, in particular, is still a gentlemen's club"*

> *"I do not believe in equality but I am a strong believer in equality of opportunity"*

What about diversity in a wider context, such as social economic status, is that being ignored?
I am cautious using the word diversity. After all, differences between individuals are far greater than those between average members of ethnic, gender, or socio-economic groups.

I do not believe in equality but I am a strong believer in equality of opportunity and anything that facilitates it. The university system used to be a great way of differentiating talent. It offered bright people, from poor backgrounds, a path not open to them otherwise. But these days a degree is no longer a differentiating factor. So how do you figure out who to employ? Inevitably that raises the influence of other mechanisms, such as socio-economic networks.

There is some outstanding talent out there. To truly leverage it, we need to re-define what good leadership looks like and to make sure that inclusiveness is at the very core of it.

How does true diversity create real business value in the VC world?
There is an HBR publication that tried to look at exactly this question. Analysis showed that, for example, a 10% increase in female decision makers at a VC fund, created an almost 10% increase in the value of exits. This was based on real portfolio data. The logic behind it is quite simple. If a more balanced group of people, with a range of experiences and characteristics, is reviewing potential investments, they do so armed with a broader and a deeper perspective. That perspective, if reflected within the portfolio companies themselves and the advice and support those companies get from their investors, as they grow, would better reflect customer needs and hence result in better products, services, as well as better decisions.

Jessica Schultz

PARTNER, NORTHZONE

Jessica Schultz has worked for early stage venture capital fund Northzone for five years. Prior to joining Northzone, she co-founded and served as global CMO for recipe kit delivery service HelloFresh. Jessica is a growth stage investor with a strong interest in marketing and business intelligence: her portfolio companies include NA-KD, Red Points, Klarna and Outfittery.

How did you get involved in venture capital and what do you credit your success to?

For me it was meeting the team at Northzone, really liking them and deciding to try it out. Venture capital was never my plan – I loved the entrepreneurial life, but I met the fund at the right time. My secret? Having been an entrepreneur who has gone through the fundraising process several times, I understand what it's like to sit on the other side of the table. It's a very humbling experience. You develop a lot of empathy for the entrepreneurs and realise that the road to success is not easy.

Why do you think that the sector has struggled with diversity?

The lack of diversity in this sector is down to multiple factors. Venture capital is still very much entrenched in the financial services world and that, traditionally, has been very male dominated. The same is also true on the entrepreneurial side, where there traditionally has been fewer women starting tech businesses. If you are not attracting a wide enough talent base then you end up with unintended bias – and that affects how you recruit, how you invest and how you think.

When I was raising capital at HelloFresh, most investors we met were men. Things have changed since then, but not fast enough – a lot of women in this sector are frustrated at the lack of pace. We need more role models in the industry and that starts with recruitment and having role models internally.

Many firms say recruitment is a big issue and they claim that it's very difficult to find talent. I would argue that it's probably because they are not looking in the right places. My entry into the VC world came unplanned, and because Northzone had cast a wide net to find their next recruit. I think you simply have to put in the work, and that the excuse that it's too hard to find diverse candidates just isn't good enough.

How can – or should – VC change to embrace diversity?

I do see positive change within our ecosystem. Taking Northzone as an example, we now have two female partners and good deals flow from female entrepreneurs. Women are 50% of the population and if you have too homogenous a team you lack the understanding to reach them as consumers, customers or clients.

But change also needs us all to be aware of our own biases: if we don't recognise them, we can't change them. I look at my own portfolio and 40% of companies have female founders: that's better than average but it's still not good enough.

On a high level, we will see change when people realise that it's better for returns: studies show that having more gender diverse teams leads to better returns. It starts to open up a 50% bigger talent pool for recruitment and new sectors to invest in.

How should we tackle diversity beyond gender – and why does it matter?

Diversity is so much more than gender: it relates to age, disability and neurodiversity, race, socio-economic background. The discussion has not moved nearly far enough in any of these areas, but hopefully by starting to lift these topics, we will increase awareness.

My generation has a huge role to play. We are the decision makers in business, have a different value system to the generations that came before, and are building companies that do things differently.

Each organisation also has a responsibility to raise awareness internally, being honest about where in the process you are, and then addressing everything from recruitment process to how you operate in terms of own biases – that's a start.

