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Danske Bank



Return on Diversity

Unlocking the Potential
of Better Gender Balance in
the Startup Ecosystem

Written by Bootstrapping & Nextwork
with contributions from Female Founders of the Future
Powered by Danske Bank & IT-Branchen
Supported by Vækstfonden & Danish Business Angels

Focus of this guide

In this report we will be talking about diversity and inclusion and how it is a driver for return. But before we dive in, let's get our definitions straight:

What is diversity?

Diversity could be defined as the absence of homogeneity. What matters is the diversity of knowledge in terms of **perspectives**; how we go about understanding a situation or problem, and **heuristics**, how we go about solving problems. When it comes to innovation it is important to have a diverse pool of knowledge available and to put this diversity of thoughts into use.

To increase the likelihood of having a diverse pool of knowledge available one can look at the representation of different dimensions like sex, race, ethnicity, gender, culture, sexual orientation, socio-economic status, generation, physical abilities, religious beliefs, political beliefs, or other ideologies and educational level and direction.

To ensure the use of the diverse pool of knowledge one can work with an **inclusive culture**.

The focus in this guide is on the binary understanding of gender understood in the sex one is born with, as this is where an inequality and a potential has been documented in numerous reports. This does not mean that other dimensions are less relevant, they are just less documented in regards to entrepreneurship. Looking into the world today, with the documented inequality, this guide could be just as relevant to write again in regards to many other dimensions such as ethnicity and skin color.

Also, it is important to note that you will find that the ongoing debate in Denmark around sexism and harassment is not a part of this guide's content. Our errand in this guide is not to focus on the blatantly wrong behaviour of individuals, but rather to examine underlying expectations, assumptions and dynamics when it comes to gender in the startup ecosystem. And these can affect all of its members: Male or female, investor or founder alike.

But let us be very clear: This does not mean that sexism is not an issue. There is an inherent power imbalance between investors and founders, and we certainly acknowledge that examples of very inappropriate behaviour exist in the Startup Ecosystem, as evidenced by articles in e.g. Bootstrapping & DJØF-bladet¹.

By extension more and more VCs and Business Angel Networks are establishing and publishing policies on the matter. You can follow this work here: <https://wearemovingforward.github.io>.

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¹ <https://www.djoefbladet.dk/artikler/2020/3/vi-taler-helst-ikke-om-det.aspx>, <https://bootstrapping.dk/er-dansk-startup-en-lummer-affe-fyldt-med-testosteron/>

Executive Summary

The goal of this guide is to provide tools and guidelines for founders, investors and for those who organise investments, on how to help fix the gender imbalance in the Danish Startup Ecosystem and drive return.

In part 1 we look at the numbers, and conclude that gender balance and diversity are indeed good business.

In part 2.1 we scrutinise three myths and three challenges that could play a role in the gender imbalance.

In part 2.2 we examine the investor-founder dialogue, and ask if investors are unintentionally treating male and female founders differently.

Part 3 consists of two operational toolkits: The Startup Toolkit and The Investor Toolkit.

Part 1 – Examining the Untapped Potential

We have a giant untapped potential in the Danish Startup Ecosystem

Looking at the available data, we estimate that there are approximately 20% female founders in Danish, scalable startups, which means that female founders are seriously underrepresented in general.

Even so, the gender imbalance continues when we look at investments: In 2019 95% of all VC-investments in Denmark were given to companies founded by only men. 4% went to startups with mixed founder teams. *The last one percent went to companies with an all female founder team.* On top of this female founders also receive less funding per round.

Diversity and gender balance are good business – and good for businesses

Based on several different studies and the available data, we conclude that diversity and gender balance are good for business. Also, it would seem, in the volatile startup world.

- Female founded Nordic startups generated on average 45% more revenue per euro invested than their male counterparts, and 21% more revenue per employee (data from Slush),
- A study from Boston Consulting Group showed that startups with a female founder generated 78 cents in revenue, while male-founded startups generated less than half that – just 31 cents – for every dollar of funding,
- An analysis of the seed-venture fund First Round Capital's portfolio in 2015 indicated that startups with at least one female founder did on average 63% better than startups founded by only men.

Part 2.1 – 3 Myths & 3 Challenges

Misconceptions about women and entrepreneurship could be a part of what's holding back better gender balance in the startup ecosystem, we examine specifically three myths that are dominant:

• Myth 1: Entrepreneurship means sacrificing work-life balance!

Fact 1: While you do need to put in many hours of hard work, it's also about endurance, about making sure you don't burn out halfway. It's not all or nothing.

• Myth 2: Women are not as entrepreneurial as men!

Fact 2: It seems to be completely false that men somehow have a better "entrepreneurial gene" than women. Female entrepreneurs seem to match or outperform male entrepreneurs in most studies.

• Myth 3: Women can't have kids and still run a startup successfully!

Fact 3: This is false and there are many examples to counterproof it. But a cultural stigma seems to remain, especially towards mothers.

On top of this, three challenges are making it harder for women and female founders to succeed in the startup world:

Challenge 1: Women in the startup ecosystem are paid less,

Challenge 2: Female founders have smaller and less relevant networks than male,

Challenge 3: We need more female role models to break the status quo.

Part 2.2 – Angel Investing: A Tilted Playing Field

We find four areas that could be affecting investors' decision making, when it comes to gender imbalance.

1. **Men investing in men:** A field so dominated by men is especially prone to biased decision making – e.g. in the form of investing in someone who looks like you or has a similar background.
2. **Are we missing 50% of the product-market-fit?:** The pre-dominance of men may lead investors to miss out on market potential targeted female customers, because they have no experience within the field.
3. **The pitch competition: A perfect storm for biased decision making:** Pitch competitions have tight time frames and limited information on each company. The likely result is sorting away what is unknown to the investor – e.g. female founders.
4. **The investment: Assessing women and men differently:** Perhaps most importantly, studies indicate that we don't seem to treat men and women the same. E.g. we ask women not to lose and men to win by asking preventive to female founders and promotional questions to male founders.

Part 3 – The Toolkits

Return on Diversity – the Startup Toolkit

We provide 14 solutions aimed at creating better gender balance, diversity and inclusion in 4 different areas of a startup or scaleup:

1. **Recruitment:**
Attracting and retaining the best talent
2. **Employee engagement & culture:**
Creating the conditions for high performance, diversity & inclusion
3. **Product and market:**
Better product market fit through diversity
4. **Fundraising and advisory board:**
Utilise your return on diversity

Return on Diversity – the Investor Toolkit

We provide 14 solutions aimed at improving investment decision making and tapping into the potential of better gender balance, diversity and inclusion in 5 different areas:

1. **Deal flow:**
Getting access to the best startups
2. **Early due diligence:**
Making better and more objective evaluations
3. **Supporting the startup:**
Make gender balance and diversity part of the journey
4. **Diversity in your organisation:**
VCs, BA- networks & Syndicates
5. **Fundraising for next round or LPs:**
From differentiator to qualifier

Conclusion

- We conclude that the underrepresentation of women in entrepreneurship in general and with regards to investments specifically, represents a giant untapped potential for growth and added value.
- We also conclude that we seem to be asking female founders and women in general to step onto a tilted playing field in the startup ecosystem, and we argue that that needs to change.
- Finally, the guide's main contribution towards affecting gender balance and diversity is the two toolkits, that we truly hope will inspire both start-ups and investors to act!

