anthemis

WHITEPAPER

Equity in Entrepreneurship Report

A New Target for Gender Parity in VC Portfolios

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Introduction

It's no secret how little venture capital (VC) funding lands in women founders' hands. In 2022, startups with at least one woman founder raised just 17.2% of venture capital funds. That number dipped to only 1.9% for all-women founding teams.[1]

GENDER COMPOSITION IN A RANDOMIZED SAMPLE OF 100 FUNDED TEAMS[2]

With these numbers having not improved much in a decade, members of the VC community have recently been pushing with renewed vigor for gender parity across every part of the VC stack, including among portfolio company founders. These efforts remained a focus particularly after the COVID-19 pandemic highlighted and exacerbated systemic issues around the discovery, funding, and minting of new startups.

In the push for gender parity among their portfolio company founders, many VC firms may aim towards the same number as their north star: 50% of portfolio companies should have a woman founder. This makes sense at face value, but after considering mixed-gender founder teams, we've found that it doesn't reflect true gender parity.

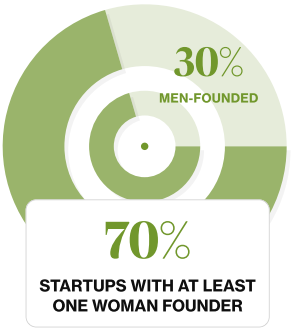
At Anthemis, we believe that data can help pave the way for equity, and that we must be precise in the metrics and language we use to interpret it. After assessing the latest data, we've identified a new, more accurate north star:

[1] Pitchbook (https://pitchbook.com/news/articles/the-vc-female-founders-dashboard).

[2] Team sizes based on data exported using Crunchbase's advanced search feature (https://www.crunchbase.com/discover/organization.companies).

To achieve gender parity among founding teams, our new analysis shows that 70% of the companies that VCs invest in should have at least one woman founder.

Why? In short, a portfolio in which 50% of companies are woman-founded doesn't mean 50% of founders are women.



Let's look at some examples in two portfolios:

PORTFOLIO 1

50% of companies are woman-founded

PORTFOLIO 2

75% of companies are woman-founded

In *Portfolio 1*, 50% of companies have a woman founder. However, men outnumber women 4 to 3.

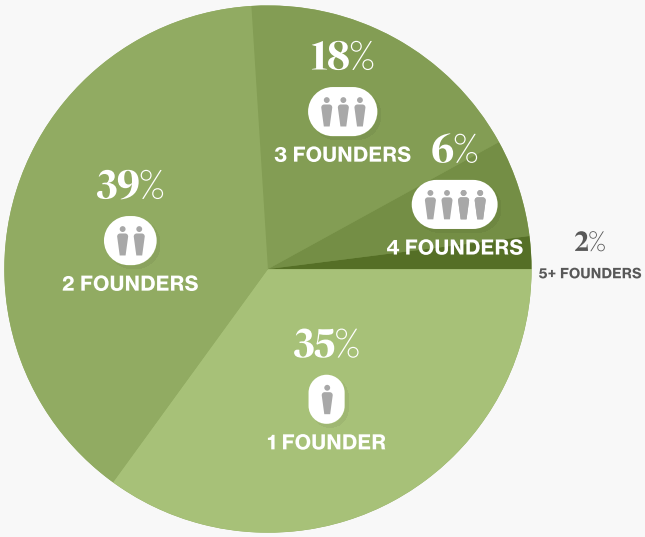
Making one simple change – adding a woman founder to Company 2 – creates the following scenario: In *Portfolio 2*, 75% of companies have a woman founder, but there are the same number of men and women founders.

The bottom line: to create gender parity in a portfolio, the number of companies with women founders must exceed 50% because of the effect of mixed-gender teams.

The second scenario, while oversimplified, is much closer to what an ideal VC portfolio looks like at gender parity.

Crunchbase data about Seed-funded companies founded between 2019 and 2022 shows that just 35% of recent companies have only one founder. 65% of startups, almost a supermajority have two or more.

Reaching gender parity within a portfolio requires more than investing in 50% of companies with a woman founder. **To achieve gender parity, 70% of the companies that VCs invest in should have at least one woman founder.** The assumption of parity at 50% misses the true figure by 20%, constituting a significant miscalculation in both reporting and action.



FOUNDING TEAM SIZES IN COMPANIES FOUNDED IN 2022[3]

[3] Relevant data was exported using Crunchbase's advanced search feature (https://www.crunchbase.com/discover/organization.companies).

Methodology

The 70% target is based on the following assumptions about what VCs' portfolios would look like when gender parity among founders is reached:

1. Women to constitute 50% of venture-backed founders.
2. Women and men to mix freely in founder teams and, therefore, the gender of one founder to be independent of the gender of any of the others.
3. The gender mix among founders to not impact the size of their teams.

