Diversity Beyond Gender

The State of the Nation for Diverse Entrepreneurs

UK 2023

Extend Ventures

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Foreword

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Welcome to the Diversity Beyond Gender UK 2023 report, a comprehensive analysis shedding light on the complex intersection of ethnicity, education, and gender in venture capital investment within the UK tech landscape.

In the pursuit of fostering a more inclusive and equitable entrepreneurial ecosystem, it is imperative to delve into the nuances of diversity beyond traditional gender metrics. This report, a follow-up to the groundbreaking Diversity Beyond Gender '20 report, provides a quantitative examination of the challenges faced by Global Majority Heritage (including Black, East Asian, South Asian, Middle Eastern and Mixed Heritage), as well as women founders, and those from non-elite educational backgrounds in accessing venture capital. It also provides accounts from four founders who have shared their journeys navigating the venture ecosystem and building their companies.

The report's key findings and recommendations serve as a stark reminder of the persistent disparities in the distribution of venture capital, where 11% of rounds went to Global Majority Heritage founders, compared to their 18% representation in the UK population and 40% representation in London where the majority of venture investments are made. The underrepresentation is further emphasised by the fact that just over 9% of the total investment value is directed towards these founders, indicating a significant gap in funding levels compared to their White counterparts.

Mid-stage investment (Series A, B, and C) emerges as a critical battleground, with just over 10% of capital raised by non-white-led businesses from 2013-2023. This underlines the challenges overlooked founders face during the pivotal scaling phase, hindering their ability to secure the necessary financial backing for sustainable growth.

While progress is evident, with women founders raising just under 14.5% of VC investment from 2013-2023 (an improvement from 11% in the previous report), chronic underrepresentation persists. Women-led companies make up 17.3% of the UK total across all sectors, yet women founders face challenges in accessing proportional investment. The nuanced analysis reveals that women raise less than their male counterparts for each round of investment, highlighting the need for targeted interventions to address this funding gap.

This report delves into the intersectionality of ethnicity, gender, and education, unveiling stark statistics. The intersectional lens reveals that women founders from overlooked Global Majority Heritage groups collectively raised only 0.76% of VC investment over the past decade, emphasising the compounded challenges diverse entrepreneurs face. The most severe penalties are faced by Black women founders, who raised just 0.14% of investment between 2013 and 2023.

Examining trends over time uncovers shifts in investment dynamics, especially during the pandemic, highlighting both positive changes and potential retrenchment. The methodology, employing a machine learning algorithm for gender and ethnicity categorisation, underscores the commitment to scalable, cost-efficient, and replicable data collection to drive knowledge and promote equality of opportunity. Qualitative accounts from founders who have been able to successfully raise VC within the UK venture ecosystem provide illuminating insights into their individual journeys, while highlighting just what is expected of founders who have been able to overcome the odds to secure investment in what can be described as a nascent sector of the market.

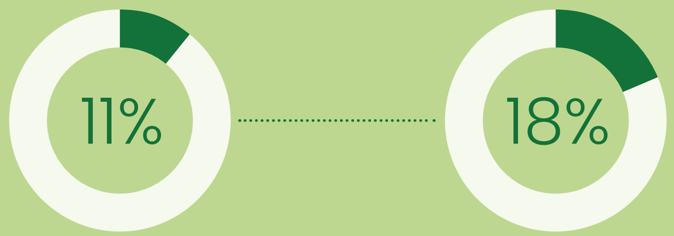
The entrepreneurs profiled are some of the best in their fields, yet, when compared to their White counterparts, they have each raised less money throughout each of their funding rounds.

The entrepreneurs profiled are some of the best in their fields, yet when compared to their White counterparts, they have each raised less money throughout each of their funding rounds.

This report serves as a vital resource for policymakers, investors, and stakeholders committed to fostering a more inclusive and diverse entrepreneurial landscape. Acknowledging the challenges presented herein, we pave the way for informed strategies and collaborative efforts to dismantle barriers and ensure equitable access to venture capital for all.

Key findings

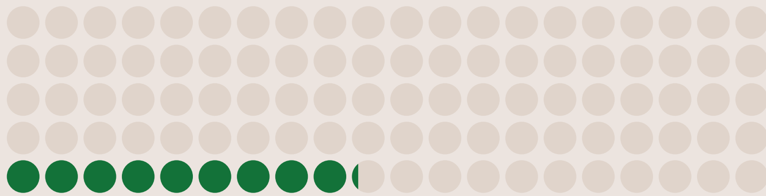
01 Non-White founders raise less frequently



11% of rounds went to **Global Majority Heritage founders**

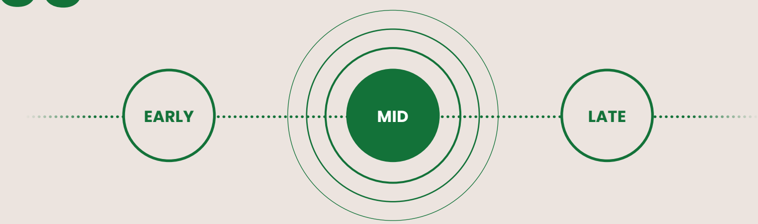
compared to their representation of 18% in the **UK population**

02 Non-White founders raise lower value rounds



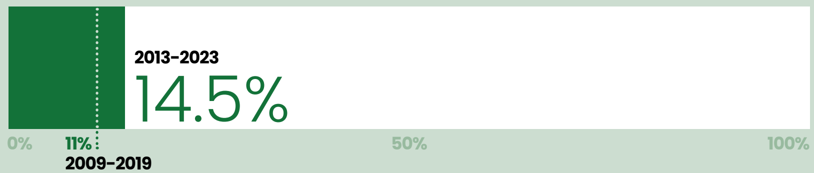
Just over 9% of the value of investment went to Global Majority Heritage founders, indicating that they are raising lower rounds, on average, than their White counterparts.

03 Post-seed ethnic diversity requires attention



Mid-stage investment (Series A, B and C) sees greater underrepresentation of Global Majority Heritage leaders than early-stage and late-stage venture capital with just over 10% capital raised by Global Majority Heritage-led businesses from 2013-2023.[1]

04 Investment frequency to Women founders is improving over time



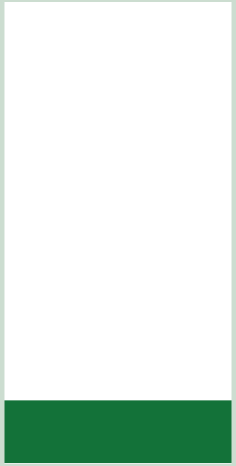
Women founders raised just under 14.5% of VC investment from 2013-2023 – this represents an improvement from the 11% investment to women-led businesses found in 2009-2019, but remains chronically under-representative of women as business leaders, labour market participants, and in the population as a whole.

[1] Note that figures may be different to aggregate level statistics presented by ethnicity, and gender owing to the redaction of stage agnostic funding categories such as grant, debt, and convertibles.

05 Women remain undervalued in the UK venture markets

Women are raising less than their male counterparts for each round of investment; while women founders raised just under 14.5% of the number of rounds, **they raised just over 13.5% of the value of investment**.

13.5% value of investment



06 Black women suffer the greatest penalties in UK venture

Investment from 2013-2023

Black women founders raised just

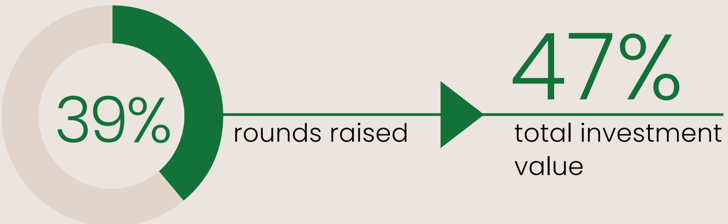
0.14%

This represents an improvement from the previous figure of

0.02%

But remains critically under-representative of Black woman-led businesses in tech and sees a disproportionate underrepresentation of funding to Black women over the past four years of tech growth for Black Women.

07 C.50% of capital invested went to founders with elite educations



39% of rounds raised went to founders who had studied at an Elite, Extended Elite, or Russell Group university. These founders raised just under half (47%) of the total investment value.

08 Investment growth into Global Majority Heritage founders has slowed since 2021

...but perhaps signs of recovery?

The proportion of investment value by ethnicity through time tells a story of **gradual change or perhaps inertia** until 2021.

Post the murder of George Floyd, there was a rapid positive change for some groups of people lasting for 2021 and 2022, followed by what looks to be a **loss of momentum**.

09 Investment to women is slow but steady

There appears to be an **inverse trend to that seen for ethnicity, whereby women founders received a lower proportion of investment during the pandemic than in years previous**, and a slight increase has been seen from 2022-2023 YTD. In 2021, just 9.4% of investment went to women founders, compared to 19% in 2020, and a slight increase to just under 13% for 2022 and 2023 YTD.

10 We are still in a 'small numbers' paradigm

We would like to understand the relative performance of Global Majority founder businesses and have set up the data to do so, but **the cohorts are still too small to be able to determine statistical significance**. As the UK progresses along the path of becoming a truly startup nation, we will be able to generate an understanding of the relative performance not just of startups but also of potential policy interventions.

Recommendations

01

Transparency
All venture funds should make data on their investments publicly available so they can be tracked to enable inclusive ongoing reporting on the industry's performance on diversity.

02

New Filtering Processes
A further review on understanding and establishing the possible resilience criteriaindependent of ethnicity, gender and education that are indicators of success that VCs should use in their filtering processes going forward.

03

New Terminology
Previous to our 2020 report BAME was the most commonly used term, which we advocated to move away from. Most have now moved away from this, but there has not yet been a coalescence around common terminology. This report uses Global Majority Heritage to collectively describe ethnicities other than White while omitting language such as 'minority' and moving towards enabling narratives so that future interventions can be better targeted. We recommend these terms be widely adopted.

04

Create an Investing in Global Majority Heritage Founders Code

Government to create an Investing in Global Majority Heritage Founders Code, mirroring the Investing in Women Code:

a. Encourage gender and ethnic diversity at partner and decision-making level at investment firms.

b. Encourage the implementation of minimum quotas to ensure that funds are investing 14% of the funds under management (including a minimum of 4% for Black founders) for Ethnic-led companies.

05

Create a Diverse Co-Investment Fund (18% of $15.7bn)
Government to support inclusion with the creation of a Diverse Co-Investment Fund of £2.23 billion (18% of $15.7 billion) to de-risk and improve the deployment of equity investment into Black (4%), Asian and Global Majority Heritage-led venture capital funds.

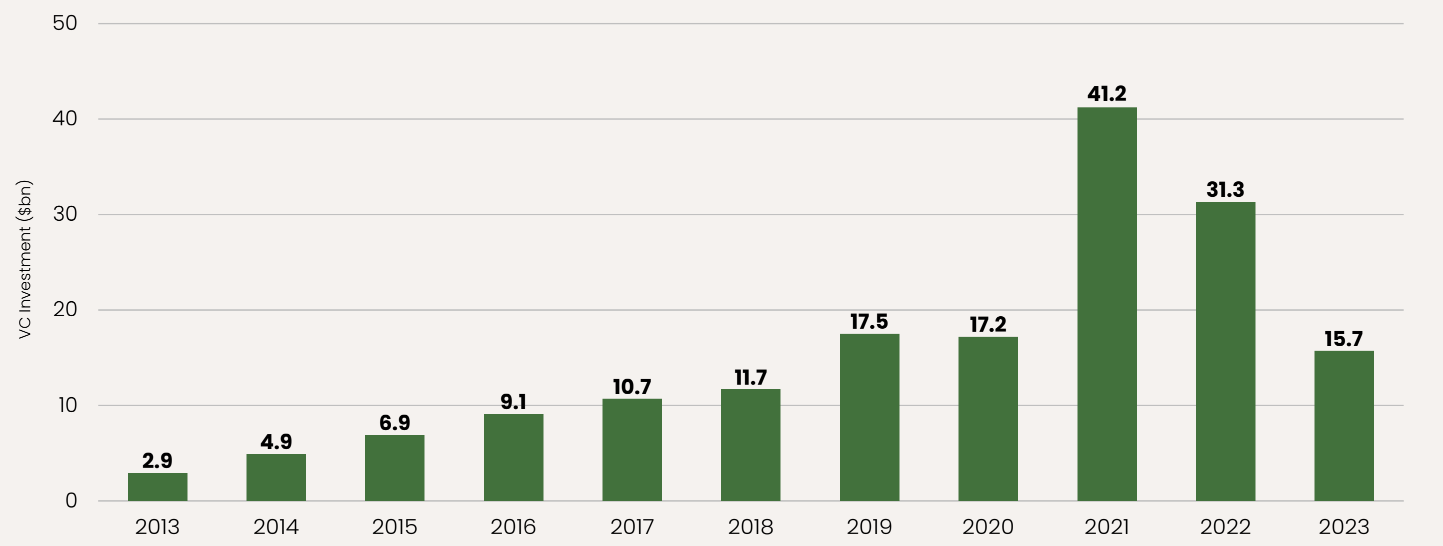
Introduction

The UK tech industry has experienced remarkable growth over the past decade, resulting in founders making an unparalleled positive economic impact. However, in the natural course of ecosystem maturation, they may impede further advancement, hindering sustained growth unless fundamental issues are addressed. To ensure the continued progress and development of the UK tech sector, a shared imperative exists to envision and enhance ecosystem conditions collectively.

Over the last ten years, scaleups in the UK have generated nearly $600 billion in value through various exits, including acquisitions, SPACs, or public listings. This success has transformed the once nascent ecosystem into a significant contributor to the UK's economic landscape. In part, this success has been enabled by the ramping up of venture capital investment into UK tech companies. From 2013 to 2023 (year to date) we have seen just under $170bn of investment made into UK companies. This provision of venture capital, alongside other resources such as social capital and talent, is a key performance driver.