Sincerely

**Bootstrapping, Female Founders of the Future, Nextwork, IT-Branchen & Danske Bank
Supported by Vækstfonden & Danish Business Angels**

Return on Diversity in Entrepreneurship: Examining the Untapped Potential

In Denmark, more and more people decide to become entrepreneurs. Unfortunately, women are still underrepresented. Furthermore, among those who decide to venture into entrepreneurship, female entrepreneurs are less likely to receive investments and on average receive smaller investments than male entrepreneurs. This is not just a societal problem but also a missed potential for startups and investors alike, because we risk losing out on talent, innovation, job creation and economic growth. Moreover, an overwhelming majority of research indicates a positive correlation between diversity and performance and return on investment. How do we solve this problem, as investors and founders, and realise this untapped potential? As we will argue in this guide, there is a clear cut case for an increased

'return on diversity' in Denmark. Our mission is to provide tools and guidelines for founders, investors and for those who organise investments, on how to help fix the gender imbalance in the Danish startup ecosystem.

Together, we can unlock the untapped potential in the Danish Startup Ecosystem.

Before we begin, we would like to thank the 21 people who have contributed to this guide through interviews, conversations and discussions. On page 112 the contributors are presented with a short bio. Without them, this guide would not be possible.

While **entrepreneurship** refers to all new businesses, including self-employment and businesses that never intend to become registered, **startups** refer to new businesses that **intend to grow large beyond the solo founder**. A startup is a company or project begun by an entrepreneur to seek, develop, and validate a **scalable economic model**. In this guide our focus is on the startup and early scaleup part of entrepreneurship, and not least on the **role investors play in this journey**.

1) The Untapped Potential

Denmark is falling behind on gender equality

According to the 2020 Global Gender Gap Report from the World Economic Forum, Denmark has fallen from 13th to 14th place on gender equality, whereas our Nordic neighbours Iceland, Norway, Finland and Sweden in the same report rank at 1st through 4th place. **It looks like Denmark is falling behind on the international effort towards better gender balance.**

When it comes to entrepreneurship, things are especially bad. In the Danish startup ecosystem only about 1% of all investments in startups go to all female founder teams

In 2015, Denmark ranked fourth on the list of countries with the most potential for female entrepreneurs¹. But even with extremely high education levels for women, and in the country where women first conquered the labour market, there are still structural issues, that make it harder for women to start their own company.

3 out of 4 entrepreneurs are men

Until the COVID-19 crisis hit, the number of newly founded Danish companies had been increasing steadily since 2013, with an increase of 15% new startups since 2018². Even so, only approximately one out of every four entrepreneurs – 26% – are women. And when it comes to the startups with a scalable business model, the number might be even lower. Unfortunately, there is a lack of precise data on this, and it would be worthwhile to find a more exact number.

We can still get an idea, however, by looking at some data points. Firstly, the European average of

female tech founders is 21% according to the State of European Tech 2019³. And secondly, 22% of impact founders in Denmark are women according to Danske Bank's State of Nordic Impact Startups 2020. If we assume that there are slightly more female founders in impact startups (as the 2020 report argues) a tentative estimate of approximately 20% female founders in Danish, scalable startups is then a reasonable starting point. At least until better data is acquired.

We believe that this underrepresentation of women in entrepreneurship in general and specifically of investments in female founders represents a **giant untapped potential for growth and added value.**

*The gender imbalance in investments:
In 2019 95% of all VC-investments in Denmark were given to companies founded by only men. 4% went to startups with mixed founder teams of both women and men. The last percent went to companies with an all female founder team*

1 out of 100 investments go to all female founder teams

Furthermore, investments in startups with all female founder teams seem to be at an extreme low. In both 2018 and 2019 only 1% of Danish VC-investment went to startups with female founder teams, in 2019 another 4% (1 % in 2018) went to founder teams with both men and women whereas the vast majority a whopping 95% (98 % in 2018) went to startups founded by men only⁴. And nothing suggests this trend is getting better. In fact, the picture is worse than in 2015 where “only” 78% of investments went to startups⁵ with all male founder teams.

95%

In 2019 95% of all VC-investments in Denmark were given to companies founded by only men.

1%

In the Danish startup ecosystem only about 1% of all investments in startups go to all female founder teams



3 out of 4 entrepreneurs are men

¹ GEDI, The 2015 Female Entrepreneurship Index. Analysing the conditions that foster high-potential female entrepreneurship in 77 countries – Siri Terjesen and Ainsley Lloyd.
² Iværksætterindblik 2020 <https://www.ffe-ye.dk/19752>
³ Iværksætterbarometer 2019, *Den nationale analyse af danske iværksætteres forventninger til omsætning, job, udfordringer og oplevelser af rammevilkår*
⁴ <https://2019.stateofeuropeantech.com/chapter/key-findings/>
⁵ Unconventional Ventures report 2020 – *Nordic Startup Funding – in the world's most equal region*: <https://www.unconventional.vc/report/>
⁶ Unconventional Ventures report 2019 – *Nordic Startup Funding – 'Through the Lens of Gender Diversity'*

Source: Unconventional Ventures report 2020 – *Nordic Startup Funding – in the world's most equal region*: <https://www.unconventional.vc/report/> & Iværksætterindblik 2020 <https://www.ffe-ye.dk/19752>



"We have known about this issue for a while, and we have known that it represents an untapped potential – a lost return on diversity, so to speak – especially here in our Danish Startup ecosystem. In Danske Bank Growth & Impact, we think now is the time to act. That's why we sponsored this project, and that's why we call it a guide. We need to focus on presenting a way forward."

Klavs Hjort, SVP for Growth & Impact in Danske Bank

Female founders receive both fewer and smaller investments than male founders in Denmark, even though the evidence suggests they have just as much potential

A tilted playing field?

Unfortunately the problem is not just a lack of investments, but also fewer possibilities, many more hindrances and smaller investments. In fact, studies indicate that female founders:

- » Have to go through more investment rounds before receiving investment.
- » Receive fewer "warm" introductions to potential investors⁶.
- » And receive a smaller amount of capital, when acquiring investments.

Female founders receive both fewer and smaller investments than male founders in Denmark, even though the evidence suggests they have just as much potential.

Return on diversity: Is better balance, better business?

What is the business case for investing in diversity? Is there a "return on diversity", as we boldly claim in this guide's title? Shouldn't we just invest in the companies with the biggest potential?

The answer is, that these are not mutually exclusive. Far from it. Diversity – it seems – actually *supports* performance. Startups with female founders seem to become just as successful, and have the same growth potential as their male founded equivalents⁷.