If these assumptions hold, then:

...in a solo team

50% of companies are woman-founded

...in a team of 2

75% of companies are woman-founded

...in a team of 3

87.5% of companies are woman-founded

...in a team of 4

93.75% of companies are woman-founded

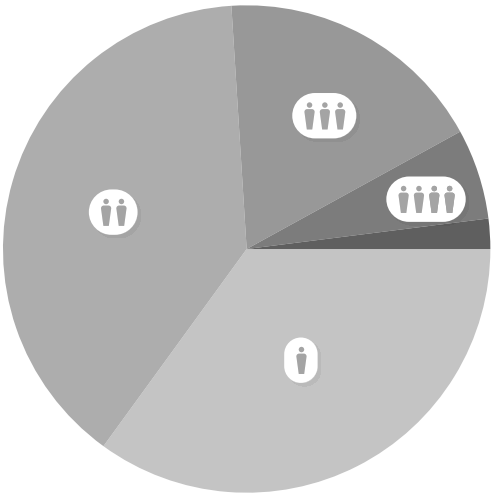
...and so on.

Note: We determine if a team is woman-founded based on an industry standard definition that one or more founders are women.

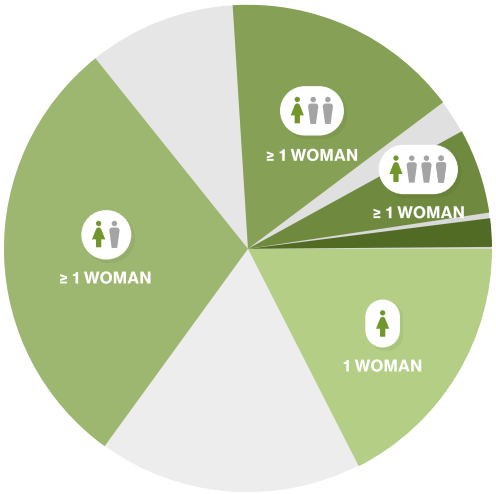
Real-world data on team sizes from Crunchbase[4] – using an unbiased, sector-agnostic sample of 3,751 Europe- and US-based startups which were founded in 2019 or later and have received seed funding – tells us that:

- **35% of startups are solo-founder**
- **39% of startups are dual-founder**
- **18% of startups are three-founder**
- **6% of startups are four-founder**
- **2% of startups have 5 or more founders.**

FOUNDING TEAM SIZES IN STARTUPS



PORTION OF WOMAN-FOUNDED COMPANIES BY TEAM SIZE



Combining these two sets of figures gives us:

(1/2 X 35%) + (3/4 X 39%) + (7/8 X 18%) + (15/16 X 6%) + ...

= 70%

[4] Relevant data was exported using Crunchbase's advanced search feature (https://www.crunchbase.com/discover/organization.companies).

Embracing complexity while striving for parity

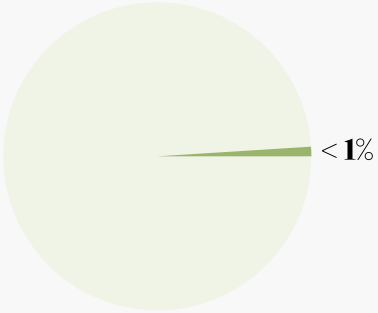
The current data on how much funding women founders receive suggests that almost no VC firm has gender parity among its portfolio company founders – or will reach it in the short term.

This doesn't mean it's not a worthy goal.

We don't intend to erase the complexities surrounding this issue, but to embrace them. Achieving it will require long-term dedicated work, commitment and industry collaboration. Setting an accurate target for parity is a first step, but doing so doesn't solve problems on its own.

For example, it's critical that VCs don't just support women founders financially, but also create systems that foster their sense of inclusion and belonging throughout their time as entrepreneurs.

Further, as the industry pushes forward gender parity efforts, we should incorporate data on other genders as it becomes available. There is limited-to-no data on how much VC funding goes to founders with gender identities besides female and male, but Backstage Capital estimates that less than 1% of all VC dollars go to openly LGBTQ+ founders. Crunchbase recently began tracking VC investments in founders who identify as LGBTQ+, and Proud Ventures' 2023 LGBTQ+ Founder Report offers initial insights into these numbers in the UK.



VC FUNDS BACKING OPENLY LGBTQ+ FOUNDERS

Creating a playbook for parity

We encourage our peers in the venture community to join us in using data to create a more equitable system. By setting measurable targets based on precise metrics, and prioritizing nuanced data understanding, we can achieve meaningful change.

What does this look like in practice for all of us?

Set measurable targets.

Use data expertise to better understand our ecosystem. Take an intersectional approach. Examine the race and gender intersections in our portfolios and create opportunities for better inclusion and belonging.