My hope is that in 10 years we will have levelled the playing field enough that we don't need these discussions any longer. I want to make sure that the conversation focuses around the role and achievement of the investor or the entrepreneur and not around a specific label of "female investor" or "female entrepreneur".

"On a high level, we will see change when people realise that it's better for returns: studies show that having more gender diverse teams leads to better returns"

"My hope is that in 10 years we will have levelled the playing field enough that we don't need these discussions any longer"

Sasha Astafyeva

PRINCIPAL, FELIX CAPITAL

Sasha Astafyeva is a principal at Felix Capital, a venture firm for the creative class, focused on opportunities in digital lifestyle. Previously, she has held management roles at technology start-ups in the UK and Brazil, most recently as head of business intelligence and strategy at London-based online fashion marketplace Lyst. Her background also includes stints as an investor at TA Associates and in investment banking.

How and why did you get involved in the venture capital sector?

A variety of different experiences brought me to the industry including banking, private equity and then operational experience in Latin America and the UK. I have always been fascinated by innovation and its impact on value creation. Inevitably, when I thought about the next career step, VC seemed like a natural place to go.

VC is an industry where you require a lot of patience – not only before you make investments, but also after. It takes a very long time to know if you are truly a good investor.

What reasons do you think are behind VC's diversity problem?

People often hire those that resemble themselves, particularly when you get to the higher levels when networks begin to matter.

Higher up, who you know begins to matter a lot more and people are less likely to network with those who are very different from them and to a certain extent that is natural – you are more likely to go for a drink with someone who you have shared experiences with and things in common.

I also think that women are historically not perceived as aggressive enough, or as future winners or those who can make a firm money – the idea that aggression means you're more likely to win deals or contracts and be seen as a high impact contributor. I think that's part of the reason why there is a bigger diversity problem at management level where ability to bring business begins to matter more than ability to be a good team player.

Explain how emphasis on networks can help exacerbate the diversity problem.

As you get more senior, it becomes less about how good your technical skills are and more about who you know, whether that person wants to work and share deals with you, co-invest or choose you to be on their board. I'm not talking about superficial connections but relationships on a deeper level and what I would call friendships.

Networking also takes time and it also tends to be needed at that crucial stage in your career when women start to have kids and have commitments outside of work. For many women, for many reasons, those networks aren't as available to them.

What are the dangers of a lack of diversity at a more societal level?

I often think that the most difficult part of this job is that you are choosing what the future looks like, because you are choosing what to fund and invest in. It is a huge responsibility. If someone comes with an idea that is truly revolutionary but nobody understands it then it will not receive capital – that product or service won't get built and hence the world will look different.

The danger of homogeneous investors is that we keep investing in things that we understand and we don't invest in things we don't understand, and those things can be world–changing. We need a diversity of knowledge and we need diversity in everything from gender to race, sexual orientation and so on, because we need to reflect the world we live in and illuminate certain things that without diversity we would not think or know about because we don't experience in the same way.

How can VC firms act to enable genuine change?
Awareness of the problem is the first step. What is the situation and how can we start to change things? It is not just an overall numbers game – you need to look at diversity across each layer of the organisation. People at each layer need to have enough diverse role models.

I also strongly believe in bringing your whole self to work. If you're bringing only half of yourself and pretending that you're someone you're not, it is extremely taxing emotionally. That relates to the culture. A lot of firms have social activities, and they are often not very inclusive. Those activities are also often activities through which stronger personal relationships are meant to be forged. Activities such as playing golf or tennis, for example, are competitive and may often not appeal to people from different socio-economic backgrounds and cultures.

Be mindful: how do you create social environments and activities that are more inclusive? Create an ecosystem that allows people to come with their whole selves and be more successful than playing pretend.

How do support networks play a part in the diversity debate?
There are a lot of networks and events and they do help and are important, but I'm mindful that they also almost create another layer of exclusivity instead of getting people to come together to combat the issue. Support networks alone won't solve the issues. Talking about it, as we are here, helps – being really open and honest and acting on conversations to enact change at every level of the industry.