FIGURE 1

Investment into UK tech companies by year (2013-2023 YTD)



Source: Dealroom, 2023

This funding is inherently unevenly distributed. Companies demonstrating robust performance, targeting expansive markets, and positioned to emerge as global category leaders have secured the majority of this capital. Nevertheless, capital distribution may still not solely be determined by merit or opportunity, as detailed in this report.

Black founders, Middle Eastern founders, East and South Asian founders, and founders from mixed and other heritages – collectively referred to in this report as Global Majority Heritage founder – in the UK are less likely to be invested in by venture capitalists than their white counterparts, based on the last decade of tech VC investment.

This report updates data published in 2020 in a pioneering report from Extend Ventures, which provided a quantitative state of the nation for entrepreneurs who are diverse by ethnicity, gender, and educational background.

Diversity Beyond Gender '20 provided empirical evidence that in the UK, the ethnicity of an entrepreneur or founding team plays a role in their access to venture capital, with non-white entrepreneurs facing greater challenges compared to their white counterparts.

Our research categorises founders based on perceived ethnicity and gender, utilising publicly available images. While ethnicity is typically self-determined, we justify this approach as the collected data is anonymised and aims to enhance capital access. Prejudice based on ethnicity or gender is contingent on the perceptions of those controlling funding.

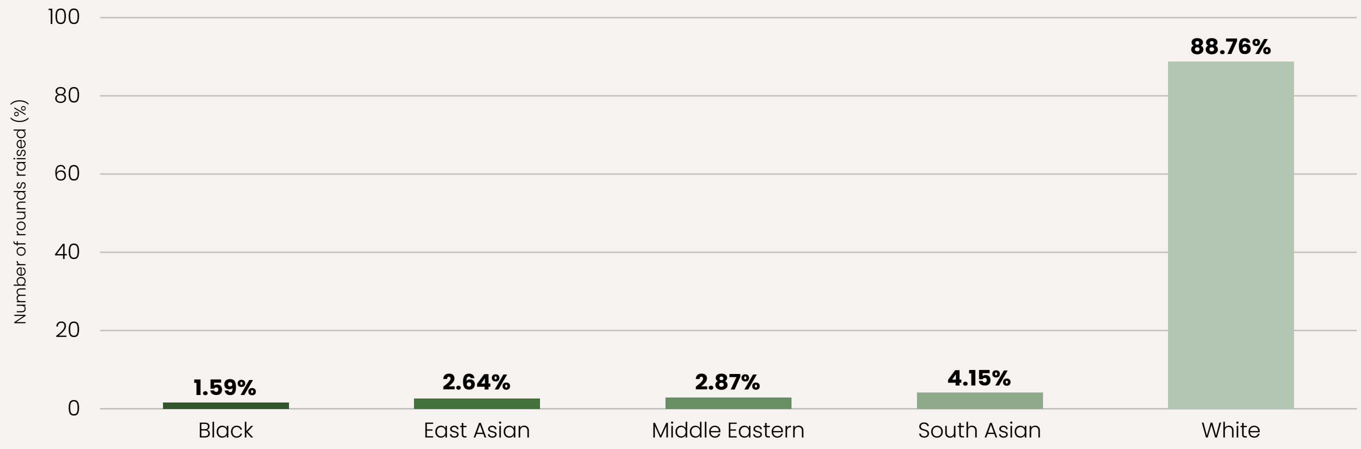
In the UK, an entrepreneur's ethnicity significantly impacts their access to venture capital. Non-white entrepreneurs face substantial hurdles compared to their white counterparts.

VC investment and ethnicity

FIGURE 2

Proportion of number of rounds raised by ethnicity of founder
% (2013-2023)

11% of rounds went to Global Majority Heritage founders, compared to their representation of 18% in the UK population and 40% of the London population.

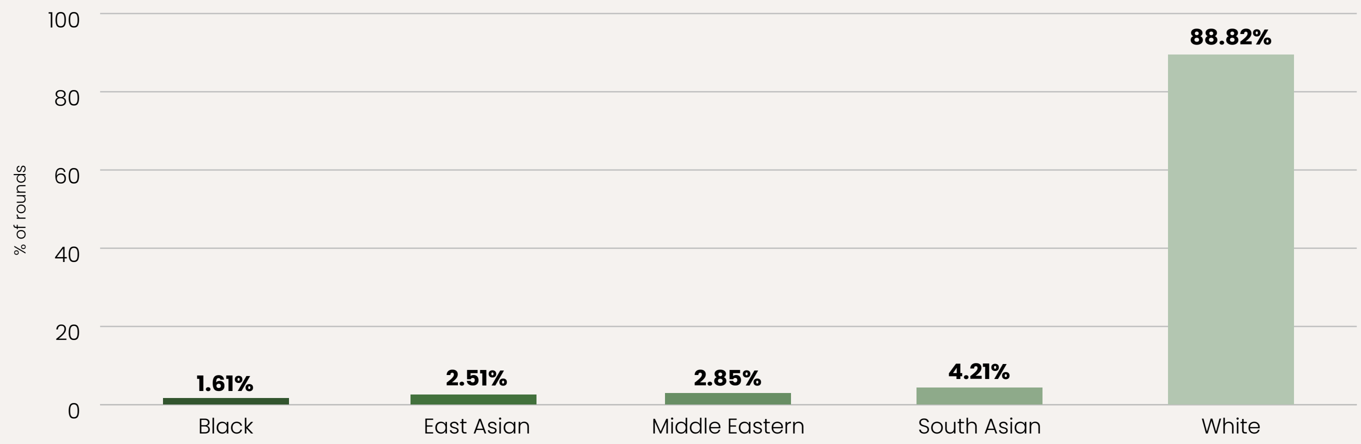


Source: Extend Ventures, 2023

FIGURE 3

Proportion of number of rounds raised by ethnicity of founder
% (2019-2023)

Looking at just 2019-2023 from when Diversity beyond Gender '20 report was released, 1.61% of the number of rounds went to Black-led businesses.

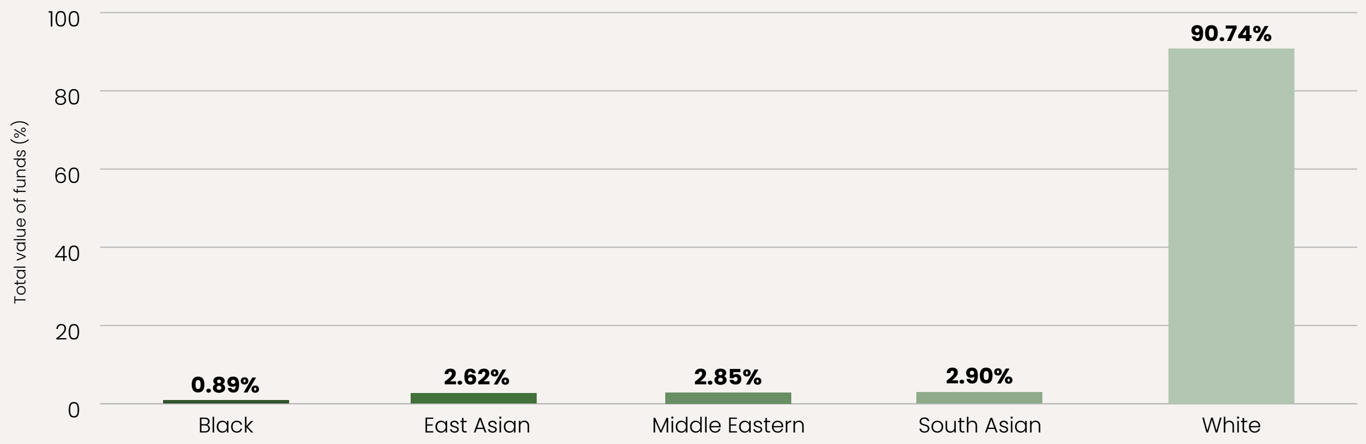


Source: Extend Ventures, 2023

FIGURE 4

Proportion of investment value raised by ethnicity of founder
% (2013-2023)

Just over 9% of the value of investment went to Global Majority Heritage founders over the last decade, indicating that they are raising lower rounds, on average, than their White counterparts.

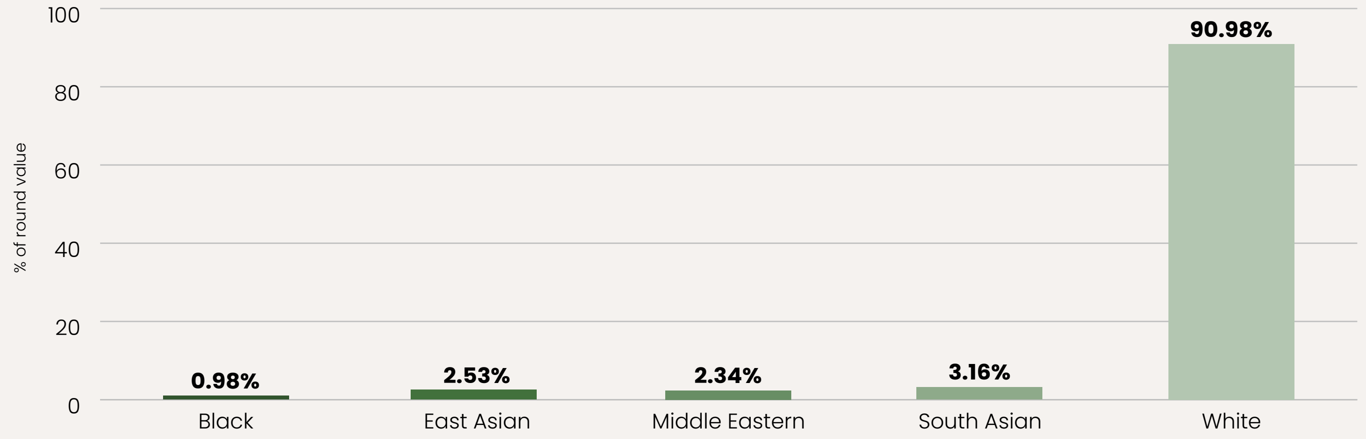


Source: Extend Ventures, 2023

FIGURE 5

Proportion of investment value raised by ethnicity of founder
% (2019-2023)

Again, for 2019-2023 the proportion of funding to diverse founders by ethnicity is marginally higher than the decade benchmarking, perhaps indicating a small improvement in access to finance for Global Majority Heritage founders, but the difference is arguably minimal.



Source: Extend Ventures, 2023

Stage of investment

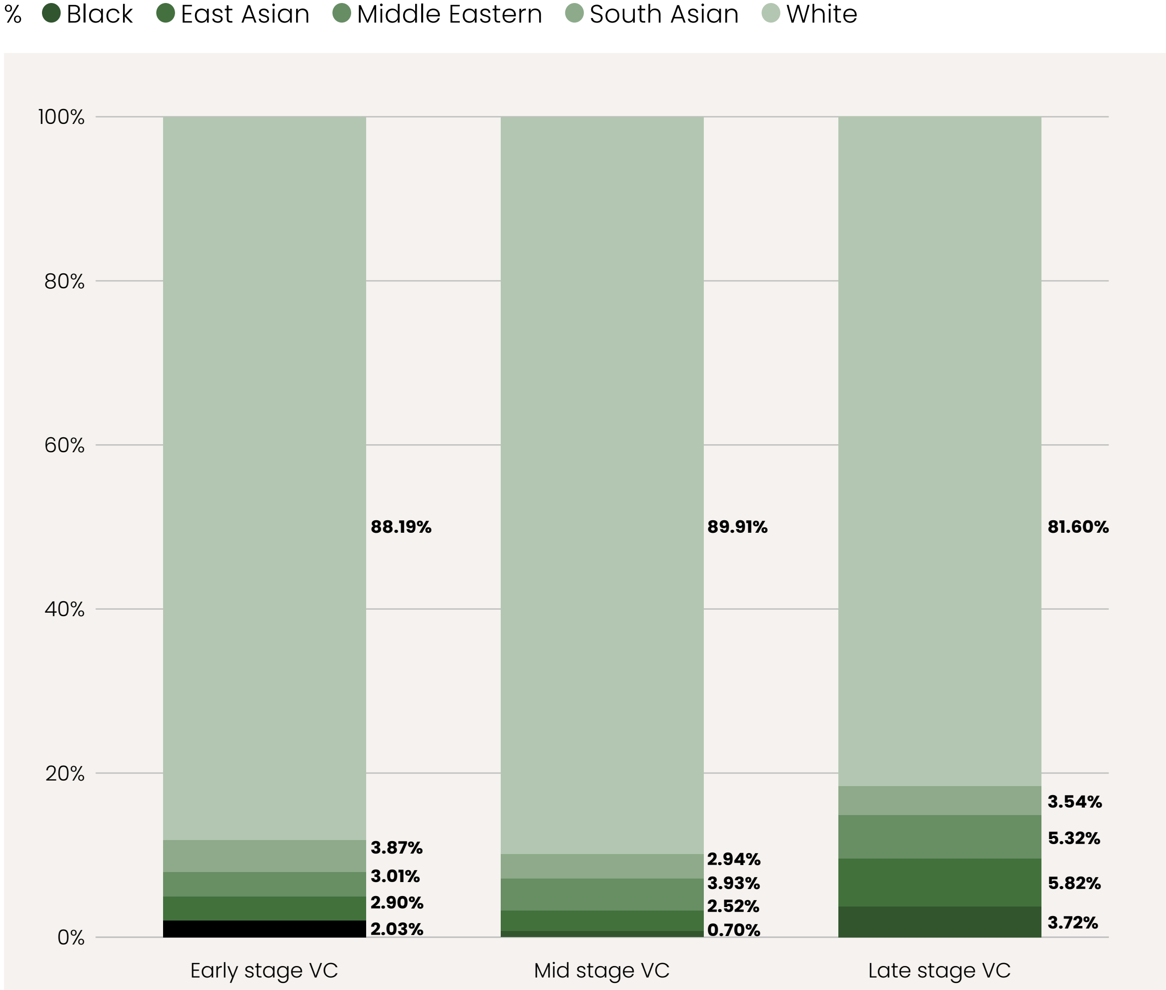
Mid-stage investment (Series A, B and C) sees greater underrepresentation of Global Majority Heritage leaders than early-stage, and late-stage venture capital with just over 10% capital raised by non-white led businesses from 2013-2023.[2]

At Series A-C, companies that have successfully navigated the seed funding phase often find themselves at a critical juncture. While they have secured initial financial backing, the pursuit of product-market fit becomes a pivotal challenge. Scaling at this juncture is a delicate dance, as companies strive to refine their value proposition, target the right customer segments, and fortify their competitive edge in a crowded market. The pressure intensifies to demonstrate sustainable growth and operational efficiency, as investors seek assurances that the groundwork laid in the seed stage will blossom into long-term viability. The mid-stage thus becomes a testing ground, where strategic decision-making and agile adaptation to market feedback play a central role in determining a company's trajectory towards success or stagnation.