By almost exclusively investing in all male founder teams, investors risk missing out on the opportunities of startups with both mixed and all female founder teams. So it looks and smells like bad business, not just for startups with female founders in need of cash, but for society and investors, as well.

There seem to be no economic rationale for female founders receiving both significantly fewer and smaller investments than male founders in Denmark

If we are able to look objectively at the potential, all female and mixed founder teams are an equally good investment.

⁶ Unconventional Ventures report 2019 – *Nordic Startup Funding – 'Through the Lens of Gender Diversity'*

⁷ The Alison Rose Review on Entrepreneurship, 2019 & BCG rapport 'Why Women-Owned Startups are a Better Idea' 2018 <https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet.aspx>. See also: <https://www.5050foundation.edu.au/assets/reports/documents/BCG-Why-Women-Owned-Startups-Are-a-Better-Bet-May-2018-R-tcm9-193585.pdf>



Thea Messel, Founder and General Partner
Unconventional Ventures

"From depressing numbers to the biggest investment opportunities in The Nordics: As depressing as these numbers might seem, what they represent is a huge investment opportunity. We know diversity outperforms in all aspects of business life, this is also the case for the Nordics tech scene."

Diversity in the Nordics – Denmark and Sweden are falling behind our Nordic neighbours

There is a clear unsolved problem with gender balance in Denmark, when it comes to investments, and the problem is larger here, than it is in the rest of The Nordics. In 2019 and 2020 Unconventional Ventures mapped VC-investments in Nordic startups to get an understanding of diversity in the Nordic startup environment⁸.

According to the 'Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region', the Nordics did somewhat better than most other European countries, but two countries consistently lowered the diversity average – those countries are Denmark and Sweden. According to the report:

1 Female founders receive fewer investments. We are far behind the rest of the Nordics

As mentioned earlier, 95% of Danish investments in 2019 went to teams of men, 4% to mixed teams and 1% to teams of only women. That puts us at the bottom of the Nordics along with Sweden with the exact same percentages in 2019. Meanwhile Norway still ranks the best, with 82% to male teams, 17% to mixed teams and 1% to female teams, Iceland comes in second with 86% to male

teams, 14% to mixed, and Finland third with 88%, 8% to mixed and 5% for all female teams – the most of any Nordic country.

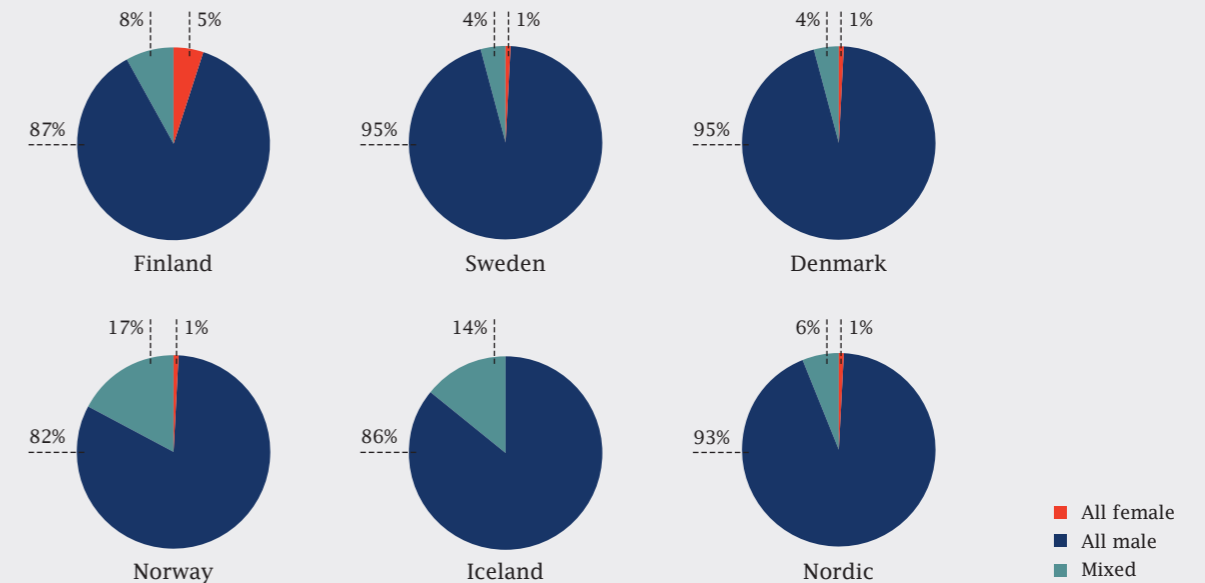
2 Across the Nordics female founders receive less funding per round than mixed or male teams

All women teams raised a lot less capital per round compared to all men and mixed teams. Through 2016-2020 all women companies landed 6,9% of the deals but raised only 2,5% of the capital. Once again Denmark finds itself in last place with 4% of deals landed, and only 1% of the capital.

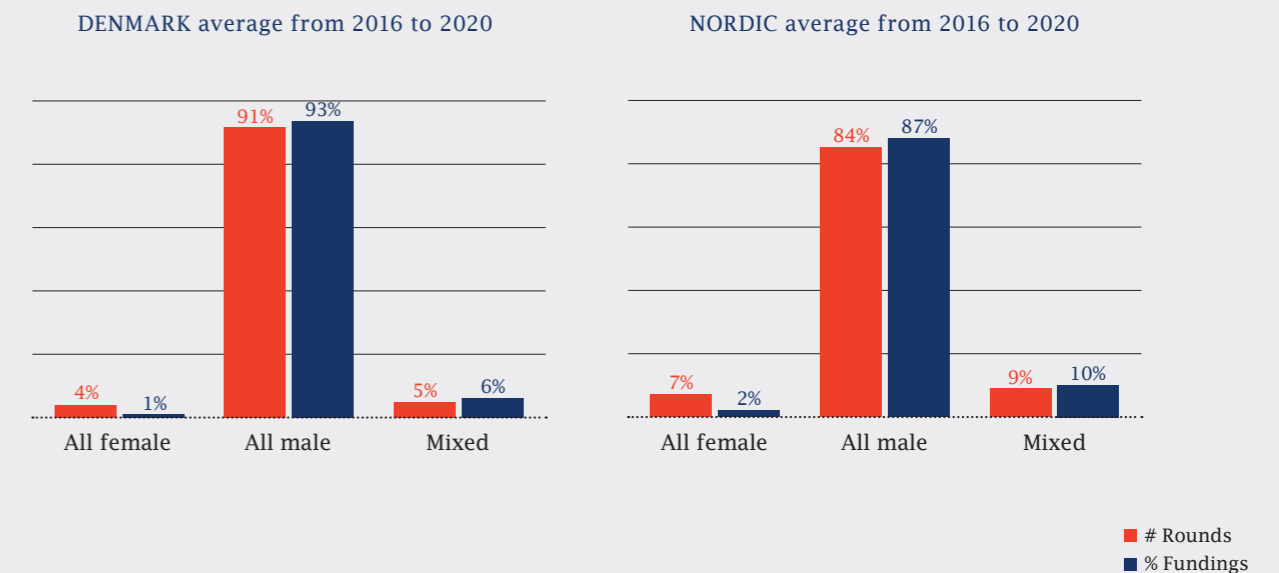
Female founders receive fewer investments on all stages of the investment journey

In the Nordic countries from 2016-2019, the amount of investments in startups with at least one female founder drops significantly from the seed stage to the early VC stage. From 18,4% in the seed-round, to only 7,6% in early VC stages (below 25 mio euro). If female founders do well in the long run, it is in spite of this lack of investment. All of these numbers are lower in a Danish context, with only 10,4% of seed stage investments and 4% at early VC and 8,3% in later VC-rounds – which is less than half of the Scandinavian average⁹.