> *"The danger of homogeneous investors is that we keep investing in things that we understand and we don't invest in things we don't understand, and those things can be world changing"*

Maren Bannon

CO-FOUNDER AND PARTNER, JANE VC

Maren Bannon is co-founder and partner at London and Boston based Jane VC, an early stage fund to invest in visionary female led start-ups. Previously, she was CEO and co-founder of LittleLane, a startup in San Francisco that she took from idea to scale to exit. She has also worked in operating roles at large tech companies as well as at high growth technology start-ups. Maren has an MBA from Stanford and an engineering degree from Dartmouth.

What is the story around Jane VC?

I moved to London two years ago from San Francisco. I had been a start-up founder and worked in the tech industry for the past decade, so had seen first hand the challenges many women face in raising funding. I knew I wanted to spend the rest of my career doing something to address this issue. I reconnected with a classmate from Stanford Business School, and on a transatlantic phone call we realised we both had the same passion for trying to get more capital to female entrepreneurs. While my background is all on the founder and operator side of the table; my co-founder Jen has been an investor for the past seven years, starting a fund and an accelerator from the US.

It also came from our experience at Stanford Business School about 10 years ago. As students we noticed that our male classmates were investing in each other and building businesses – it was almost part of the social backdrop. The women were just as talented but there wasn't that social dynamic in place. They weren't asking and they weren't investing in each other.

In the ten years after business school, this trend continued. That early access to capital was really frictionless for the men in our network and a lot harder for the women. There is a lot of untapped potential because it is so much harder to get that initial capital.

What can VCs in general do to help alleviate this gender bias?

Over the past year and a half there's been a lot more media attention on the issue, a lot more venture funds are starting to hire female partners and waking up to this issue. It feels like we're at this tipping point where there's enough awareness and momentum to make a difference but there's a long way to go – we think it will take a decade to change. It's not enough to hire more female associates – we need to get them into the cheque-writing roles.

On the founder front, most VC firms require a warm introduction to pitch to them. Most VCs, in the US at least, are white men who went to Harvard or Stanford so if you have the right network it's easy to access a venture capitalist. If you're a very talented, ambitious founder with a great idea and you don't have the right network it's really hard. That's holding back innovation. We've decided to scrap the warm intro so anyone can pitch us directly, it doesn't matter who you know. More VCs need to take that approach, but it is not easy to do.

What does a lack of diversity in VC mean for society as a whole?

Tech is driving a lot of the world's innovation so when you don't have diversity in tech it affects the type of businesses people are building and the types of problem people are solving. In San Francisco it can feel like this bubble where tech start-ups are solving problems for the one percent.

But having diversity of investors and thought is really important for creating companies that address much bigger and more meaningful problems. What really excites us is technology that is focused on all of us, instead of technology focused on a very small sliver.

While diversity in general is a problem in tech, we decided to focus our attention on female founders. Our vision is to solve

> *"It feels like we're at this tipping point where there's enough awareness and momentum to make a difference but there's a long way to go – we think it will take a decade to change"*

this problem to the point where Jane VC isn't even a necessity – but we're a long way from getting there.

What support networks are available or are missing and why do they matter?

We recently did a survey of 500 early stage founders and the top things that female founders needed to be successful as an entrepreneur were things like help running and negotiating a fund-raising process and then having relevant advisors and mentors to help them with their business.

One of the key takeaways from the research was how inequalities in tech start at a very early stage. If you don't fix them at seed it's really hard to change when you're at Series A, B and growth stage. We saw female founders at seed were raising significantly less than male founders: for every dollar a man raised, a woman would typically get around 38 cents and a black female founder just 2 cents. That difference is really dramatic when you think of the seed stage. The male founder has the resources to build a team, have an office and a couple pivots. In contrast, the black female founder has almost no shot as she's so handicapped going into it.

We also looked at how supported different communities felt – and male founders felt a lot more supported. Interestingly, the male founders felt a lot more optimistic about the environment for female founders than female founders themselves did. Female founders think there is a long way to go whereas the male founders thought the issue almost solved. We agree with the female founders on this one and are going to keep fighting for them.

Since joining MMC in 2014 as its first and only lawyer, **Victoria Ferguson** leads the legal work on their investments, follow-on funding and exits. As General Counsel she also advises on all legal aspects of MMC Ventures' work and supports deal leads and their portfolio companies. Previously, she was an insolvency lawyer practising in London and Tokyo for firms including Jones Day and Simmons & Simmons.