[2] Note that figures may be different to aggregate level statistics presented by ethnicity, and gender owing to the redaction of stage agnostic funding categories such as grant, debt, and convertibles.

FIGURE 6

Investment by ethnicity and stage of company investment

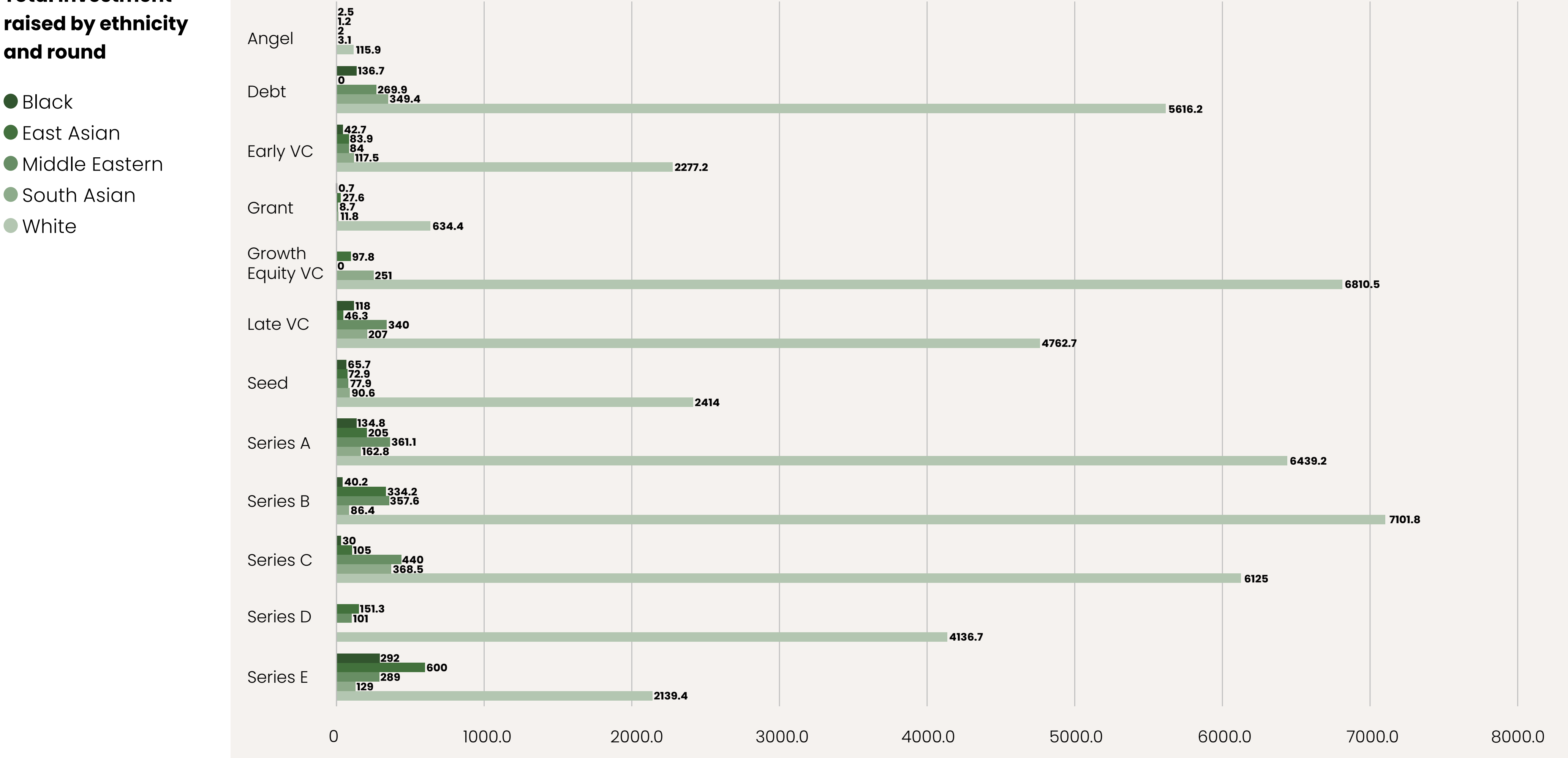


Source: Extend Ventures, 2023

VC investment and ethnicity – Stage of investment

FIGURE 7

Total investment raised by ethnicity and round

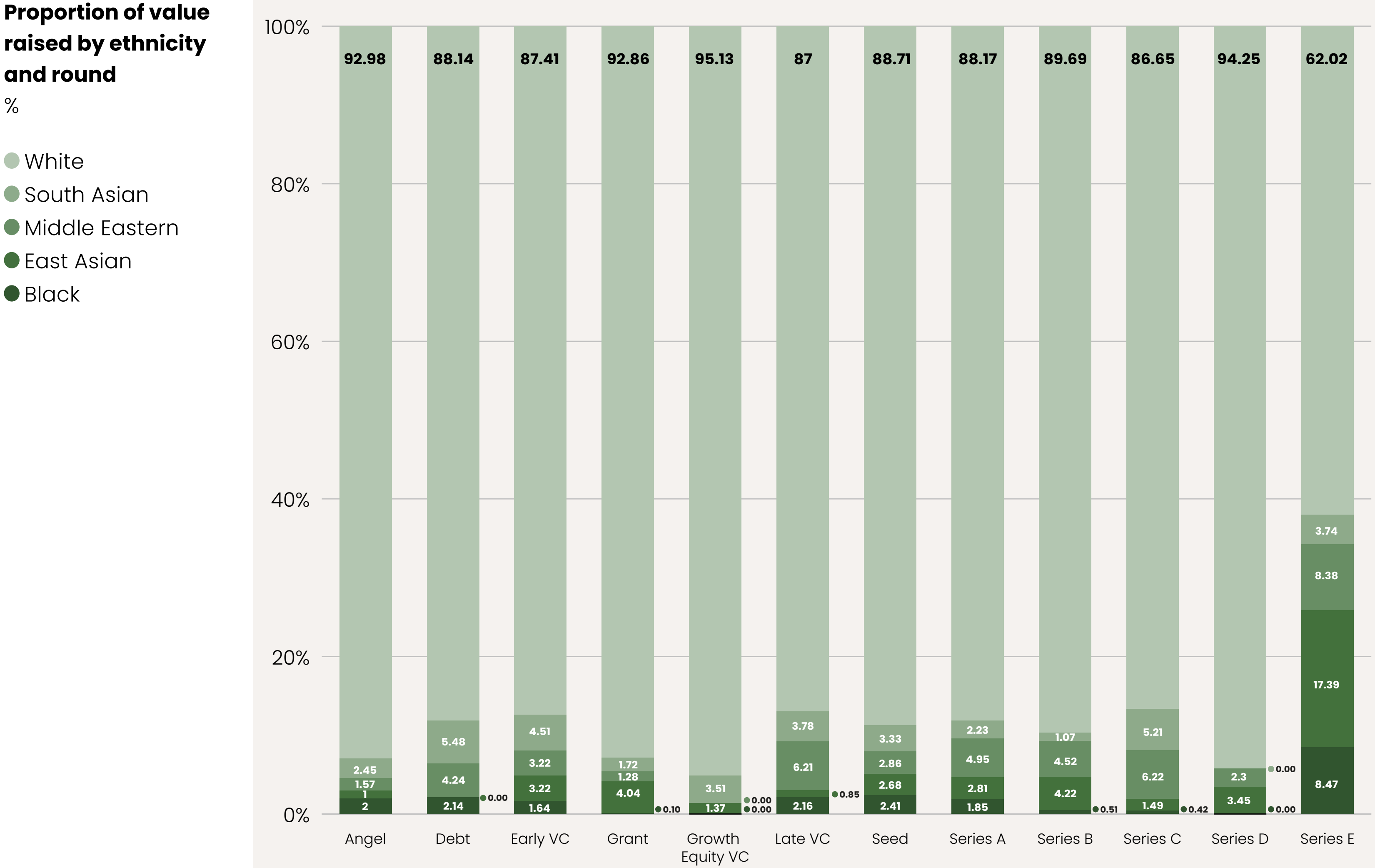


Source: Extend Ventures, 2023

FIGURE 8

Proportion of value raised by ethnicity and round

%



Source: Extend Ventures, 2023

The low proportion of investment made into Global Majority Heritage-led businesses in the UK during series A to C funding rounds creates a precarious scenario with profound consequences for the entrepreneurial landscape. As these overlooked founders struggle to secure adequate financial backing, they face substantial hurdles in scaling their ventures. Limited access to capital impedes their ability to execute growth strategies and hampers their capacity to navigate the intricacies of a competitive market. This systemic disparity curtails the potential success of individual companies and perpetuates a broader pattern of exclusion, stifling diversity and innovation within the entrepreneurial ecosystem.

Christian Facey

Audiomob

There are significant opportunities to invest in exceptional founders leading buoyant businesses at this stage. Christian Facey from Audiomob shared his founding journey in a candid interview highlighting the potential of diverse founder perspectives in identifying disruptive business models in even the most established of markets.

Erika Brodnock
Christian, take me through your journey. Share the story behind founding Audiomob and the company's evolution.

Christian Facey
I used to work at Google as a strategist. So I used to manage around $100 million a year, increasing ad spend returns for large agencies and brands. Subsequently, I transitioned to Facebook, now known as Meta, as a science partner. I also developed my own mobile games.

I started digitising Japanese watercolour artwork and making these really nice relaxing puzzle games. I'm also a really big fan of hip-hop and jazz music. And I've been producing that kind of music on and off for maybe 15 years now. Since I was a teenager, I started streaming the music I was making into the games I was making as a hobby.

This is when I met Wilfrid, my co-founder and Audio Mob CTO. He's an ex-engineer of Google, JPMorgan, and Goldman Sachs. He worked at all these companies before the age of 23, so a very skilled engineer. We started looking into how we could monetise a user without annoying them with more video ads because everyone hates video ads, right? And we thought audio could be an interesting component. So we put all of our savings together to try and create a minimum viable product.

So we made a global-first product, but then we had to figure out how to make this an investable business.

The risk paid off, and we raised our first $2 million throughout 2020/21. To date, we've raised $17.5 million, and the company's at 41 people.

Erika
Congratulations!

Google, Facebook, JP Morgan, Goldman Sachs. These are some of the world's most high-profile companies; you both have several of them on your CV. Did you find that helped? Did you attend university? Did that help? How did you find the fundraising process?

Christian
So, I think Wilfrid and I's life experiences differ from many people who look like us in the fundraising environment. So it's everything from the values we were taught as kids; some of those things have stuck with us. For example, from a fundraising perspective, I've never seen looking like myself as a hindrance. I've actually seen it as a significant advantage, but you've got to see it as that, and luckily, that is a skill both Wilfrid and I have honed. Because if you have even the slight image of someone that may have a chip on your shoulder - and rightly so, a lot of people have that because they have come from very disadvantaged backgrounds and have suffered more racism than myself and Wilfrid have in our lifetimes - focusing on the negatives is something that can hinder you.

My mum, my dad, and my uncle were computer scientists. My dad coded most of the backends for the private banks in the UK today, but it was Coutts, NatWest, etc. So, I've always had role models who look like me and have been super successful.

I went to Kingston University, which is not a top-20 University. It's actually ranked on the lower end of the league table. However, I knew that going to Kingston University meant working harder than others attending a more prestigious uni. If someone from Oxford or Cambridge had one internship, I needed four. If they got a 2:1, I needed a first-class degree. Before I graduated from Kingston, I received a job offer from Google. However, I rejected that to work at a startup because I knew that owning my business was something I'd always wanted to do. When that startup didn't work out, I went back to Google.

Erika
Moving now to the business. How did you win some of your first clients, how much are you making in revenue, and what are your drivers for future growth?

Christian
So, we can't ever reveal our exact revenue numbers, but let's just say it's in the millions, and we plan to hit eight figures by the end of 2023. And in terms of how we got our first clients, it took a long time. Easily over 200 emails and months and months and months to figure out how to close the first deal.

After many months of searching, we contacted an ad exchange called Triton Digital. They were an exchange connecting buyers and sellers. We knew that if an ad exchange believed in the solution and was willing to assign us engineering resources, which they did, we could use that traction to go to agencies and game developers and say, "Okay, we've got an interested big buyer that wants to test this concept. Let's try and make something happen."

We eventually partnered with an agency, and found an advertising client that, for some reason, had a mini gaming studio they were experimenting with.