1 Capital Raised by Gender 2019



2 Nordic Capital vs Rounds



⁸ Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/> & Unconventional Ventures report 2019 – Nordic Startup Funding – 'Through the Lens of Gender Diversity'
⁹ Unconventional Ventures report 2019 – Nordic Startup Funding – 'Through the Lens of Gender Diversity'

Source: Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/>



Bente Nielsen, Head of Private Banking
Danske Bank DK

"There is a bias in the amount of venture capital that accrues to startups with a female founding team. This, of course, has crucial implications for those startups that cannot find the capital for their growth. And for investors who miss out on a good investment. Numerous studies show that diversity drives performance."

3 Smaller investment amounts to female founded companies in Seed and Series A

Regarding the Nordics in general there is a clear difference between the size of the investment, given to founder teams with and without women onboard. Unconventional Ventures Report 2020 states that all male founder teams receive on average 866,63K euros at seed stage vs. 654,29K euros for all female teams. But the relative difference between male and female teams is even greater for series A and early VC.

So in Denmark, it seems, we are nowhere near tackling this issue

4

Interestingly, in H1 of 2020 – and in the midst of a global pandemic – 18% of the funding was raised by teams by mixed- and all female¹⁰ founders. However, this trend seems to be solely driven by an enormous upswing in Sweden with 30% of funding in H1 going to mixed teams and 4% going to female teams.

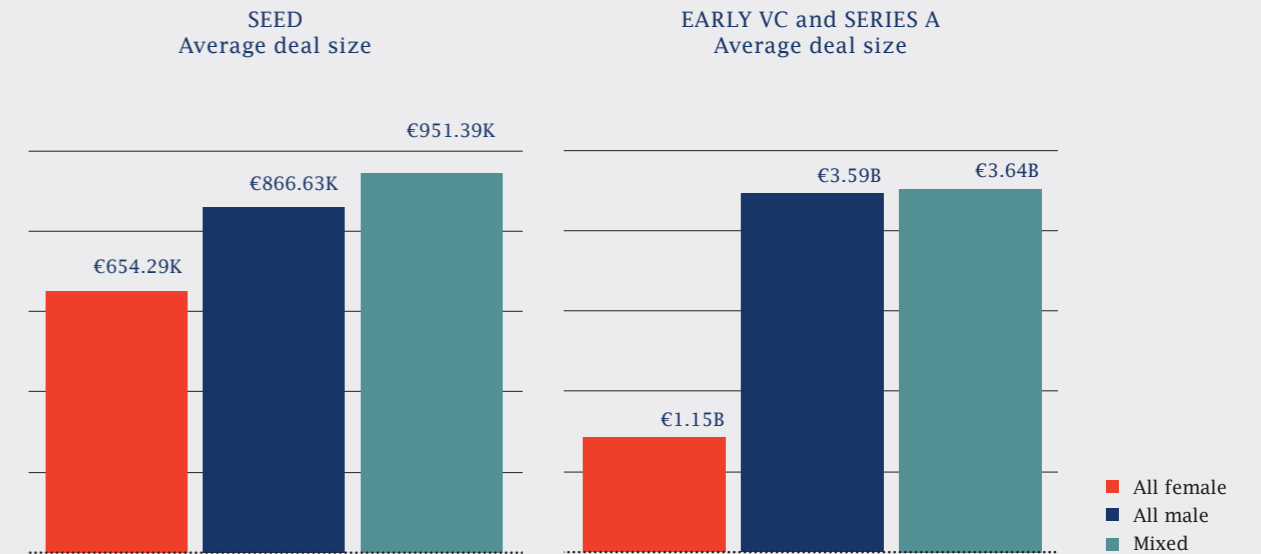
All other **Nordic** countries are actually moving backwards, and Denmark is back at a historic low of 97% of funding in H1 going to male teams, 2% to mixed teams, and 1% for female teams.

So in Denmark, it seems, we are nowhere near tackling this issue.

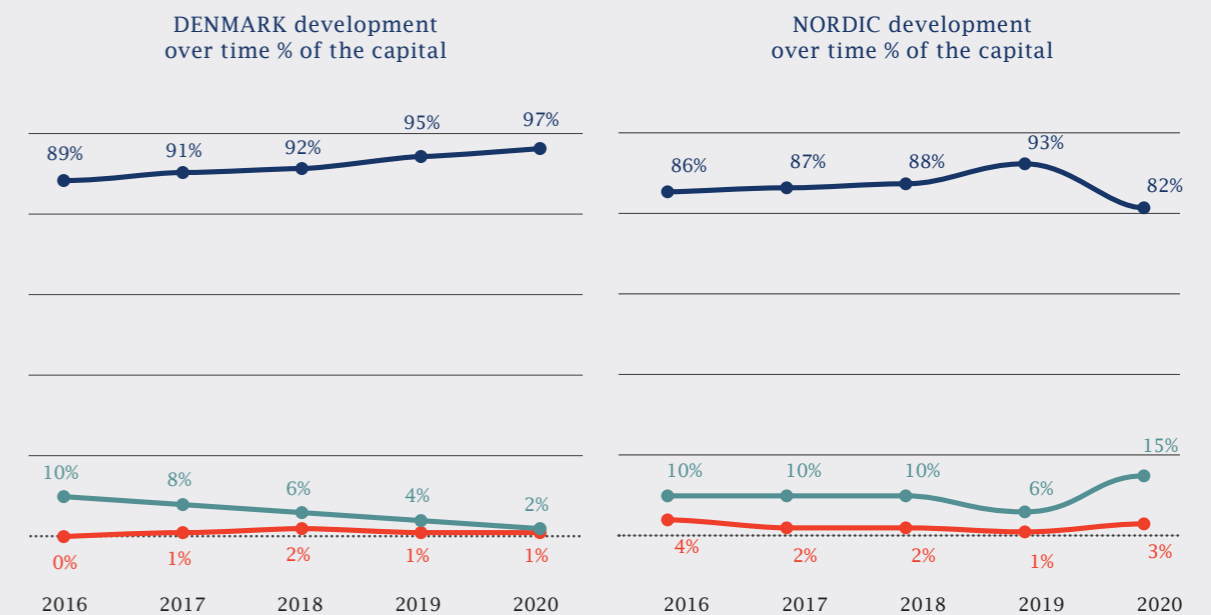
¹⁰ Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/>

3 Deal Size

Average size stage comparison



4 Capital Raised Trends



Source: Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/>

2) Diversity and Gender Balance: Is it really **Good Business**?