What was your journey into the VC industry and what advice would you give others?

I was a private practice insolvency lawyer and wanted to move to an in-house role. Venture capital was a totally new area to me but it had a lot of things in common with what I'd done and there were a lot of things I liked around the virtuous circle of venture investing. Yes, ultimately you want a commercial return, but in the meantime you're creating jobs, those people are paying taxes, they're increasing their supply chain and so on. I also loved the ability to build long–term relationships with your portfolio companies and co-investors. All were reasons as to how I ended up in venture.

In some ways it's saying 'yes' – to having the confidence to put yourself forward for a job where you see how you could add value rather than focus on the parts of the job spec that you don't think you can do or you don't know. It's that old story about how men see seven out of 10 things in a list they can do and go for it, whereas a woman would focus on the three things she couldn't and talk herself out of it. It's flipping that mindset and having that confidence.

Why do you think the industry struggles with broadening diversity?

Law firms are not brilliant for diversity either, though I have to say when I arrived in VC five years ago it really felt backwards. There are a few reasons for that.

For one, it has been a bit of a stealth industry and many people even in business and finance would struggle to know exactly what it entails. It's great that venture is getting a higher profile now and I think that that will help.

The funds then didn't help themselves by only recruiting for a particular type of person. When they wrote job specs they inadvertently attracted candidates from, classically, investment banking, engineering and technology, which all makes a lot of sense but all of which tend to be male dominated themselves.

Add to that a tendency for venture and portfolio companies to get hung up on 'badges of honour' – what university did a candidate go to, who did they work for before? Yes, it's a proxy for intelligence, ambition and quality of candidate but it doesn't help with social mobility. Why did a person choose one university over another? Was it the only way they could afford to study at all, perhaps?

What can drive, or is already driving, the diversity agenda forward?

VC has got better at looking at different backgrounds and actively seeking out a broader group of people, but it needs to do more.

Groups such as Diversity VC and YSYS (Your Start-Up, Your Story), which started as a WhatsApp Group and is now a more formal lobbying organisation, have done brilliant work in taking that forward.

> *"VC has got better at looking at different backgrounds and actively seeking out a broader group of people, but it needs to do more"*

> *"Looking beyond gender we also need to look at aspects such as social mobility and other under-represented groups"*

They are highlighting the need for diversity in venture funds and in turn looking at the teams that they back. People have been really receptive to the idea [but] it will be interesting to see the follow-through from the first push. That's promotions of under-represented groups into partnerships in venture funds and then on to investment committees.

Looking beyond gender we also need to look at aspects such as social mobility and other under-represented groups. These can be much harder to spot and much harder to enact. Yet there are some simple things that can immediately help: things like ensuring you pay your interns (and I'm pleased that at MMC we do). Don't let your intern only be someone who can afford to work and live for free in London for three or six months. There's a way to go on this across the sector.

How can firms themselves adapt to enable this change?

Beyond actively broadening our recruitment and retention practices and expanding our networks we need to actively mentor under-represented groups who may be reluctant to put themselves forward. Hopefully, some of the stereotypes are disappearing and people are much more aware of the effects of unconscious bias. That sense that we all like people who are like us: the question is, are those people like us demonstrating the characteristics of those you want to hire – ambition, honesty or collegiality – or are they people who like golf, West Ham, Glyndebourne or whatever it is you like doing in your spare time?

Itxaso del Palacio is investment director at Notion, a London-based venture capital firm that backs B2B start-ups across Europe and a teaching fellow in entrepreneurship at University College London. She joined Notion in 2018 from M12 (formerly Microsoft Ventures), having launched its UK office. Itxaso holds a prestigious Kauffman Fellowship and is very well connected to the global network of fellow investors. Her background is in engineering and she has a PhD in entrepreneurship and venture capital.

How did you enter the venture capital industry and what is the secret of your success?

It was totally unplanned. My PhD had been on VC and entrepreneurial ecosystems so I had an interest in it but my career was initially in academia. By chance the founding partner at a VC said he was hiring and looking for someone in my network and I thought 'Maybe I can do that', and I ended up joining.

The best way to learn and grow fast is to work with the best people. Surrounding myself by the most experienced investors and executives has been a real benefit.

How confident are you in how the industry is addressing the gender gap?