I'd hit a slam dunk in terms of a buyer with a game willing to connect that game to Triton so we could test the entire ecosystem, and that specific deal is what led to our first million dollars.

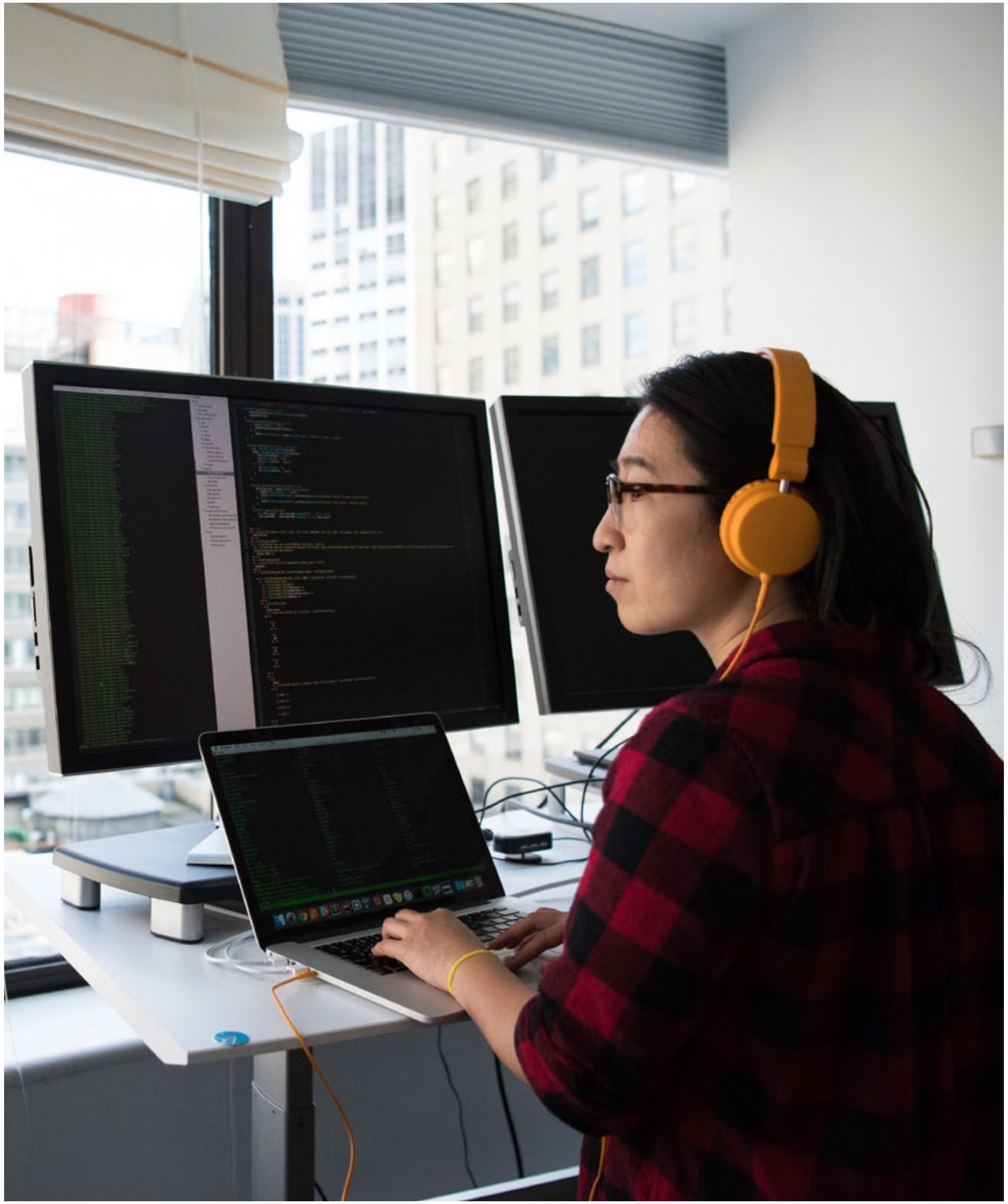
Erika
What are your future aspirations? Where are you taking this to?

Christian
We definitely want to IPO eventually. We know what we're building has the adoption metrics of a future multibillion-dollar platform. For instance, we know if we pitch 100 developers, we now close 95% of them, and churn is only 1%.

We're in a situation where we've got multiple tier zero gaming studios - these are the largest studios in the world - that want to scale us throughout their whole portfolios. So we're figuring out how to increase the headcount quickly enough without compromising on talent. We've had game developer growth year on year of 8,600%.

Erika
One more question. All of my research has shown that it takes a minimum of $27 million in investment to build a unicorn (there are a few outliers from these figures). Do you believe that you can build a unicorn with another $10 million?

Christian
I'm almost certain we can get the headcount needed to scale the big deals with more capitalisation, and then we'll be well on our way.



VC investment and gender

Women founders raised just under 14.5% of VC investment from 2013-2023 - this represents an improvement from the 11% investment to women-led businesses found in Diversity beyond gender ‘20 but remains chronically under-representative of women as business leaders, labour market participants, and in the population as a whole.

Across all sectors in the UK economy, Women-led companies now make up 17.3% of the UK total, up from 16.8% in the year prior, according to The Gender Index. Women represent 26% of the UK tech workforce. Looking at the UK population, according to the 2021 Census, women and girls made up 30.4 million (51.0%) of the population of England and Wales, and men and boys made up 29.2 million (49.0%).

Women founders raised just under 14.5% of VC investment from 2013-2023—an improvement from the 11% found in ‘Diversity Beyond Gender ‘20.’ Yet, this remains vastly inadequate, under-representing women as business leaders, labour market participants, and within the population as a whole.

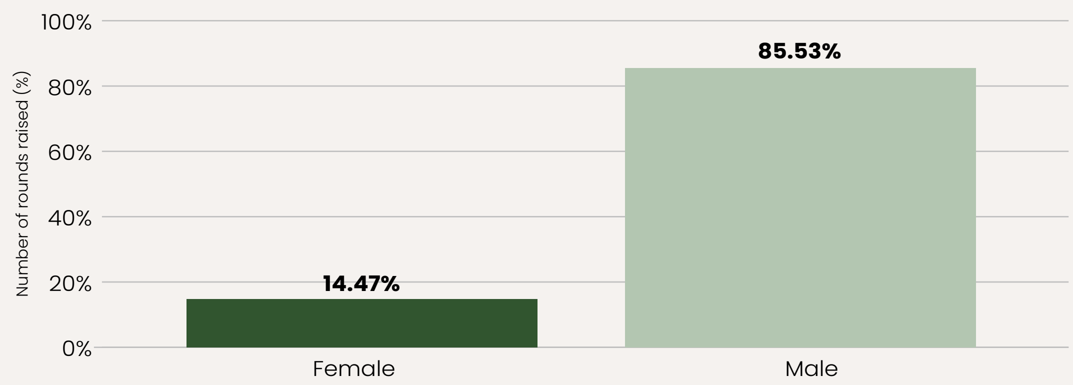
The underrepresentation of women manifests as a pervasive issue with far-reaching consequences. Beyond the confines of venture capital, the limited presence of women at the helm, accounting for only 17.3% of businesses across all sectors, reflects a systemic imbalance that stifles innovation and economic potential. In the tech sector, a critical arena for shaping the future, women's representation at a mere 26% of the workforce exacerbates the problem. These disparities are particularly troubling when considering the demographic reality: women and girls constitute over half of the population in England and Wales. This underrepresentation not only perpetuates gender inequalities but also deprives industries of diverse perspectives and talents crucial for navigating complex challenges.

Women are raising less than their male counterparts for each round of investment; while women founders raised just under 14.5% of the number of rounds, they raised just over 13.5% of the value of investment.

FIGURE 9

Proportion of number of rounds raised by gender of founder

2013-2023

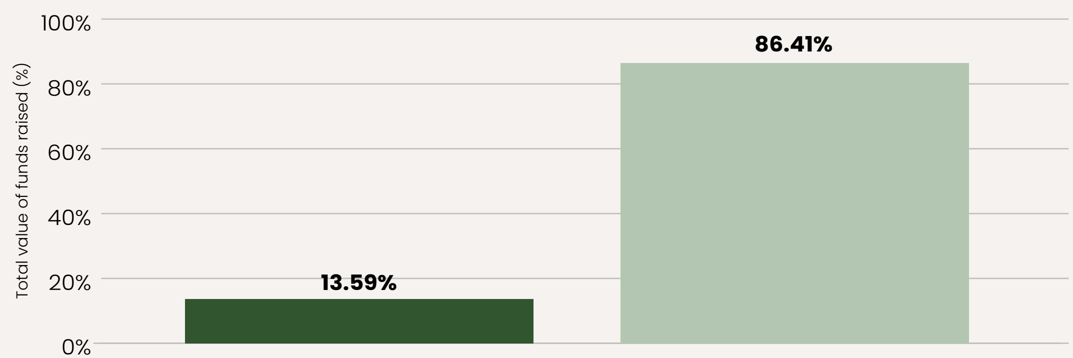


Source: Extend Ventures, 2023

FIGURE 10

Proportion of investment value raised by gender of founder

2013-2023



Source: Extend Ventures, 2023

Stack World

Sharmadean Reid MBE

Stack World

Prior to 2020, Sharmadean Reid was the only UK Black woman who had raised more than $1m in VC funding for her startup Beautystack. In this interview, she shares her founding journey, the circumstances leading to her fundraise, and her subsequent pivot to The Stack World.

Erika Brodnock
I would like to learn about your journey as a founder. What made you venture into technology?

Sharmadean Reid
From 2013 to 2015, I was living in Wolverhampton and thinking about the next chapter of my life. Quite a few people were fundraising for various startups. I had an idea for a software-based business with my nail salon. Previously, I had tried to create a labelling system for nail images and wondered how to do this digitally. I'd come from an innovative school. Thomas Telford Academy was ahead of its time. It was the first wave of academies and was one of 15 City Technology Colleges at the time.

I moved to London in October 2015. I had started to develop a VR nail experience. I wanted to open a new nail salon in Soho that was innovative. I met this cool girl, Kim Boutin, and we started building this VR project together. Then, during that time, from October 2015 to July 2016 I was going to a lot of tech talk events, specifically around AI, natural language processing, chatbots and VR. As I was going to all of these different events, I was usually the only Black woman in the room.

At that point, a friend I'd met in the fashion industry said that her mother, who was from a hotel and shipping family in Hong Kong, wanted to invest £300k in WAH Nails. They backed me to open the salon that I wanted to build. So, one nail salon was now in motion in Soho. I was building the physical shop and building the VR system I wanted to use to launch the shop.

In July 2016, I created my first-ever pitch deck for what was then Beautystack. I pitched to Founders Factory and L'Oreal. They thought it was too complicated because I wanted to build an image-based booking system that would help improve booking conversions with computer vision. I opened the salon, ran it for 9 months and then told my team that as the business was stable, I would go work on my startup.

I met an investor who agreed to write me the first £10k check into Beautystack. Then, I won a Future Shapers award from Marie Claire for my work at WAH Nails. Grace Gould introduced herself to me at the awards party, and eventually, she connected me with Suzanne Ashman at LocalGlobe, who would go on to agree to lead our £600k Pre-Seed round.

I met my co-founders through Tabitha Goldstaub, who are still my partners today. I love them. And because Dan and Ken had been engineering for over a decade, they had a good network of people. So once I raised that first round, we hired our first people and built our first MVP, which was a web product, not an app.

I know it sounds simple, but the very first version of Beautystack was a website with pictures. Clicking a picture would take you through to a booking flow and lead to an offline payment once an agreement was reached between the client and the professional. It was in a closed beta with just five girls testing it, and within a few months, it generated £40k of GMV.

We used the rest of the Pre-Seed to launch a small pop-up for beauty professionals at Coal Drops Yard in Kings Cross. It was a new development, and they gave us a free room. We created a pop-up salon and used it to showcase the app. Saul Klein (the managing partner of LocalGlobe) took Danny Rimer (partner at Index Ventures) for a walk around Kings Cross, and they walked past my shop. Saul made an introduction, and we pitched Beautystack.

By now, we had launched, but it was invite-only. We had about 20 beauty pros signed up, and their revenues were steady. Danny was impressed and said he wanted to lead our Seed round.

It was December 2018. I had two term sheets because I'd also met with Atomico, who I really enjoyed meeting. They'd run a robust process, and Atomico's term sheet was for £4 million. I was not expecting that because I'd gone out to raise £2m. I was advised to raise as much money as possible to hire the best talent. I spent three agonising weeks deciding whether to go with Atomico or Index.

Erika
What made you choose Index?

Sharmadean
I wanted to be in America rather than Europe, and Danny had invested in the most famous female founders. We closed the round in January 2019.

Once we closed the round, the work began in earnest. I found hiring tough. I held the first board meeting and was told I needed to hire more people. Between March and the next board meeting, July, I hired 20 people. We had a new East London office that was full and buzzy. Everyone's excited. I've onboarded everybody properly because I want the culture to be good, but most were junior hires. This takes a crazy amount of time, and I found it hard to juggle that and build the product.

Erika
Did you have a co-founder who was more operational alongside you?

Sharmadean
I interviewed so many people for COO. I didn't meet anyone suitable. There wasn't a successful beauty exit at the time. So, top talent was not excited by what we were building. It was the year of fintech - just like now is the year of AI.

For the next three months, I focused on improving the product and then came what I can only refer to as zigzagging. I would spend the next three months focusing on the new thing, then investors would shift focus. Product development is my strong point, and I would have preferred to focus on this and sign-ups.

That said, over the next nine months, we improved the product massively, fixed several bugs, and signed up 2,000 users, and by the end of 2019, we were ready to come out of our Alpha launch publicly so that anyone could sign up.