Admit bias and challenge it.

Hire diverse candidates and create practices that encourage an inclusive environment across our organizations–specifically, in investment, board, and leadership roles. Leaders in VC must challenge traditional notions of who a founder is and how they act. This starts with surveying, gathering feedback, and observing current due diligence processes to ensure their negative trends don't impact company evaluations and investment decisions.

Join forces.

Partner with organizations that support entrepreneurship among women. Lean into other organizations' expertise to fill gaps.

Engineer serendipity.

Create and participate in events encouraging diversity and inclusion to support entrepreneurship and investment in women. Professional networks foster essential connections for women founders working in industries dominated by men. Embrace our roles and responsibilities in understanding the makeup of boards, events, or committees—and who is invited. Build spaces where networks of untapped founders can and will be present.

Move the money.

Ultimately, no effort to support women founders will succeed until investors utilize existing structures and funds to allocate capital to women effectively.

Portfolio parity: where Anthemis stands

At Anthemis, our interest in exploring global power imbalances drives our work in financial services. How money moves reflects when and where people are included and excluded. We try to identify ways to disrupt the inherent structural inequities of finance, and a pivotal piece of this puzzle is who builds the networks and technologies of the future. In addressing gender representation, we're thinking about inclusivity-building at its first stage.

PERCENTAGE OF ANTHEMIS' PORTFOLIO COMPANIES WITH WOMEN FOUNDERS

Today
28.4% woman-founded

1 Year Ago
28% woman-founded

5 Years Ago
14% woman-founded

10 Years Ago
4% woman-founded

Since our founding in 2010, we have been committed to funding, supporting and encouraging women founders. We've built our company on the belief that to successfully cultivate change in the industry, a team should be built with diversity and inclusion core to its DNA. It is our belief that we have one of the most gender, racially, geographically and experientially diverse teams in the industry.

As we drive toward the long-term goal of 70% of our portfolio companies having women founders, we commit to reporting annually on our progress.

We also want to maintain an open dialogue with our industry peers on strategies to collectively move the needle toward portfolio parity. Here are a few of Anthemis' efforts that we believe have helped move our portfolio toward gender parity over the last decade.

1. A women-driven team and investment leadership

Anthemis was founded on three guiding principles: authentic collaboration, virtuous cycle outcomes, and diversity and inclusivity.

The goal of building a diverse and inclusive team drives our recruitment and onboarding processes. For example, we do not hire employees for cultural fit, as studies have shown that this approach can lead to unconscious bias and homogenous teams. Instead, we seek candidates who will be culturally additive.

PERCENTAGE OF WOMEN EMPLOYEES AT ANTHEMIS

Today	1 Year Ago	5 Years Ago	10 Years Ago
56% women	52% women	55% women	45% women

PERCENTAGE OF WOMEN INVESTMENT TEAM MEMBERS AT ANTHEMIS

Today	1 Year Ago	5 Years Ago	10 Years Ago
65% women	54% women	41% women	41% women

2. Supporting women founders throughout the entrepreneurship life cycle

We collaborate with other VCs and leaders in our ecosystem as much as possible to bring women founders new opportunities. In 2019, we launched the Female Innovators Lab Fund (FIL), a venture fund and studio dedicated to investing and cultivating entrepreneurial talent in women across the financial services ecosystem, which is anchored by Barclays and backed by Aviva, Visa and BMO.

FIL invests in businesses led by female founders and provides them with human, intellectual and financial resources, backed by an extensive network of advisors and experts from Anthemis and FIL's strategic investors. Companies receive support and guidance around product, operations, hiring, marketing and more, all of which are focused on helping founders build their business.

The fund now totals $50 million, making it the largest early-stage fintech fund focused on female founders.

We also share learnings with our peers to drive collective impact. In 2020, we unpacked the challenges around diversity, equity and inclusion in financial services in a white paper: Empowering female founders – Moving from a Vicious Cycle to a Virtuous Cycle. It includes practical solutions on ways we believe we can empower female founders and move from a vicious cycle to a virtuous cycle that remain relevant today.

3. Collaboration at the forefront

Anthemis' ecosystem is made up of more than 100,000 members and organizations, such as BLCK VC, Diversity VC, The Lord Mayor's Appeal, Women Who Code, Ladies Who Launch, and Findexable, which are dedicated to diversifying the tech industry and investing in women.

We will continue working with these organizations and other members of our investment community to utilize existing structures and funds and more effectively allocate capital to women. We do this by creating events such as Office Hours – an opportunity for founders to connect with investors for insights on fundraising, hiring and more.

Conclusion

Over time, committed action will help the VC industry collectively reach gender parity among our portfolio company founders. By opening up the venture ecosystem to more women of different backgrounds, experiences and cultures, we will improve our efficacy and profitability. This means a stronger, more inclusive and more equitable system.