I'm optimistic. VC is a very small industry and the rotation is not very high either, so I'd say that change is happening faster than it might appear. I don't know of any male investor who feels proud about having such a small number of women in the industry and overall I feel we are driving the change.

We are hiring more women than ever. The challenge now is promoting them and giving them the chance to grow – to see women take more senior roles. But how many partners are there in a VC firm? Four or five, perhaps. And maybe none of those will change in one or two years – it will take time, but it will happen.

How does academia and training need to evolve to enable this change?
In my opinion, to be a good venture capitalist you need to have three main skills: you need to understand technology, finance and psychology – to be able to read people. Women are very good at the psychology part – we read and understand people. Many women have studied finance and have a good understanding. There are few women from STEM backgrounds. We need to encourage more girls to pursue science and technology studies in order to increase the number of women in VC.

Why is a more proportionate female representation in VC so important?
Women are decision-makers in many areas of our daily lives. For example, women are the decision-makers within the family context and increasingly financially independent. There is a growing number of women in management positions and thus having a woman's perspective when evaluating investments is necessary.

Additionally, I also think that as we increase the number of female investors it is going to have a positive impact on the number of female founders receiving capital.

Talking diversity in a much wider context, how is the VC sector tackling this?
This is an even bigger problem than the gender issue. My firm Notion is exploring an initiative to help tackle this and provide mentoring and training to minorities – refugees, or those with a lower socio-economic background or ethnic communities. We want to help them get the skills they need to become investors or entrepreneurs. It's early stages but we're in conversations with a couple of other VC firms who are also willing to get involved and help tackle this issue.

What we call "minorities" are not really small groups of individuals; in aggregate they represent a large proportion of the global population. If we don't acknowledge that we will be missing a real opportunity.

> *What we call "minorities" are not really small groups of individuals; in aggregate they represent a large proportion of the global population*

> *That as we increase the number of female investors it is going to have a positive impact on the number of female founders receiving capital*

How do other initiatives such as support networks help? What are the structures we need in place?
The networks are working pretty well, but in my opinion mentors and role models are even more important. In venture, being confident is important as you need to make bold decisions and take significant risks. Mentors can help build confidence and can also help make the right decisions.

Lillian Li

CO-FOUNDER DIVERSITY VC AND INVESTOR, EIGHT ROADS VENTURES

Three years ago **Lillian Li** helped co-found Diversity VC, a non-profit group, made up of individuals working in venture capital who want to increase diversity of thought in the venture industry. She is also an investor at Eight Roads Ventures, a global VC firm that helps entrepreneurs scale, and has held senior positions at companies including Salesforce Ventures and Beringea.

What was your path into VC?

I started my career as a management consultant and ended up doing a lot of private equity due diligence cases. I saw and liked the variety and intellectual challenges in the PE industry and set about joining it. Recruiters at the time tried to highlight to me that PE houses were looking for 'cultural fit', but back then I didn't quite understand what that meant to someone from a relatively 'non-traditional' background like myself. I had something like seven or eight rejections one after the other.

Finally, I had a call to interview at what was pitched as a growth equity fund and the interview process was drastically different which I didn't pay too much attention to at the time. Then on my first day I sat in the investment meeting and heard terms such as 'liquidation preferences' and 'cap tables' being tossed around the table, terms which I've never heard before in PE. It slowly dawned on me that I hadn't ended up in PE, but in VC.

How and why did you end up co-founding Diversity VC?

As with most things in life, interesting opportunities happen when you say blindly say 'yes' to things. I initially blindly said yes to co-running a series of 'Ladies in VC' dinners where I met Check Warner. We went for coffee and bonded over the fact that many of the VC industry events were the same people having similar conversations over and again. We wanted to create a different space where different conversation and thoughts can take place. When Check proposed the idea of creating an organisation around this, I also blindly said yes.

We wanted a different community for the VC industry but also to support more people to come into VC. It's not just about changing the hearts and minds of those already in the industry – the best proof is people coming in. As part of this process – we now have an active internship programme to introduce diverse candidates to VC firms. The last piece is the data report which gives concrete statistics around the measure of diversity in the industry. The idea originated from a fireside chat when we realised there's no figures that described the problems we were discussing. From there we put together the report and launched it a year later. I make it sound easy but it was a lot of time committed by volunteers who worked full time – which is a real testament to the level of passion people feel about this topic.