In short, yes. Numerous statistical studies indicate that companies with a female founder are indeed very good business – let's look at a couple:

Diversity creates more revenue, for fewer investments

An international study by Boston Consulting Group has shown that startups with a female founder receive fewer and smaller investments than startups founded only by men¹¹. Despite this disparity, startups founded and co-founded by women actually performed better over time, generating 10% more in cumulative revenue over a five-year period: \$730,000 compared with \$662,000. In terms of how effectively companies turn a dollar of investment into a dollar of revenue, startups founded and co-founded by women are significantly better financial investments, the study concludes. For every dollar of funding, these startups generated 78 cents of revenue, while male-founded startups generated less than half that – just 31 cents.

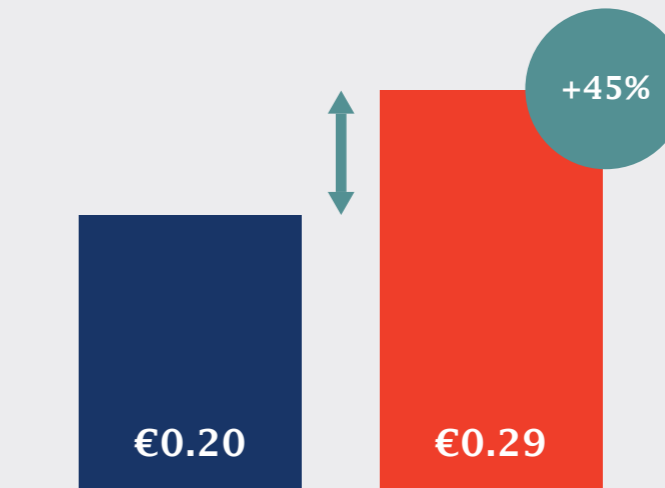
The Allison Rose Review on Entrepreneurship – a large study from the UK – indicates that up to 250 billion pounds would be added to the UK economy, if as many women as men started and grew companies

Nordic female founders also do more with less
We see the same picture with startups that come to Slush. In the SLUSH 2019 cohort from the Northern European region, startups of comparable age whose application was submitted by a female founder had received less funding on average, but done more with the money, generating more revenue per euro of funding and per employee¹². Female founded startups generated on average 45% more revenue per euro invested than their male counterparts, and generated 21% more revenue per employee¹³.

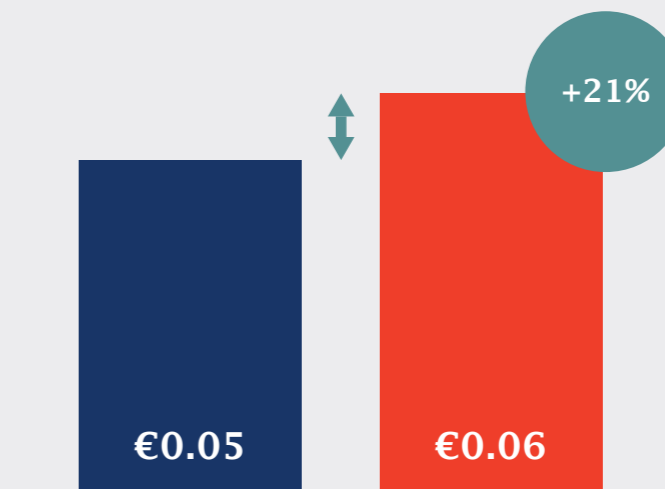
Men and women do equally well, even though male founders are favoured

There are at the moment no numbers from Denmark, but The Allison Rose Review on Entrepreneurship – a large study from the UK – indicates that up to 250 billion pounds would be added to the UK economy, if as many women as men started and grew companies¹⁴. The same study also showed that female- and male-owned startups had an equal chance of doing well, and women are just as likely as men to be successful in maintaining a business.

5 Nordic female founders also do more with less



Female founded companies generate 45% more revenue pr. € funding than male founded companies.



Female founded companies generate 21% more revenue pr. employee than male founded companies.

¹¹ BCG-rapport 'Why Women Owned Startups are a Better bet' 2018. <https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet.aspx>
<https://www.5050foundation.edu.au/assets/reports/documents/BCG-Why-Women-Owned-Startups-Are-a-Better-Bet-May-2018-R-tcm9-193585.pdf>

¹² Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/> & Slush' Entrepreneurship Redefined

¹³ Description of data from Slush: A gender API was used to guess the applicant's gender based on their first name. All other data is self-reported at the time of application, or at a later point before Slush 2019 if the startup chose to update their data. 'Funding raised' represents the current figure at that time, '2018 revenue' represents the previous calendar year, and '2018 employee count' represents the state 12 months before the application or update. Accepted applications only. Data from Northern European region, n 97 (women) n433 (men)

¹⁴ The Allison Rose Review on Entrepreneurship, 2019.

Source: Unconventional Ventures report 2020 – Nordic Startup Funding – in the world's most equal region: <https://www.unconventional.vc/report/> & Slush' Entrepreneurship Redefined

An analysis of the seed-venture fund First Round Capital's own portfolio in 2015 indicated that startups with at least one female founder did on average 63% better than startups founded by only men

A female co-founder is associated with better results

The American seed-venture fund First Round Capital, that e.g. have invested in Uber and other large tech companies, published a report in 2015 analysing 10 years of investments in nearly 300 companies. The analysis of their own portfolio indicated that startups with at least one female founder did on average 63% better than startups founded by only men¹⁵. The performance multiples reflect the appreciation (or depreciation) between First Round Capital's original investment and (1) the value at exit (for companies who have exited) or (2) the fair market value First Round Capital used in their audited December 31, 2014 financial statements.

More women at C-level, is good for business in multiple ways

When startups start to scale, there are many potential financial benefits to having a diverse team. The McKinsey report 'Delivering through Diversity' from 2018 explains that companies that have more women at C-level, are 21% more likely to be profitable than their competitors. Furthermore, these companies are 27% more likely to create products and services that customers are loyal towards and willing to pay a premium for¹⁶.

3) Diversity and Gender Balance: What makes it Good Business?

So, gender balance is, at least statistically, a good investment. But how and why does gender balance and diversity in general benefit companies practically? What makes the difference? A number of studies indicate, that the following mechanisms can help explain what makes diversity have a positive impact across different companies¹⁷.

- 3.1 Better decision making
- 3.2 More innovation and creativity
- 3.3 More products & broader market knowledge and appeal
- 3.4 Better and more attractive work environment

3.1 Better decision making

Diversity enhances decision making

When investors evaluate startups, it is typically an advantage, if its founders and potential employees have a varied academic and professional background. Investors and founders have realised that diversity in business knowledge and skills are complementary, and help create the best teams. It seems that this perception isn't as widely held – or at least adhered to – when it comes to diversity of gender, ethnicity or sexual orientation. However, this kind of diversity can also help create better startups and investments, through *enhanced decision making*.