I went to New York in February 2020 to prepare for another round of funding ahead of the public launch. I met with Softbank Opportunity Fund and NEA, and had good initial responses. While I was in New York, people were talking about COVID. Just before I was due to return to London, a state of emergency was declared in New York. I flew home, and within three days, I had COVID. I was really unwell. Around 10 days into my illness, Boris Johnson announced the first lockdown. Beauty bookings ceased completely. We held lots of zooms and events, and I started thinking about The Stack World by summertime and put it into motion by November 2020. My Grandma died in December 2020, and that hit me hard. The board disbanded, and it was an incredibly tough time. I didn't know if we were going to live or die. My existing investors invested pro rata, and I raised funds from Future Fund to keep us afloat.

That's when you know personally and professionally who your friends and allies are. I felt incredibly lonely. My grandma's funeral was on 6 January, and then I went straight back to work on Monday. In hindsight, I should have wound the limited company Beautystack down and started again with The Stack World, but I had several women angel investors on that cap table that I didn't want to let down.

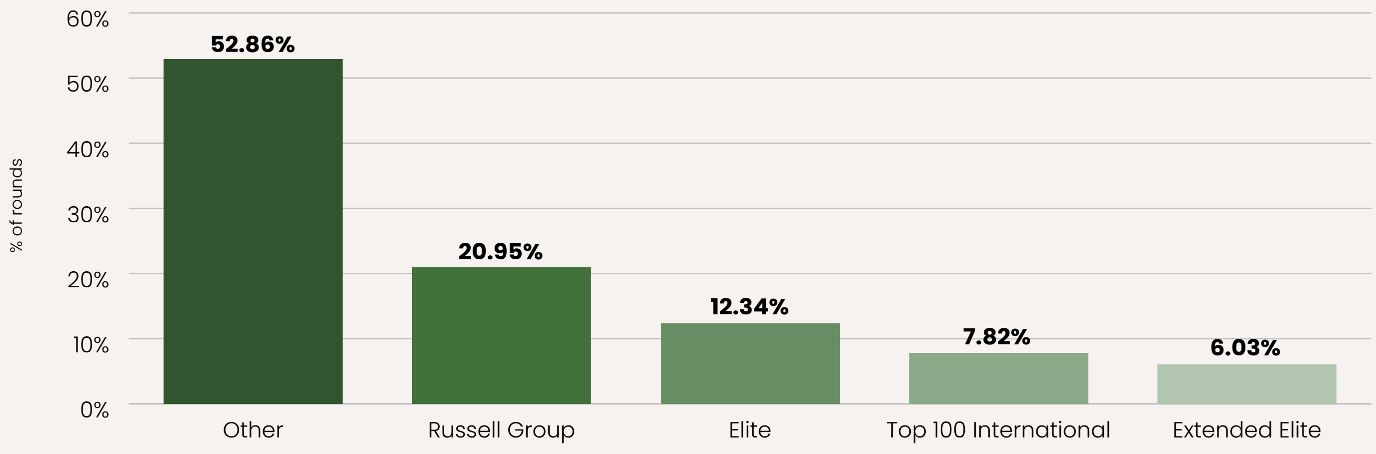
Once our pivot was completed, I started a raise for the Stack World. Magnus Rausing said he would lead, and in 2021, we completed a round. Magnus has been absolutely wonderful and joined the board, and The Stack World is now up and running. We've had some incredible brand partnerships, including Selfridges, Google, Squarespace and LVMH, which have generated £1 million in revenues.

VC investment, ethnicity and education

FIGURE 11

Proportion of rounds raised by educational background of founder
% (2013-2023)

39% of rounds raised went to founders who had studied at an Elite, Extended Elite, or Russell Group university.



Source: Extend Ventures, 2023

According to the Higher Education Statistics Agency (HESA), the percentage of people starting undergraduate study who were White went down from 74.2% to 71.5% in the five years between July 2018 and July 2022. According to the Times Good University Guide, diversity levels are also increasing at elite Russell Group universities. In 2022, the most diverse Russell Group universities were in London, with all five showing more than 50% Global Majority Heritage intake. Oxford and Cambridge Global Majority Heritage intake levels were 23.7% and 29.1% respectively.

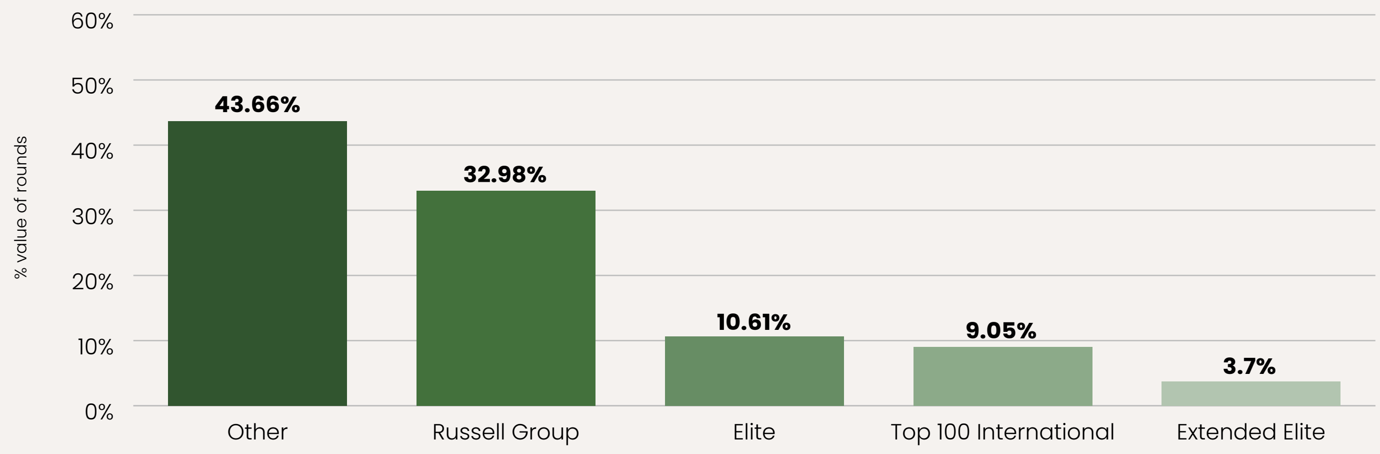
These improvements in ethnic diversity intakes are yet to fully filter through to the venture capital markets. White founders with elite, extended elite, and Russell Group educations still receive a disproportionate amount of the capital invested, while East and South Asian founders with elite and top 100 International educations appear to have made the most progress within the Global Majority Heritage groups.

Using metrics such as the educational establishment attended when making decisions on whether to fund innovation and entrepreneurship can create barriers to entry for entrepreneurs who are otherwise capable of running a successful business.

FIGURE 12

Proportion of investment value raised by educational background of founder
% (2019-2023)

Looking at the proportion of value raised, founders who attended an Elite, Extended Elite, or Russell Group university raised 47% of investment

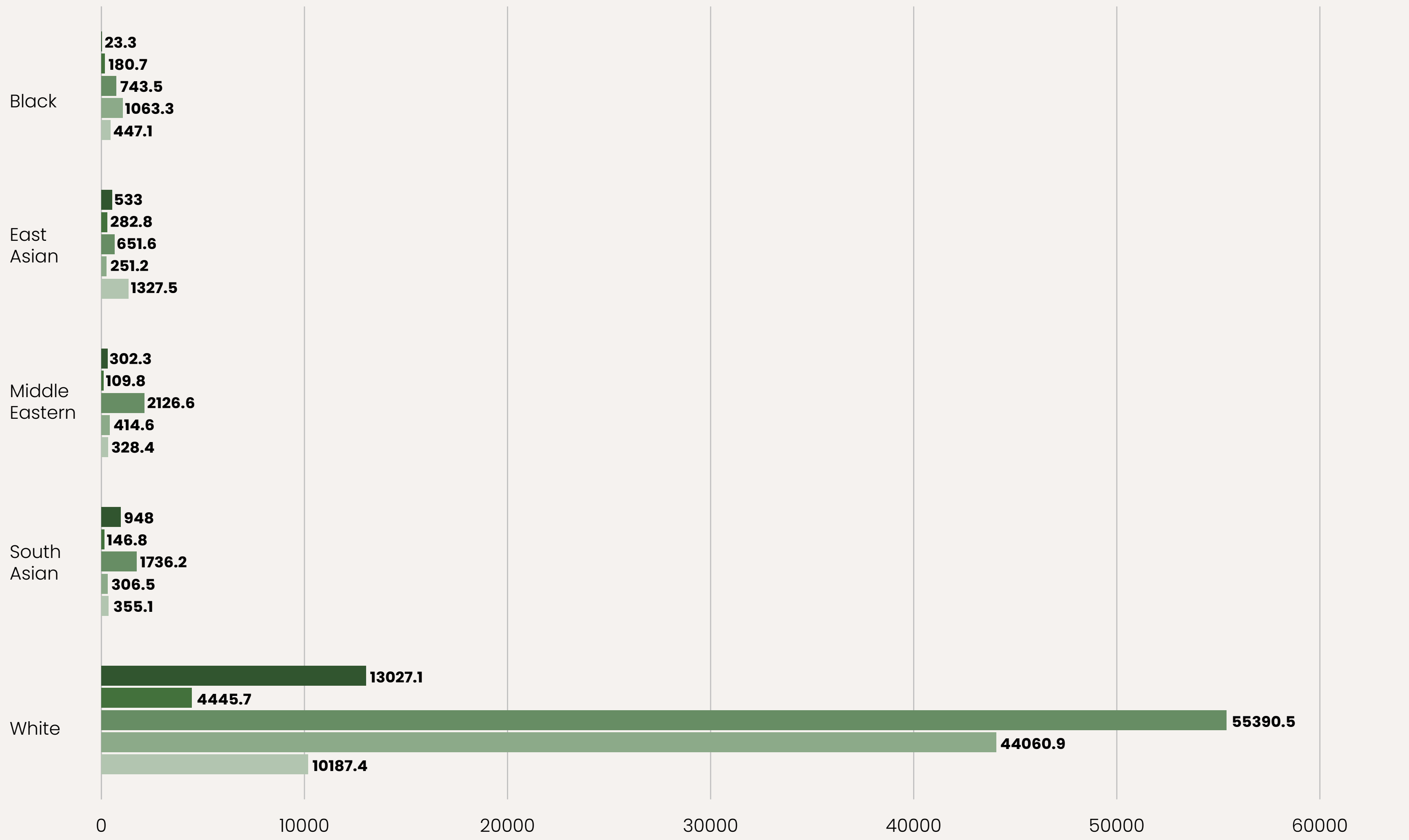


Source: Extend Ventures, 2023

FIGURE 13

Total investment ($mns) by ethnicity and educational background
2013-2023

- Elite
- Extended Elite
- Other
- Russell Group
- Top 100 International



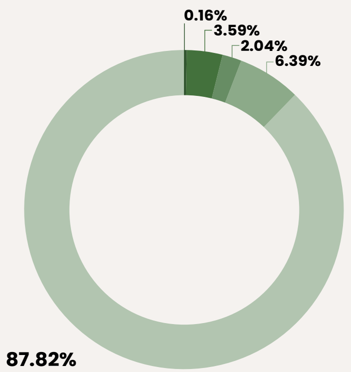
Source: Extend Ventures, 2023

FIGURES 14–18

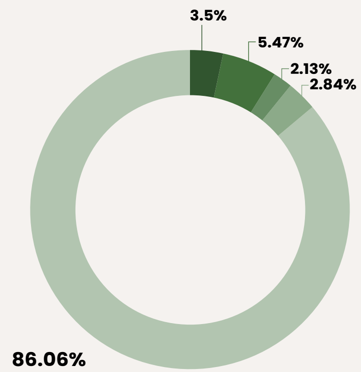
Proportion of investment value by:

- Black
- East Asian
- Middle Eastern
- South Asian
- White

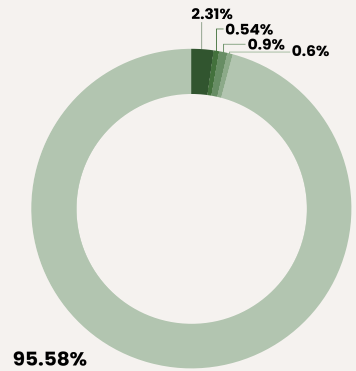
Ethnicity and Elite educational background
2012–2023



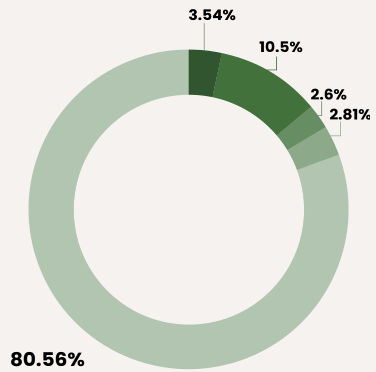
Ethnicity and Extended Elite educational background
2013–2023



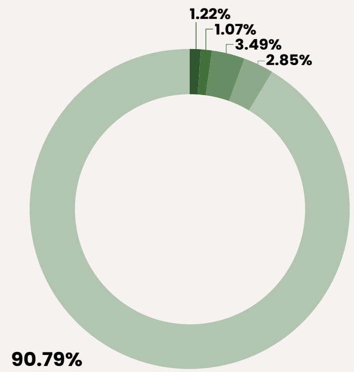
Ethnicity and Russell Group educational background
2013–2023



Ethnicity and Top 100 International educational background
2013–2023



Ethnicity and Other educational background
2013–2023



Source: Extend Ventures, 2023

Lewis Liu

Eigen Technologies

Lewis Liu founded the AI-powered data extraction firm Eigen Technologies and shares how his quest for solving a problem that has persisted since his graduation has grown into innovative industry-shifting technology.

