

Joint Proposal to UK Venture Capital Fund Managers from British Business Bank, Diversity VC and BVCA

Summary

BBB, Diversity VC and BVCA propose to work alongside UK venture capital fund managers to develop realistic, valuable solutions to the challenges the industry is experiencing with respect to gender, and diversity more broadly.

Background

Players in VC markets around the world have recognised that the industry faces challenges with respect to gender and they are working to improve this. Some of the issues are acute, such as those highlighted by allegations of sexual harassment. Some are chronic, such as the low proportion of funding received by businesses with female founders and low diversity amongst GPs. For the chronic issues, it is currently unclear how much of the solution lies with the supply side and how much with demand, but there is a high level of recognition that something should be done.

Diversity VC and BVCA are both already leading voices in this area. BBB has been asked by the UK Government to research the issues faced by female founders when they seek VC and to contribute to the development of credible solutions. In our view, gender disparity is an important part of a larger whole. By looking at 'diversity' more broadly we hope to produce outputs which are even more valuable to all entrepreneurs and to the VC industry itself.

Our approach and proposal

We believe the best results will be achieved for all those involved if we work alongside the industry. This will promote the generation of diagnoses that reflect the experiences of the market and of solutions which are both realistic and complement actions that individual funds and the wider industry are already taking.

To be most valuable, we believe our research should target four elements of the VC lifecycle: pipeline, decision making, investment and exit. The latter two of these can be studied using market data (Pitchbook, Crunchbase and others), but the former two require the cooperation of individual funds managers.

Our proposal is for BBB, in collaboration with Diversity VC and BVCA, to act as a trusted third party for VC funds to contribute their views, data and experiences to a central effort aimed at diagnosing issues and generating credible solutions. We will perform the underlying research during June-August this year and a report will be published in the Autumn.

The annex of this document includes an approach we believe would allow us to work with the industry in confidence as well as produce outputs which are valuable for all.

BBB's impartiality, knowledge, experience and skills mean we are well placed to play this role: BBB is 100% owned by the UK Government but is an arm's-length Plc with an independent Board; through British Business Investments (BBI) we are the second largest LP in UK VC markets (after EIF); we are experienced in handling commercially sensitive data through our diligences of fund managers and work with organisations such as the 'big 4' banks; and we have an established research and analysis capability which regularly supports Government thinking and produces public reports on equity and other topics.



For this piece of work we have proposed a data approach which is designed to maintain the anonymity of funds, companies and individuals, during both the analysis phase and when findings are published. In addition, within BBB, information barriers will be maintained by excluding members of our commercial teams from the data handling and research team (short CVs of those in the team are included as an annex).

Publication and other outputs

In Autumn 2018 we will publish a report. Our preliminary analysis suggests that there are indeed issues for women seeking VC in the UK. At this stage these appear similar in type and size to those seen in the US market, though obviously our work will elaborate on issues, causes and solutions for VC in the UK.

The report will present our findings alongside our methodology and potential solutions. In addition, we envision presenting initiatives already underway at VCs within the UK (in a style similar to NVCA's 2016 report '[Building A More Inclusive Entrepreneurial Ecosystem](#)').

Further to the above, we expect our work to provide a new avenue for the market to learn about itself in a data-driven way by benchmarking against anonymised peers. For example, pipeline data could be used to compare the quality and make-up of warm leads compared to unsolicited contacts; Investment committee (IC) records could show the throughput of ICs and the proportions of proposals which receive funding in the forum. Generating these valuable outputs will be entirely dependent on fund managers' desire to participate.

Conclusion

BBB, Diversity VC and BVCA each see buoyant VC markets as a vital part of our missions. We also all recognise the appetite to improve diversity within VC. We are committed to working with the industry to improve and we ask fund managers to step forward to contribute their focus and data to help facilitate this industry-wide effort.

Keith Morgan – CEO, British Business Bank // Catherine Lewis La Torre – CEO, British Business Investments
Check Warner, Travis Winstanley – Co-founders, Diversity VC
Gurpreet Manku – Deputy Director General and Director of Policy, BVCA

Please direct your correspondence to:

Nick Shuttleworth – Senior manager, Strategy, British Business Bank
nick.shuttleworth@british-business-bank.co.uk // 07923 164 836

Alice Hu Wagner – MD, Strategy, Economics and Business Development, British Business Bank
alice.hu-wagner@british-business-bank.co.uk // 07827 900 407



Annex – Process

Introductory Call (20 mins) – Before Friday June 15th

We will call at your convenience to introduce ourselves, answer any questions you may have and arrange your preferred approach to the data session (below).

Data Session (Est. 1hr senior time) – June-August

We can approach data collection in a number of ways (or a mix), depending on your preferences and available resource. None of the methods records identifiable data about any fund, pipeline or portfolio company or individual. The metrics we wish to capture are:

- Apparent gender and ethnicity of each founder team (e.g. all male team, mixed ethnicity team etc)
- Whether each team was a warm introduction or unsolicited (warm, cold)
- Whether each team went to IC or not (yes, no), and received funding or not (yes, no)

To achieve this we can:

1. **Provide a simple template and data coding table which someone in your firm can complete** by referring to received pitchdecks and IC papers
2. **Come to your offices and complete the template on your behalf** using documents you have anonymised in advance. We need only enough information to identify apparent gender/ethnicity
3. **Come to your offices and complete the template with someone in your firm** (we ask them questions, they refer to documents and we code their response e.g. “Was the team all male?” “no”, “Was the team all female?” “no”, means we record only ‘mixed gender team’). This approach may be most suitable where there are concerns about IC papers and/or NDAs
4. **Follow another approach you suggest**

We also wish to record fund metrics to allow comparison of similar funds (again, anonymously):

- Age (<5 years, 5-10 years, 10+ years)
- Size (<£25m, <£50m, <£100m, <£250m, £250m+)
- Initial investment focus (seed, early VC, later VC, PE growth/expansion)

We propose to make all the collected data available to all funds which participate in the work. However, only each fund will know which data is their own (using an ID code) i.e. we will not be able to identify which fund is which in the dataset.

Opt-in Follow-ons

There are three ways you can participate in follow-on discussions if you wish (again, you may withdraw at any point):

1. **Meet with us privately** to discuss your data, as well as your thoughts and approaches to gender and other diversity within your investments and fund (during summer)
2. **Participate in small group sessions of VCs** and relevant other parties to discuss issues and begin to develop solutions (during summer)
3. **Contribute a written statement to be published in our report** of measures your fund is taking to address the issues it sees relating to gender issues in VC (post summer)

Annex – Team members

Check Warner, Diversity VC – Check is Co-founder and CEO of Diversity VC. She is also a venture advisor for Seraphim Capital.

Travis Winstanley, Diversity VC – Travis is Co-founder and data lead of Diversity VC. He is also an investment director at Catalis Group.

Alice Hu Wagner, BBB – Alice is currently leading BBB's Strategy, Economics and Business Development functions. She previously led strategy teams at Barclays and Lloyds. Alice began her career as a strategy consultant at McKinsey in the US and holds an INSEAD MBA.

Nick Shuttleworth, BBB – Nick is a senior manager in BBB's Strategy team. Prior to joining BBB he was a management consultant at Oliver Wyman for 5 years, specialised in financial services, and before that a PhD physicist at UCL.

Joe Fowles, BBB – Joe is a senior manager in BBB's Strategy team, currently on secondment from his role as a management consultant at Oliver Wyman.