Diversity leads to less "group-think", and sharper thought-through decision making. And better decision making is the foundation for better business.

More group-think, less diversity. And vice versa

Diversity helps counter group-think, and leads to sharper and better decisions^{18, 19}. This can be explained by the tendency of homogenous groups to assume more common ground than perhaps they should. If people look like you, it is easier to think that they probably also agree with you. This can lead to important assumptions or differences not being discussed, before reaching consensus. Group-think tends to lead to reinforced errors, polarisation of beliefs in a group, a cascading effect where the first to speak, tends to pull the group, unduly, in one direction. A form of "shared-knowledge" effect, that slowly repress new insights from discussions or decisions²⁰. In short: Diversity leads to less "group-think", and sharper thought-through decision making. And better decision making, is the foundation for better business.



"A couple of years ago, when we just started out in byFounders, we had an all male team, and you could say our outlook was a bit blindsided. When we recruited our first female partner our perspective started to broaden both internally and externally. Being too similar in your outlook simply narrows your opportunities."

Tommy Andersen, managing director byFounders

¹⁵ First Round '10 years' analysis. <http://10years.firstround.com/>

¹⁶ Vivian Hunt et al., Delivering through Diversity, report, McKinsey & Company, January 2018

¹⁷ Informational diversity and entrepreneurial team performance: moderating effect of shared leadership, *International Entrepreneurship and Management Journal* volume 11, pages 39-55 (2015) & "How Diversity Works" in *Scientific American* 311, 4, 42-47 (October 2014)

¹⁸ "How Diversity Works" in *Scientific American* 311, 4, 42-47 (October 2014) doi:10.1038/scientificamerican1014-42

¹⁹ Diversity and Identity in the Workplace, 2018. Florence Villesèche · Sara Louise Muhr Lotte Holck or <https://www.forbes.com/sites/eriklarson/2017/09/21/new-research-diversity-inclusion-better-decision-making-at-work/>

²⁰ Cass Sunstein og Reid Hastie (2015): "Wiser, getting beyond groupthink to make groups smarter". Boston: Harvard Business Review Press

3.2 More innovation and creativity

Even good business ideas benefit from a challenge

"Many ideas grow better when transplanted into another mind than the one where they sprang up". The quote is from former American Supreme Court judge Oliver Wendell Holmes, and is often used in inspirational speeches about creative collaboration. This isn't just an inspirational quote, however, it is also supported by Atomico's 'Diversity & Inclusion in Tech' on the European startup ecosystem²¹. The report shows that ideas actually grow better in startups, when they are transplanted and take life in another person, that does not look like the idea's originator.

Many ideas grow better when transplanted into another mind than the one where they sprang up

The point here is that one of the most important benefits of diversity, lies in its role in fostering creativity and innovation. Diverse teams and startups are more likely to create more new and radically innovative products²². Most likely, because these teams are able to foster more diverse and innovative thoughts and ideas, they challenge each other to a higher degree and have a better feel for a variety of markets and opportunities, than homogenous groups that are often more halted by group-thinking.

In essence, it is about diversity of information²³. To put it briefly, diverse groups bring diverse ideas, knowledge, experiences and perspectives, and that provides for a more open and challenging discussion about ideas.

Diverse teams and startups are more likely to create more new and radically innovative products

3.3 More products & broader market knowledge and appeal

Diversity leads to higher quality and larger numbers of products and services

If diversity is associated with more innovation, it makes sense that diversity would also lead to a startup developing more and better products and services. A diverse team does not just create room for creativity and new ideas, it automatically brings the startup closer to different types of end users – i.e. an opportunity to design better and more useful products and services for a more diverse audience²⁴.

Diversity in team composition can help startups tap into unfound markets and audiences

More creativity, more innovation, more products, more revenue

A study brought in Harvard Business Review in 2013 concluded that companies with diversity in management were 70% more likely to go into new markets and 45% more likely to have increasing revenue²⁵. This could be explained by more innovation, and that people who share the same ethnicity as the end user, according to the study, are 152% more likely to understand the end user, than those who do not share their ethnicity.

And that insight is only more important in the future, where people with a non-western background will become a larger target group with increased buying power. This creates an enormous market of opportunities, that many startups might overlook or miss out on because of lack of diversity in their product development.

A study from 2009, showed that women constituted a larger market potential than China and India combined

The female market: An overlooked commercial opportunity

A study from 2009 shows that women constitute a larger market potential than China and India combined²⁶.

Around 65-92% of all buying related decisions are made by women, when it comes to product categories from household to travel, cars and computers.

Even so, the women of the study did not feel that their needs were met by the available products on the market. A possible explanation is that so relatively few women actually develop products for their own gender. It seems, startups with diverse teams – in this case in terms of gender balance – have an enormous value potential in creating products targeted at women's needs.

3.4 Better and more attractive work environment

Diversity promotes being engaged at work

A more diverse team is often also a more happy and engaged team, which in turn promotes productivity²⁷. Studies by Gallup, among others, find a correlation between diversity and employee engagement²⁸. Companies that rank above average on diversity and engagement do 46-58% better financially than companies below the average.

Companies that rank above average on diversity and engagement do 46-58% better financially than companies below the average

21 Diversity & Inclusion in Tech. A Practical Guidebook for Entrepreneurs. Atomico. 2019.

22 Diversity & Inclusion in Tech. A Practical Guidebook for Entrepreneurs. Atomico. 2019.

23 Informational diversity and entrepreneurial team performance: moderating effect of shared leadership, *International Entrepreneurship and Management Journal* volume 11, pages 39-55 (2015) og "How Diversity Works" in *Scientific American* 311, 4, 42-47 (October 2014) doi:10.1038/scientificamerican1014-42

24 "Research: When gender diversity makes firms more productive" (2019) in Harvard business review February 2019 <https://hbr.org/2019/02/research-when-gender-diversity-makes-firms-more-productive>

25 How Diversity Can Drive Innovation, Harvard Business Review December 2013.

26 "The Female Economy" in Harvard Business Review September 2009 Vol. 87(9) pp. 46-53.

27 See also: Diversity Management, Job Satisfaction, and Performance: Evidence from U.S. Federal Agencies (2209) by David Pitts in *Public Administration Review*, March 2009, Vol.69(2), pp.328-338. Or Diversity – inclusion in tech rapport

28 <https://news.gallup.com/opinion/gallup/190103/using-employee-engagement-build-diverse-workforce.aspx>



"Diversity and inclusion are important for Denmark because it ensures complementary knowledge is put into starting and scaling innovative business. The diverse teams have a higher return on investment, are more innovative, and make better decision-making. That is what we need in Denmark."