Lewis
I was born in rural China, on the outskirts of Wuhan. My parents were very much from rural China. My dad managed to get an MBA scholarship in Belgium and then a PhD scholarship in America. So that's how we ended up in the States. I went to the US when I was three and a half. I'm your classic, first-generation American story. My mom is now retired, but she was a data scientist before people even called people like her data scientists. And my dad became a very senior banker. He's just recently quit his job to start a crypto company. So we moved from a very first generation immigrant style life in America to an exceptionally affluent suburb of New York City.

I went to Harvard for my undergraduate degree. After that, I came to London, and my first job out of university was at McKinsey in 2008. I did a bit of quantitative finance, then did my PhD at Oxford University and started Eigen.

Erika
This is the definition of social mobility and the American dream. Tell me about your journey to founding Eigen Technologies.

Lewis
I think the problem I solve today is a problem I came across right after I graduated high school. I got a job at minimum wage, $5.50 an hour, doing data entry for this tyre manufacturing plant in northern New Jersey. On day one, I thought it was a terrible experience and could surely be automated. So I asked them if they had digital files, and they did. After that, I wrote a little C++ computer program, by day three, that basically automated the entire process. So effectively I solved for my entire summer job in three days. They were gracious enough to pay me out for the summer. That was the first time I recognised that this is a problem in the business world.

Fast forward a few years, and Eigen was founded by two really serendipitous things. Number one is I invented a new class of X-ray lasers during my PhD at Oxford. Unfortunately, it would have taken about 10 years to commercialise. However, I realised that mathematics could be used for a very interesting sequential pattern-matching algorithm and also for language. During my PhD, I had a part-time job and somehow got myself appointed to be a partner-level senior advisor to Linklaters, and the two worlds collided. Linklaters became our first guinea pig, and then the big break we got was when we were about 10 to 15 people when, in early 2017, we won a massive RFP to help Goldman Sachs comply with Dodd-Frank.

So we help Goldman Sachs answer about 1 million queries per quarter, which are sent to the regulators for the Federal Reserve and FDIC so they can prevent another 2008 financial crisis. And when we solved this for Goldman, we were, in fact, the first and only AI company to have solved this in a holistic way, by reading through all the contracts and answering specific questions. Goldman was pretty impressed with the technology and basically led our Series A together with Temasek, the Singaporean sovereign wealth fund. So that's basically how we initially took off.

Erika
So that was a Series A, but did you do a Seed round before that? Did you do a Pre-Seed round? How did you first finance the business?

Lewis
Seven years ago, Seed and Pre-Seed were different concepts. Back then, you would do what we considered an angel round. Or an angel Seed round. So, I found my founding angel investor at a Harvard alumni event. His name is Jonathan Feuer. He was one of CVC Capital's managing partners. The idea was that he would provide initial funding of about £1 million along with sweat equity. He was also the CFO and COO, bringing about that corporate experience while I was the CEO and CTO.

Erika
That is quite the journey. What has been the most important aspect of achieving your success?

Lewis
External to me, I would say that network is the most important thing. They say that when you start a company, you need three things: friends, families and fools, and there's a certain truth to that. So, if I look at my initial set of employees, they knew me well enough that they were happy or at least willing to go on a crazy journey, even though I've never done a business before. They quit their fancy jobs, despite having Oxbridge and London Business School degrees to join me. These are friends, or are they fools, perhaps friendly fools? At the same time, the folks who initially bet on Eigen as a business, may that be Linklaters, McKinsey, or Goldman Sachs, all came from my network.

Erika
I think the road you've travelled to get to Harvard is part of what made you an exceptional scholar, an exceptional member of staff, and now an exceptional founder. Through this conversation, traits such as grit and resilience have shone through.

Lewis
Look, I think it's a challenge. The venture capitalist's job is to find the next big thing. And I feel like if we find people with grit and intelligence, that will be the best combination.

I once saw a study that said it doesn't matter whether you go to Harvard or MIT. It's whether you could have gone. The study showed that success criteria were far more determining criteria of future wages, not whether you go to top schools, but whether you showed the kind of grit, passion and drive. The school you go to is more of a secondary effect that is highly correlated. They looked at kids who had great grades but couldn't go to an Ivy and went to the state school instead for various different reasons and still ended up as successful as someone who went to Harvard.

Erika
So, what are your hopes for the business going forward?

Lewis
80 to 90% of the world's data is useless; it's trapped in documents or images. Our mission is to improve the world by helping businesses make their data useful. Today, we support mostly financial services and insurance. We're moving into healthcare, real estate, and manufacturing. Just think about the healthcare space: $600 billion a year is wasted in America because of admin, so if we could streamline that, it could make American healthcare more affordable and provide better patient outcomes.

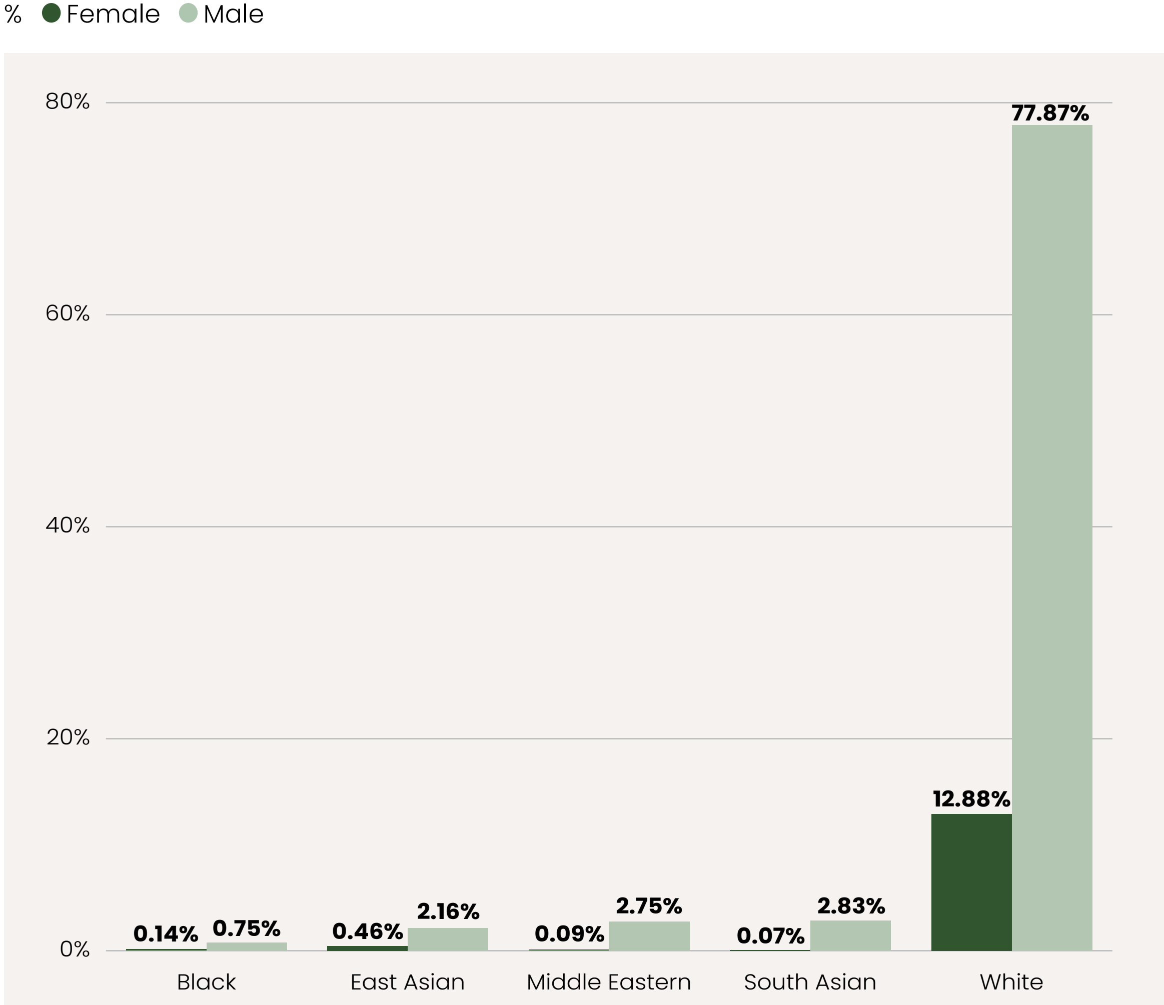
VC investment, ethnicity and gender

Black women founders raised just 0.14% of investment from 2013-2023, which could only represent an improvement from the previous figure of 0.02%, but remains critically under-representative of Black women-led businesses in tech, and sees the dial barely shift over the past four years of tech growth for Black Women.

Women founders from overlooked ethnic groups collectively raised 0.76% of VC investment over the last decade, compared to their White, female peers who raised 12.9%. Male founders from overlooked ethnic groups collectively raised 8.5%, compared to their White male peers who raised 77.9%.

FIGURE 19

Value of investment by ethnicity and gender



Source: Extend Ventures, 2023

From 2019 to 2023

In the UK there have been investments into:

13 Black women

compared to

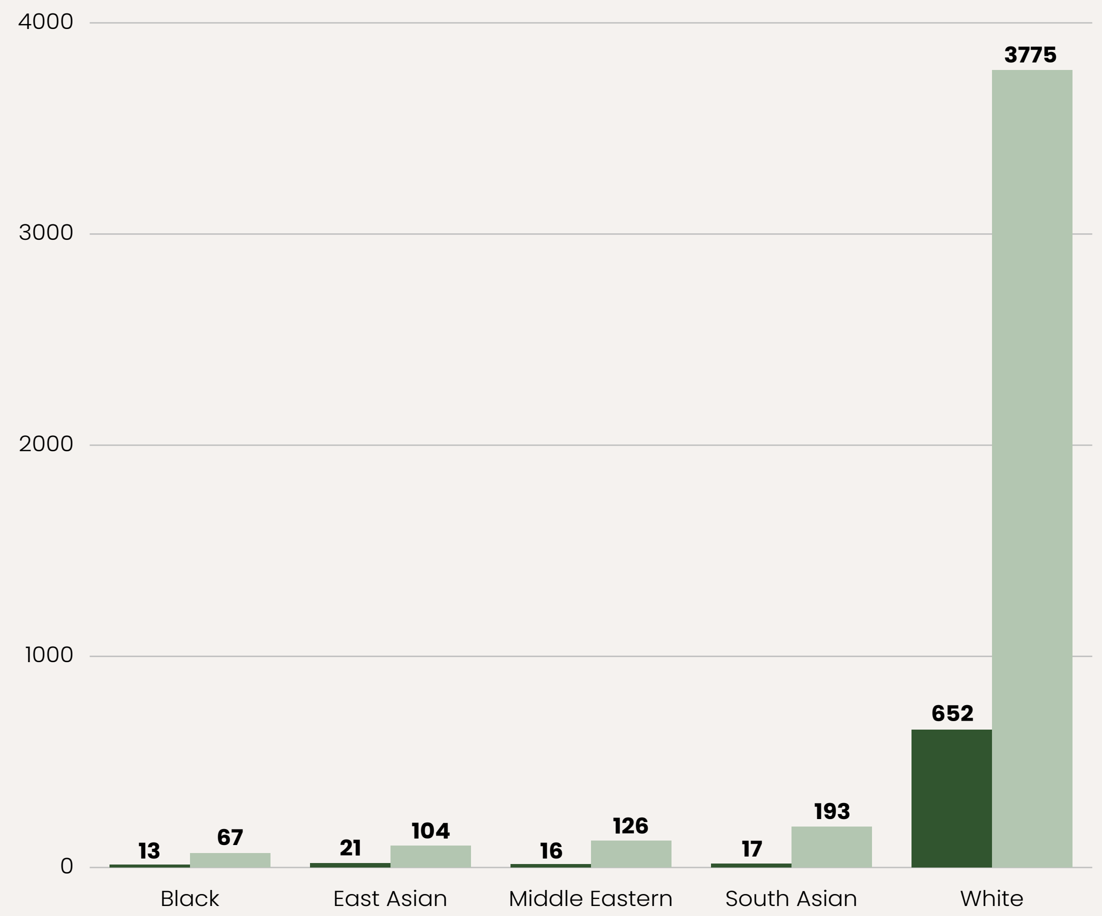
+3700 White men

This represents an improvement from Diversity Beyond Gender '20, where it was found that only one Black woman had raised investment over the previous decade, but still falls woefully below representativeness at 0.26% of all investment rounds.

FIGURE 20

Investment rounds by gender and ethnicity

2019-2023 ● Female ● Male



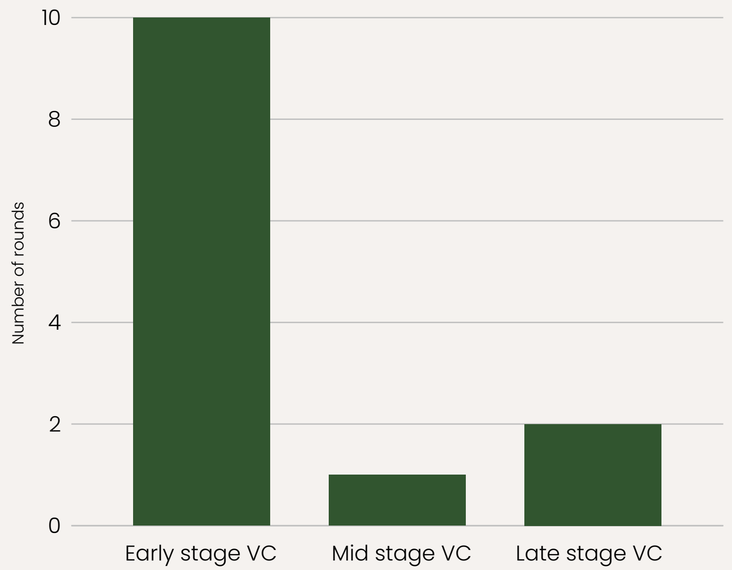
Source: Extend Ventures, 2023

Breaking down the rounds raised by Black women, the majority (10) are Early VC. From 2009-2019, just one Black woman, Sharmadean Reid, had raised over $1m, from 2019-2023, 8 Black women raised over $1m.