How do you think that you have helped change VC?

It's almost unthinkable to me now that this scrappy group of volunteers has created something that has managed to find its way to decision-makers in the industry and beyond. They have taken this information and are empowered to make substantial changes with it. It's humbling. I think the difficulty is that change is gradual. We see the problem and feel it on a daily basis, and though we have come so far in two years the situation is still not where we want it to be.

What has been achieved and where should the priorities lie next?

This has become a really big topic of conversation on both a macro and micro level in the last year – the work done by Diversity VC has helped but this has really been headlined and boosted by #MeToo and

> *People are engaging with the topic and hiring more diverse candidates*

various other political movements. There is more talk of diversity now than there ever has been. People are engaging with the topic and hiring more diverse candidates.

We now need to look at diversity in a wider context. It is still difficult in this day and age to talk about what diversity means and being succinct in having a single definition, which is both good and bad. Good in that there is a multitude of understanding for people in terms of their gender, orientation, social-economic background, education, etc. But bad in that discussion about effective diversity and inclusion actions are never straightforward.

It's a difficult topic to engage with because it's quite charged with a lot of different issues. How do you prioritise one diverse set of individuals over another when you're talking about hiring?

What can VC learn from other industries and sectors?

A lot of the financial services industry is doing a good job of this. Law firms, accountancy and management consulting have all made very big leaps in the way they have approached the subject. They do very active outreach programs and have active support networks. This means that they can hire great individuals and make sure they are supported and can progress.

There's been recognition that there is an issue in hiring and that this is not just a societal issue but also a business issue – you're losing some of your best talents if firstly you're not recruiting them and secondly not supporting them.

What advice would you give a woman wanting to enter the sector?

First of all, know that it's going to be harder. Life is unfair, very sadly. Know that some of the chips are against you from day one. So work harder. Be more proactive. Reach out to funds when it doesn't seem like they're looking to hire but they could be interested in you. Go and have coffees with people who you think you can learn from. Always think about how to add value in those conversations. And persevere: if I gave up after the fifth PE interview then I would not be here today.

Yvonne Bajela

PRINCIPAL, IMPACT X

Yvonne Bajela is a principal at Impact X. She was previously a senior investment manager at Mitsui and the youngest investment manager across the group's 90,000 global employees. During her time at Mitsui, she led investments in companies including TransferWise and a joint venture with Google in Africa. Before joining Mitsui, Yvonne advised high profile corporate clients including HP, De Beers and Betfair. She is also an advisor for the Mayor of London's Routes to Finance programme and a Global Shaper for the World Economic Forum.

How did you become involved in the VC industry?

I started my career working in investment banking and spent a short time working in strategy consulting, so before entering the VC industry I already had a breadth of knowledge on finance, managing P&L and how equity finance works. However, it was after I secured a position within the corporate development division at Mitsui, the Japanese investment firm, that I had my first stint at doing venture investing. At the time, I didn't know much about the industry. However, after spending time with some really exciting companies, I grew to love it. And subsequently, during my three and a half years there, I ended up managing investments of over $200m across a wide range of geographical markets and technology segments. I recently just joined a new venture capital firm and that was the natural next step for me after Mitsui.

Who inspires you?

Serena Williams is someone that has inspired me as her journey to the top has not been an easy one, she had to fight for her victories every step of the way. And in doing so, her story is very inspirational for both females and minorities that are forced to confront barriers on the path to achieving their dreams. She also recently announced the public launch of her venture capital firm and I think it's incredible that she has been able to use her influence and resources to help other women and minorities reach their full potential as business owners, particularly given the barriers they face accessing capital.

Why do you think that the VC industry has such a diversity issue?

There is a growing consensus that the tech and VC industry has a diversity and inclusion problem. To put the issue into context, only 13% of decision-makers in the venture capital industry are female and for minority groups, the numbers are even more dire. Up until recently, the conversation on diversity has centred on drawing attention to the challenges that result from the lack of diversity, with no real actionable guidance. Having the conversation is the first step, but as VCs we need to be accountable and stop talking about the importance of diversity and actually start adding more diversity to our investment teams.