Rolf Kjærgaard, CEO, Vækstfonden

A more diverse management team, is a better management team

Reports by McKinsey have concluded that diversity in management is an important factor for creating happier and more motivated employees, which in turn can improve the company's activities²⁹. These reports show that female and male leaders have different styles of leadership with different intervals. Out of the nine central, positive leadership styles that McKinsey investigated, female leaders were more likely to focus on *employee personal development, expectations and rewards, role models, inspiration and inclusive decision making*. Male leaders were more likely to be focused on *control and correction and individual decision making*. Male and female leaders were equally likely to use *intellectual stimulation and effective communication* in their leadership style.

New hires seek diversity

Diversity is also important in the startups' battle for future talent. A battle, that is equally important in the early stages, and continues to scale alongside the startup. Diversity is one of the key factors that especially millennials look for, when finding a new place to work³⁰. PwC reports that 61% of female talents look up the companies' diversity at management level, when seeking a job³¹. Danish CEOs are currently facing potential challenges in securing qualified employees³², and since women have surpassed the number of men at universities, gender diversity will be an important element in the hunt for talent, both now and in the future.

Summing up part 1

- » We have a huge challenge in front us with diversity and gender balance in the Danish Startup Ecosystem.
- » Both in terms of investing in teams with female founders and of attracting more female founders of startups.
- » Diversity and gender balance are good for business. Also, it would seem, in the volatile startup world.
- » Building on this, investments in startups with gender balance and diverse teams look like a good bet.

So why are we not getting started?

In part 2 of this guide, we delve into some of the challenges, myths and misconceptions that are holding back female founders and investors from unlocking this untapped potential.

²⁹ Women Matter – Time to accelerate. Ten years of insights into gender diversity (2017), McKinsey & Company.

³⁰ <https://www.glassdoor.com/employers/blog/diversity/> & Weber Shandwick <https://www.webershandwick.com/news/millennials-at-work-perspectives-on-diversity-inclusion/>

³¹ Winning the fight for female talent, PwC report from 2017. <https://www.pwc.com/gx/en/about/diversity/iwd/iwd-female-talent-report-web.pdf>

³² PwC 2019 CEO survey shows that 80% of Danish CEOs fear that a lack of skilled labor will be a hindrance to the growth of their company. <https://www.pwc.dk/da/presse/meddelelser/2019/otte-ud-af-ti-danske-topledere-mangel-paa-talent-vil-paavirke-vaeksten.html>

Entrepreneurship and Gender in Denmark: 3 Myths and 3 Challenges

The gender imbalance in the Danish startup ecosystem is a complex challenge with a number of different causes - including psychological, social, historical and political. We have spoken with a series of Danish entrepreneurs, investors and experts about about what they see as the largest and most important barriers to becoming an entrepreneur. By understanding these barriers, myths and motivations about starting your own company, maybe we can pave the way towards more diversity.

Based on the interviews and our research, we have identified three myths and three outright challenges that seem to be central in holding back especially women from starting their own company and succeeding with it.

Myth 1

Entrepreneurship means sacrificing work-life balance

Myth 2

Women are not as entrepreneurial as men

Myth 3

Women can't have kids and still run a startup successfully

Challenge 1

Women in the startup ecosystem are paid less than men

Challenge 2

Networking in the startup ecosystem favours men

Challenge 3

We need more female role models to break the status quo

Myth 1: Entrepreneurship means **sacrificing** work-life balance

Does entrepreneurship mean sacrificing work-life balance?

The stories we tell each other of entrepreneurs and entrepreneurship in Denmark have two distinct sides:

1. Entrepreneurs are the new rockstars and the general populace have a very positive view on the “specimen”,
2. Entrepreneurship is hard work, high risk and demands **sacrifice**.

The last word is important, because entrepreneurship is often described as an ‘all-in’ or a ‘gamble’ or something you ‘can’t help doing’. Almost like a calling – or an addiction, if you will. The common denominator is that you’re doing it in spite of common sense.

According to a survey by the Danish Chamber of Commerce¹, 83% of danes believe that entrepreneurs work between 47 and 70+ hours every week. While the median perceived number is quite high – statistics from Danske Bank’s report ‘The Nordic Startup Salary Survey 2018’² show that the actual number in Denmark is close to 44 hours – it also relates a pretty one-sided description of entrepreneurship that it is important to challenge.

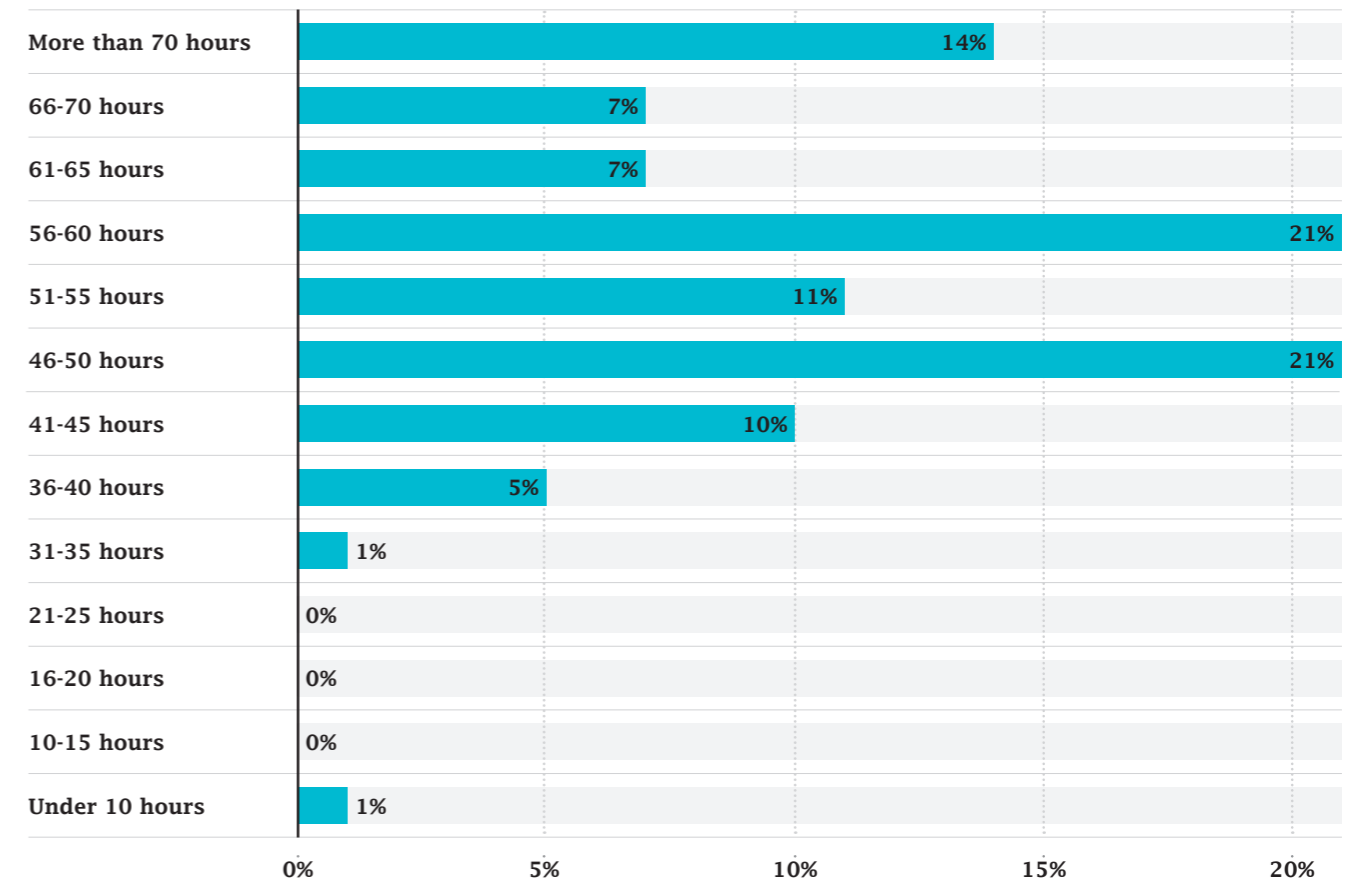
Partly, because this stereotype is far from an accurate depiction of actual entrepreneurs; there are just as many ways to be an entrepreneur as there are to be an employee. And partly, because the constant stories of sacrifice might hold both women and men back, who want to be entrepreneurs, but find the perceived price of an unreasonable work-life balance too high.