FIGURE 21

Number of rounds raised by Black women

2019-2023

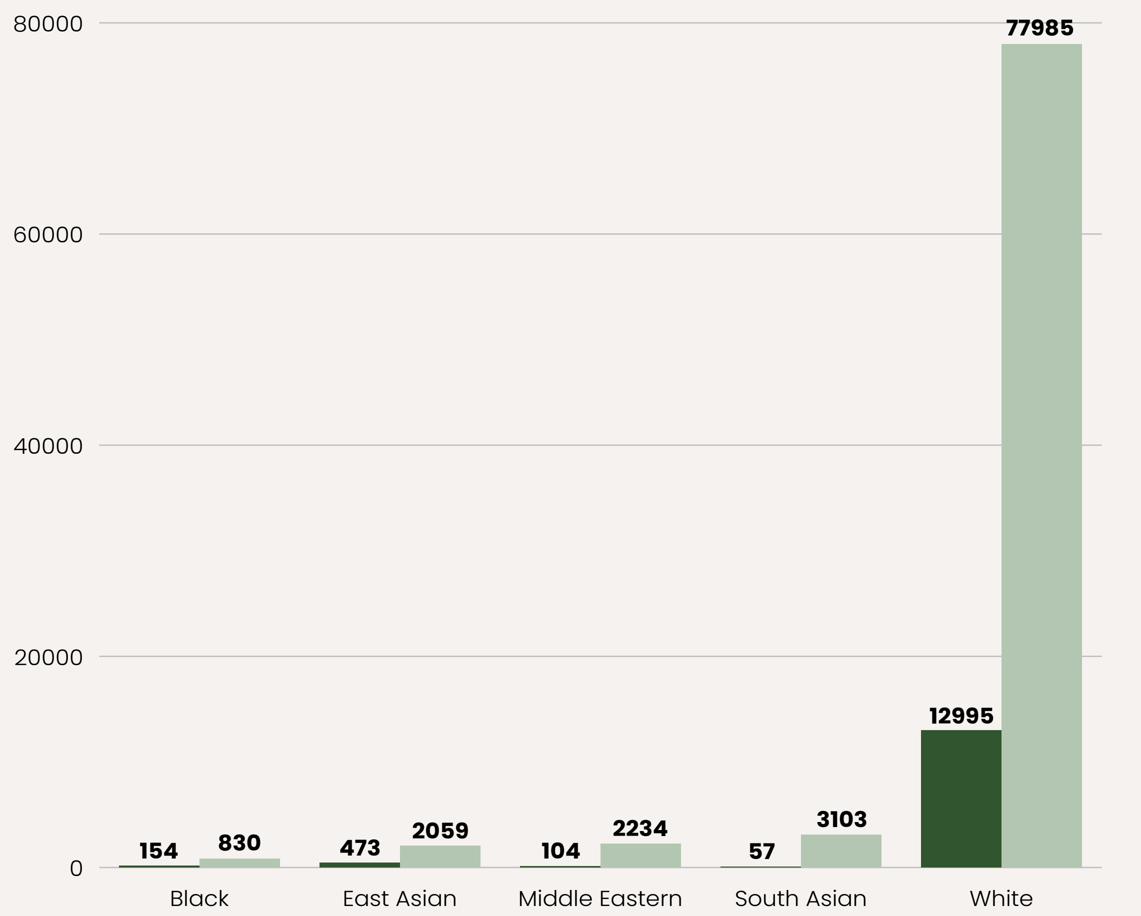


Source: Extend Ventures, 2023

FIGURE 22

Investment ($) by gender and ethnicity

2019-2023 Female Male



Source: Extend Ventures, 2023

VC investment by ethnicity through time

The proportion of investment value by ethnicity through time tells a story of gradual change, or perhaps inertia until 2021.

There have only been two years when investment into Black founders has passed 1% – 2021 and 2022. Since then, investment has fallen back to 0.95% in 2023

Post the murder of George Floyd, there was rapid positive change for some groups of people lasting for 2021 and 2022, followed by what looks to be a loss of momentum.

Black founders saw the proportion of investment by value increase to a high of 1.13% in 2021, when UK tech saw record investment levels of over $40bn, and money was readily available for ventures in the ecosystem. Investors' risk appetite appeared to change over these years, which perhaps had positive consequences for Black, and Middle Eastern founders (according to Figure 23). Investment value represented by Black founders has since dropped back to 0.95% for 2023 YTD.

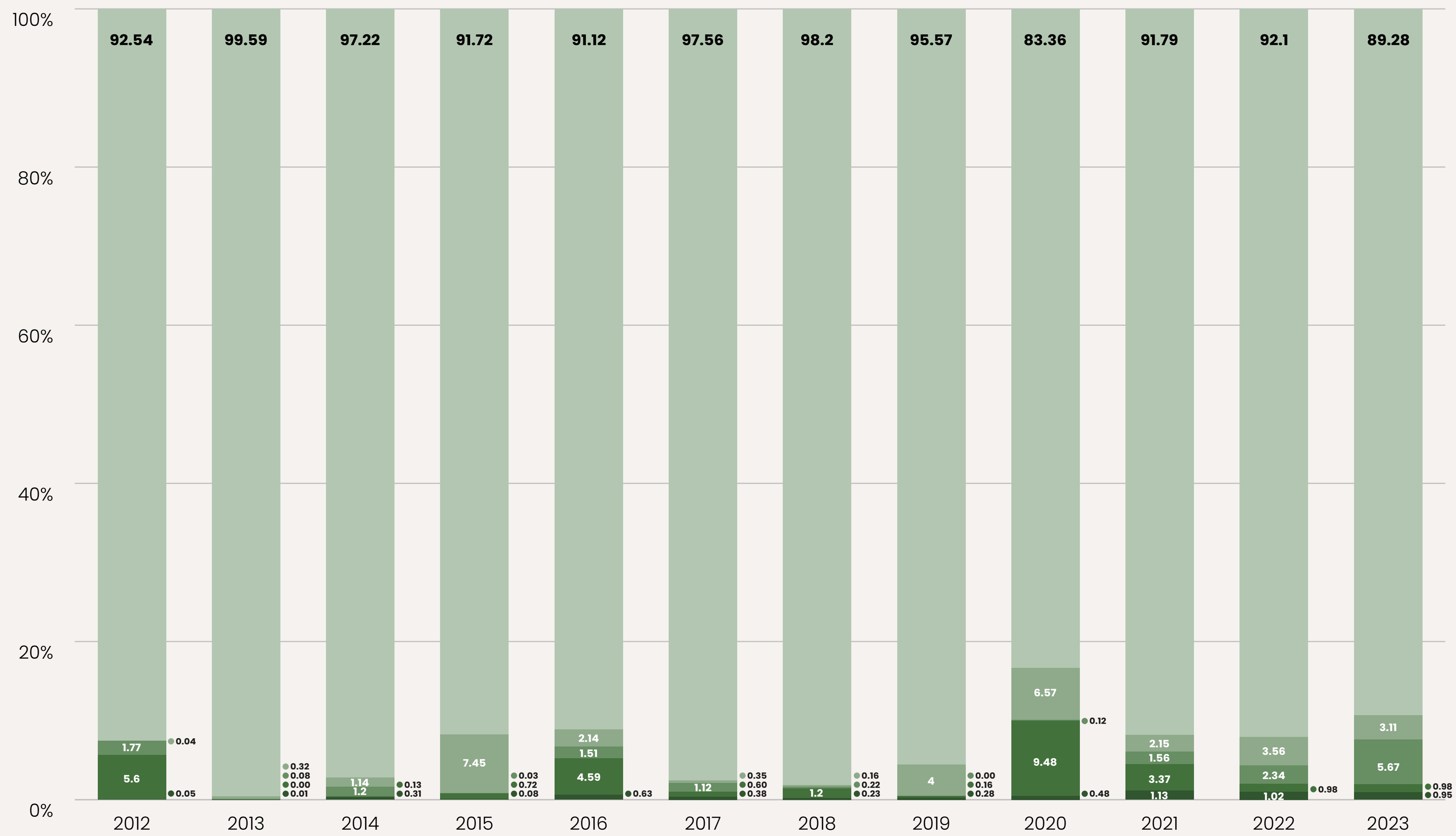
VC investment by ethnicity through time

FIGURE 23

Proportion of investment value by ethnicity through time

2013-2023

- White
- South Asian
- Middle Eastern
- East Asian
- Black



Source: Extend Ventures, 2023

This said, the data is noisy, as with all investment data, which shifts year on year owing to rounds representing outsized value, and changes in investment owing to broader economic changes. Investment, of course, is an input to the growth resource profile of a business, and although we present investment by year here, investment will be drawn down on, and used in varying timescales. So, for instance, the investment raised in 2012 might enable hiring in 2015, and a round raised in 2021 may continue to be used by a company until 2022, depending on their costs, or burn rate, and performance (e.g. revenue generation).

Figure 22 represents the proportion of rounds raised, counting the number of deals, rather than the value of investments made. This shows a more stable picture of investment by founder ethnicity over the past decade - with the proportion of number of deals raised by Global Majority Heritage sitting between 9.2% (in 2019) and 14.4% (in 2014).

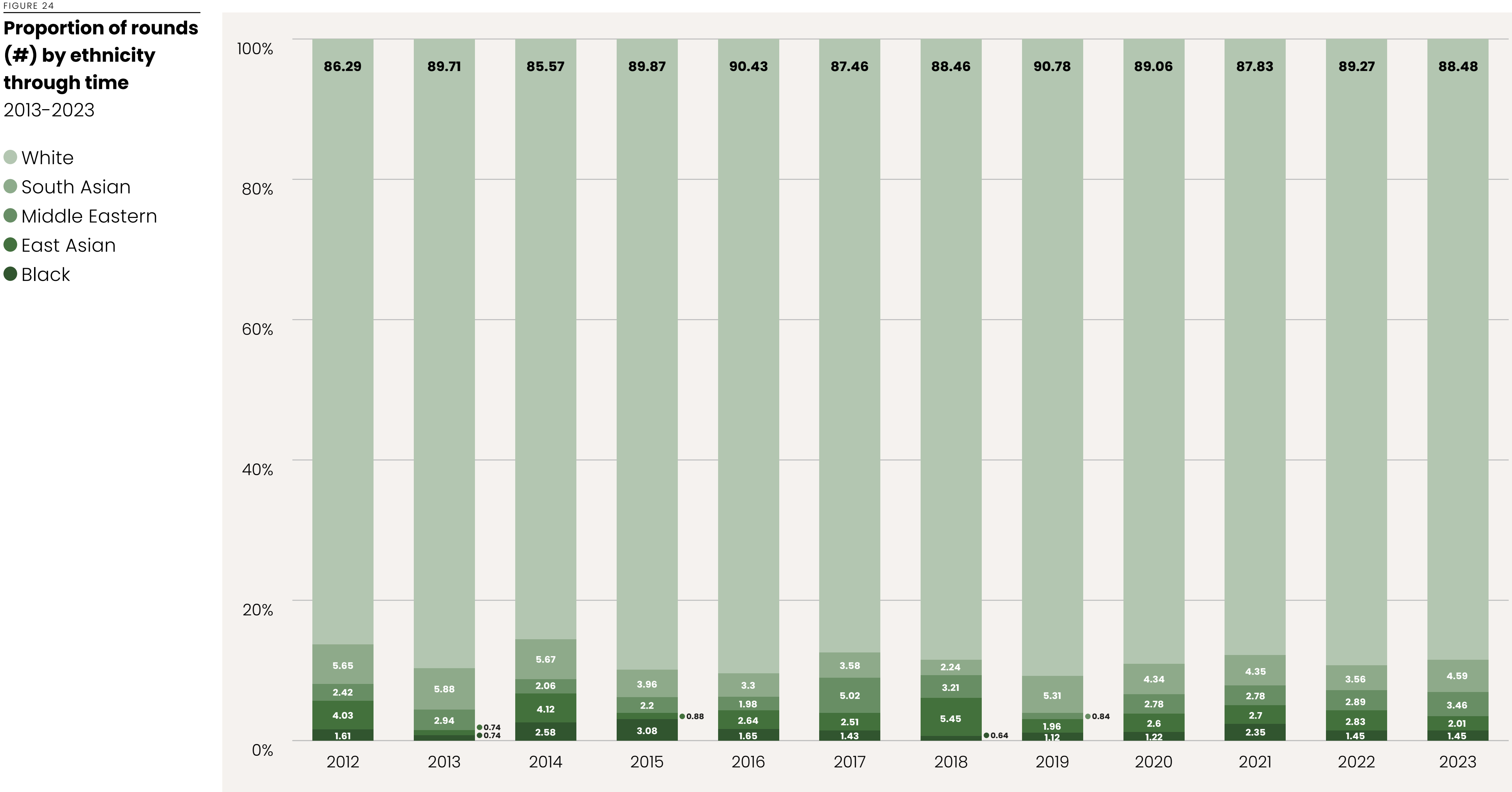
Funding to Global Majority Heritage founders has never been representative. At best, it was 14.4% in 2014, and at worst, it was 9.2% in 2019

VC investment by ethnicity through time

FIGURE 24

Proportion of rounds (#) by ethnicity through time

2013-2023



Source: Extend Ventures, 2023

Asha Haji

Framework

Asha Haji, the founder of Framework raised seed-stage investment in 2021 and detailed her journey through founding, fundraising for, and subsequently exiting Framework in 2023.