> *Most firms often agree that building a diverse and inclusive culture is important, but it is often difficult to implement*

> *Only 13% of decision-makers in the venture capital industry are female and for minority groups, the numbers are even more dire*

To add to that, the VC industry runs on data and up until last year, there was no real data in the UK to highlight the scale of the issue. Now that the data is becoming increasingly available, I hope to see more funds taking action to address the issue.

How is the industry trying to increase diversity?

There are a number of organisations that are trying to tackle the issue and there has already been some really exciting developments over the past 18 months. For instance, Backstage Capital launched in the UK and they have a really diverse team. That's subsequently resulted in them having a really diverse cohort of entrepreneurs that they have gone on to support. Then you have other organisations running great initiatives such as Diversity VC, a non-profit organisation focused on increasing representation within the VC industry, they released a report last year which highlighted the scale of the issue and a practical hands-on guide to help firms build companies that have diversity and inclusion at their core. Having such initiatives is key, as most firms often agree that building a diverse and inclusive culture is important, but it is often difficult to implement.

What we have seen come out of initiatives such as Diversity VC is more investors engaged in the conversation, which is a great starting point, but more certainly needs to be done.

What can companies themselves do to help enable and engender change?

I think one of the challenges VCs face is that they typically have small teams, they tend not to have a HR manager and although they may have good intentions, improving diversity and inclusion is not integrated in their broader strategy. One of the ways to embrace diversity and make decision making more inclusive is by embedding it into everyday processes and communications. For example, when hiring, firms can make it an explicit expectation that the individuals that are hiring proactively build more diverse networks to source talent from. Secondly, diversity should become a standing agenda item tied to business goals that management have regular visibility over how it's being addressed. Ultimately, it can no longer be seen as a side project that gets little attention.

How does a lack of diversity at VC level translate into a lack of diversity in the products, companies and services we see?

A lack of gender or ethnic diversity at VC funds limits the VC's ability to access particular markets or leverage the buying power of underrepresented communities. I believe it also has a subsequent ripple effect throughout the tech sector as those underrepresented groups end up getting less funding which ultimately limits their ability to scale. So, if you look at the data over the last 20 years, you can see how that translates into female or ethnic minorities historically receiving a disproportionate amount of funding and subsequently, the types of products and services we see get well funded and scale up.

What other industries do you think yours can look to for inspiration in addressing diversity?

There are great examples within the technology industry. One such example is Pinterest, which took a bold stand to increase diversity in the technology industry in 2015. At the time, the company set out to be transparent in setting ambitious goals to hire more women and minorities and in doing so it made the company's management publicly accountable to the goals set. In 2018, the company announced they had managed to achieve those goals, with 47% of staff being female and 14% being from underrepresented backgrounds.

"*Since Pinterest started reporting on diversity metrics in 2015, other major technology companies such as Google, Apple and Facebook have followed suit*"

"*A lack of gender or ethnic diversity at VC funds limits the VC's ability to access particular markets or leverage the buying power of underrepresented communities*"

Since Pinterest started reporting on diversity metrics in 2015, other major technology companies such as Google, Apple and Facebook have followed suit. Although the technology industry has a long way to go, I think Pinterest is a great example of how companies coming forward and being transparent about where they need to make more progress and where they are struggling could help to accelerate change by having that public accountability.

How can we tackle diversity in its widest context, beyond gender?

One of the issues I've seen is where companies with the right intentions to tackle diversity isolate a single group of individuals and focus their diversity strategy on that particular group and in doing so, they don't tackle diversity on a broader level. Which of course may actually be to the detriment of other underrepresented groups. So, it's important for firms to think about diversity and inclusion from a broader perspective when putting in place a D&I strategy and not just focus on one particular group.

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Notes

> *Diverse investment firms have better returns, so even if you're a total mercenary and you don't care about society at large you should at least care that the returns are better.*

CAROLINA BROCHADO
INVESTMENT DIRECTOR, SOFTBANK INVESTMENT ADVISERS

> *The gender balance issue is not being addressed very quickly, and although there are institutional moves it's a generational problem.*

ANNE GLOVER
CHIEF EXECUTIVE AND CO-FOUNDER, AMADEUS CAPITAL PARTNERS

> *Things are getting magnified across diversity in all its forms: conversations are happening and once they do we start to see results.*

RESHMA SOHONI
CO-FOUNDER AND MANAGING PARTNER, SEEDCAMP