Asha

I grew up in the United States, in Maryland, just outside Washington DC. My parents were entrepreneurs. My father's first business was a travel agency he set up with my uncles. Meanwhile, my mom became an organisational development consultant, which involved her travelling to different corporate HQs across the US and abroad, assisting senior leaders with their organisational challenges.

They've been incredible role models, both emotionally and professionally, supporting me during challenging periods. As a child, I was deeply interested in technology, especially when the Internet emerged in the '90s. I taught myself to code as a teenager and took all the computer science classes offered at my high school. Eventually, I pursued a degree in computer science and minored in graphic design at Washington University in St. Louis, attending on a full academic scholarship that at the time was offered exclusively to high-achieving Black students.

After graduating, I worked as a software engineer in Chicago for McMaster-Carr. I specifically chose them for their management graduate program, which allowed me to become a manager at 24. I learned a lot during my four years there - hiring, firing, and promotions. Subsequently, I gained acceptance into Harvard Business School (HBS). Still keen to become an entrepreneur, I sought to learn about business models, strategy, finance, and more and to build a network of other ambitious professionals. An important part of my decision to attend HBS was my participation in a program for underrepresented business professionals called Management Leadership for Tomorrow (MLT).

I later ventured into a couple of startups before teaming up with my co-founder in 2019 to establish Founders Academy. It was an in-person, full-time alternative MBA designed for professionals aspiring to enter the startup scene. About a year and a half later, we transformed it into Framework. It's been quite a journey!

Erika

Looking at the specifics of your journey with your co-founder Riya Pabari, I'm interested in understanding your journey as women entrepreneurs.

Asha

Riya and I met through a recruiter I knew in the startup scene. She reached out to me about a COO, co-founder position at an ed-tech startup, and when I reviewed the job description put together by Riya, it felt like looking into a mirror. I connected with Riya directly to learn more. We clicked, and eventually decided to join forces.

I joined her six months after she incorporated Founders Academy in September 2018. She had secured an angel round and involvement from Founders Forum, making it part of the group.

We raised £350K initially from Founders Forum Group and angels in late 2018 and early 2019. Founders Academy was a sustainable, cash-generative business, that would only require us to run a handful of cohorts a year to be profitable. Our vision was to run four cohorts per city per year, but the pandemic disrupted our plans six weeks into the first program. While in lockdown, we devised the idea of evolving the business into a learning platform to support people already working at high-growth tech companies. After test-driving this new idea with an alpha community, we pivoted into what eventually became Framework.

We liked the name Framework because frameworks (mental models you can apply again and again) really resonated with our learners at Founders Academy. We offered people community support while also providing bite-sized learning that fit their busy schedules. Unlike Founders Academy, which was a full-time 9-month immersive experience, this was an on-demand learning experience you could have while pursuing your career.

After running our alpha community and seeing we had real interest in the market, we knew it made sense to bring on new financial partners to bring this to life.

Founders Academy had a very different business model to Framework. With Framework, we needed a CTO, and we needed engineers. We had the typical startup costs of a tech venture. So, in the summer of 2021, we went out to fundraise. We'd already had some soft conversations earlier in the year and were able to get a few term sheets a few months later. Looking back, I would say 2021 was a golden period for fundraising. That being said, it wasn't like we were having money fall out of the sky. We were raising off of a pivot, which, to some VCs can be a dirty word.

In retrospect, we probably should have pushed hard to raise £2-3 million while the market was hot. However, the offers we had on the table were for £1-1.5 million at most.

Erika
How much did you end up raising?

Asha
Ultimately, we raised £1.25 million from Evio, LearnStart, Pathway Ventures and some high-profile angels who aligned with our mission.

Once we closed the round, we hit the ground running and hired our CTO and two engineers to build the app. We also hired our community and content team after getting positive feedback from our beta community, who tested our MVP.

In 2022, a New York-based VC in my network took an interest in us, and they ultimately put forward a term sheet to lead a Seed extension round. However, the process was rather slow since we were going to be their very first investment abroad.

As our new lead investor was still getting up to speed with the tax implications of investing in a UK startup, whispers of looming trouble in the tech ecosystem were getting louder. By the time we had agreed on terms and lined up additional investors to close the round, Silicon Valley Bank collapsed, and everything changed. Our lead investor and their portfolio companies really struggled with this news, and we ultimately had to look for other options for the path ahead as they were, unfortunately, no longer a viable partner.

Erika
I was in Texas at South by Southwest that weekend, and it was pandemonium.

Asha
It was quite a rollercoaster. We quickly turned to other interested parties and also started exploring the option of having the business acquired. There were a number of people excited about what we were building—we had just been featured in another article in the Financial Times alongside other serious players in the edtech space.

One company that stood out in our acquisition conversations was Quench.ai. The founder and CEO, Husayn Kassai, had been following our journey for a while and had been looking for an opportunity to get involved. After several weeks of getting to know us and their team better, we mutually thought it could be a great fit and decided to move forward with the deal. We announced it to the world in August 2023.

Obviously, I've reflected a lot after going on this journey. Timing matters a lot, and for us, one of the big lessons we learned was speed. We got that feedback a lot because we were so deliberative and quality-focused. We often took longer to do certain things because we wanted our outcomes to be excellent versus just good. Eventually, that adds up, those extra days add up, and all of a sudden, you're operating in a different world. The world changed from the world you were in when you started.

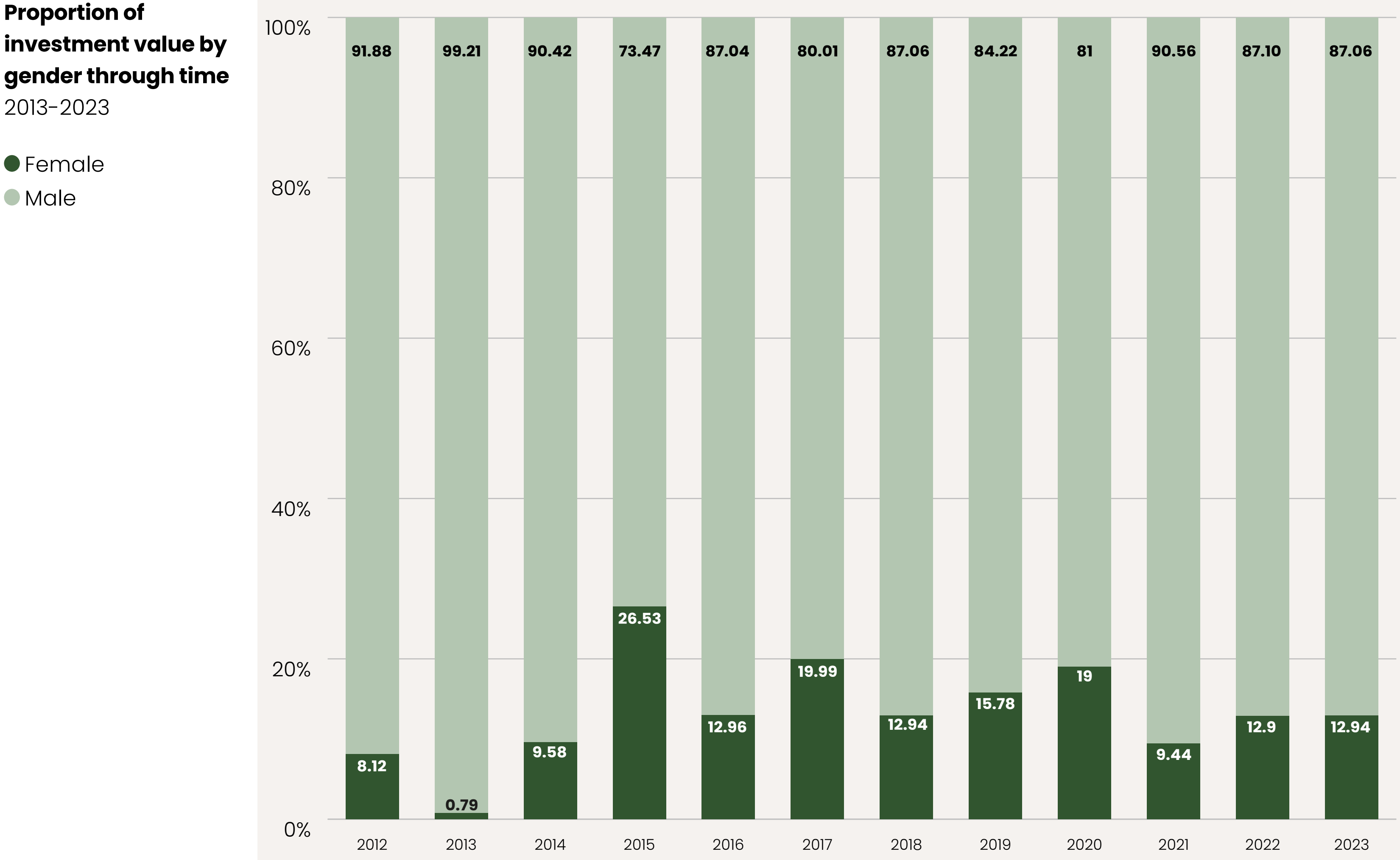
Erika
Thank you for sharing your story. Do you think you'd go on this journey again?

Asha
Absolutely. I knew what I was getting into from the start, and now I can confidently say I'm no longer a "first-time-founder" with all the insights that come with that experience.

VC investment by gender through time

FIGURE 25

Proportion of investment value by gender through time
2013-2023



Source: Extend Ventures, 2023

There appears to be an inverse trend to that seen for ethnicity, whereby women founders received a lower proportion of investment during the pandemic than in years previous, and a slight increase has been seen from 2022-2023 YTD. In 2021, just 9.4% of investment went to women founders, compared to 19% in 2020, and a slight increase to just under 13% for 2022 and 2023 YTD.

Methodology

Extend Ventures has been able to analyse just under 9,000 companies and founders, using a machine learning algorithm we are training to detect the perceived gender, and ethnicity of founders who have started companies and received venture capital investment between 2013 and 2023.

It has been widely acknowledged anecdotally that businesses founded and led by ethnically diverse entrepreneurs have been historically 'over-mentored and under-funded'. However, there is currently a dearth of data on diversity beyond gender. We have chosen to deploy a scalable, cost-efficient and replicable method of data collection to ensure that we are able to quantitatively measure the deployment of capital to Ethnic-led businesses on an annual basis.

While ethnicity data is usually self-defined, we have adopted this approach because we are: (1) looking at perceived ethnicity, (2) the data will be used to promote equality of opportunity and monitor progress, and (3) the data will be completely anonymised. Extend Ventures is a 100% asset-locked not-for-profit CIC with the explicit intention of using this data to drive knowledge and change the way diverse entrepreneurs access capital.

All references to gender, ethnicity and educational background throughout this report relate to the gender, ethnic and educational groups that would be perceived by an individual making an assessment of suitability for investment. We have used basic binary groupings for ethnicity and have taken a similar approach for gender. We hope to be able to cover non-binary over time as it becomes more pervasive in its use in public profiles.

Launch year >= 2013

Total funding raised >= All values via venture capital

HQ Country: United Kingdom

We included all companies that had raised venture capital between 2013 and 2023. We captured data on the amount of their most recent funding round, which in some cases included secondary markets, IPO and corporate venture capital.

Extend Ventures taxonomy collects binary gender data. Entrepreneurs were classified as either appearing to be men or women

Extend Ventures' taxonomy collects perceived ethnicity data according to the following: Black (including Mixed Heritage) East Asian (including Mixed Heritage) Middle Eastern (including Mixed Heritage) South Asian (including Mixed Heritage) White (Caucasian).

Educational background:
Elite includes: Oxford University, University of Cambridge, and their respective business schools

Extended Elite includes:
UCL, King's College London, London Business School, Imperial College London, LSE, and respective business schools.

Russell Group includes:
All 24 Russell Group universities, detailed here.

Other includes: All other universities.

Top 100 International includes: The Top 100 (non UK based) universities in the world, detailed here.

Acknowledgements

For Glen

Glenroy Learmond sadly passed away in May 2023. He is deeply missed by the entire team at Extend Ventures, and this report is produced in his honour.

Glen's tenacious quest for justice will forever live on both in the hearts and minds of those who were blessed to work with him and through the swathe of Black entrepreneurs who now have opportunities that simply were not there before Glen took swift and decisive action to support Diversity Beyond Gender in 2020.

The compilation of this report would not have been possible without the hard work and dedication of Erika Brodnock, George Windsor, David Olojede, Peter-Vaughan Thompson, Samuel Bowale, Micah Klein, Tom Adeyoola, and Tosin Sulaiman

With special thanks to:
Abi Mohamed, Asha Haji, Christian Facey, Kekeli Anthony, Lewis Liu, Patricia Hamzahee, Maatin Adewunmi and Rahmon Agbaje, Sharmadean Reid.

Report design: tomgaul.com

If you would like to support our work, please do get in touch at info@extend.vc

Extend Ventures

DIVERSIFYING ACCESS TO VENTURE FUNDING

We would also like to thank the following organisations for their support with the gathering of data and writing of this report:

LocalGlobe EigenTechnologies HSBC Innovation Banking

Extend Ventures

DIVERSIFYING ACCESS TO VENTURE FUNDING

Extend Ventures is a team of business, research and financial experts using the power of big data and machine learning to diversify access to funding for entrepreneurship and innovation. Through research to highlight and quantify the structural challenges that prevent Black and ethnic founders from gaining equal access to venture finance, Extend Ventures hopes to bring about positive change.