In 2020, in a country with some of the world’s best conditions for workers, it would make sense if the vast majority are hesitant of entrepreneurship if this means sacrificing a normal, healthy work-life balance for the perpetual quest for growth.

The legend of the ‘Super Entrepreneur’

We could call the story: ‘The legend of the super-entrepreneur’. A modern superhero, often male, that must sacrifice spare time and family to slay the markets and create a successful company. So what is the origin of this legend, this archetype? As many other stories, the story of the super-entrepreneur does not spring from nothing, and probably arises from actual experiences and self perceptions of former entrepreneurs looking back at their own ‘adventures’ combined with the ideal of the endlessly hard working entrepreneur.

6 How many hours do you think entrepreneurs in Denmark work on an average week?



Source: Dansk Erhverv

The Entrepreneur as Superhero

- » The legend may prevent some people from starting their own business
- » The legend may create expectations and pressures on entrepreneurs that are not sustainable in the long run and increase the risk of burnout
- » The legend promotes working harder – not smarter
- » The legend overshadows the opportunity for entrepreneurship as extra flexibility, that could perhaps attract parents, especially women³

¹ <https://bootstrapping.dk/er-ivaerksaetteri-socialt-selvmoerd/>

² Find the report here: <http://salary.thenordichub.com/>

³ According to survey data from The Allison Rose Review on Entrepreneurship, 2019

7 The desire to have a more flexible work-life balance is a primary motivator of female entrepreneurs

Question asked: Think about when you first started your business. What were the main reasons you decided to start your own business?*

	Female, total	Male, total	Female, w. children	Male, w. children
To be independent/make my own decisions	52% 2	47% 1	44% 2	39% 2
*To have a more flexible work-life balance (family)	27% 2	17% 6	46% 1	19% 6
To make better use of my skills and experience	24% 3	23% 3	23% 4	23% 3
To earn more money	24% 4	34% 2	27% 3	40% 1
To have a more flexible work-life balance (hobbies)	23% 5	21% 4	18% 6	20% 5
To challenge myself	19% 6	20% 5	19% 5	23% 3

Source: Survey conducted as part of the Alison Rose Review of Female Entrepreneurship



“Startup communities are still, unfortunately, glorifying and perpetuating “hustle-porn” – a notion, that, as a founder, one must work 24/7, take no breaks, live and breathe their startup only. The reality is that this does not lead to success.

Gulnaz Khusainova,
founder and CEO of Easysize

Entrepreneurs suffer from more burnout & women’s double-jobs means carrying an extra load

Of course there are entrepreneurs who work around the clock – because they have to, because it is expected of them or because they can’t help it. And even though this is more of a problem for the entire startup ecosystem than a gender problem, it does mean entrepreneurs are statistically more likely to be affected by “burn out”⁴, and suffer stress-like symptoms or outright stress.

Especially for women the pressure from work is further combined but what you could call having a second job: Women still use more time on household work, than men, according to numbers from 2014. On average, Danish women use 1 hour and 12 minutes longer *a day*, on non-paid, household work, than men do⁵. The “second job”-problem, can put an even higher demand on women.



“The biggest difference from a corporate position in the private sector and where I am now, is who is in charge of my calendar. Now I am in charge of my own calendar, and I see that as less stressful than before”.

Camilla Ley Valentin,
CCO and co-founder of Queue-it

Working more effectively, not just more

Speaking to successful Danish entrepreneurs a lot of them echo the sentiment of working smarter, not harder. Achieving results is not necessarily about working more, but working on the right thing, effectively, they say. Quality over quantity, does not stop making sense, when it comes to working hours. A number of research papers point to the heightened effectiveness that shorter work days tend to lead to⁶, and many have probably already read about how Microsoft Japan saw a 40% higher productivity in an experiment with a 4-day work week.

Flexibility is an undersold benefit

Starting your own business also brings about new opportunities, and potentially more flexibility than you have as a traditional employee. Perhaps more Danes, both men and women, could be inspired to start their own business, if this benefit was a greater part of the entrepreneurship lore. All the entrepreneurs, we interviewed for this guide, highlighted exactly that, as one of the key benefits of becoming an entrepreneur.

Fact 1: Running a startup is about sprinting and hard work, but it’s also about having motivation and energy for the whole journey

If you have big ambitions, you often need to invest time, energy and resources to succeed – but this holds true in both the corporate and the startup world. Most entrepreneurs will agree that you do need to put in many hours of hard work, but it’s also about endurance, about making sure you don’t burn out halfway. So, it’s not all or nothing. Successful entrepreneurs actually warn about working too hard, and not being able to prioritize or be truly effective in the longer run. Building on this, a lot of the entrepreneurs we interviewed told us that the flexibility that comes with being your own boss is an added benefit, they value a lot.

⁴ <https://thriveglobal.com/stories/the-symptoms-of-entrepreneurial-burnout/>
⁵ Gender data portal (2014), OECD

⁶ <https://hbr.org/2018/12/the-case-for-the-6-hour-workday>

Myth 2: Women are not as entrepreneurial as men

Are women really risk averse?

The fear of something going wrong may be a factor keeping women from starting their own business, to a higher degree than men. Some financial studies show that men are more risk willing than women, who tend to be more thoughtful and analytical – perhaps especially when it comes to money⁷.

More women than men say they are deterred by the risk of failure

In line with this, a 2017 report by the EU found that 52% of women asked said they did not start a company, because of fear of failure, compared to 42% of asked men⁸. The report pointed to this as one of the primary factors holding back women from becoming entrepreneurs. So a difference seems to be there, but keep in mind that we are looking at self reported data.

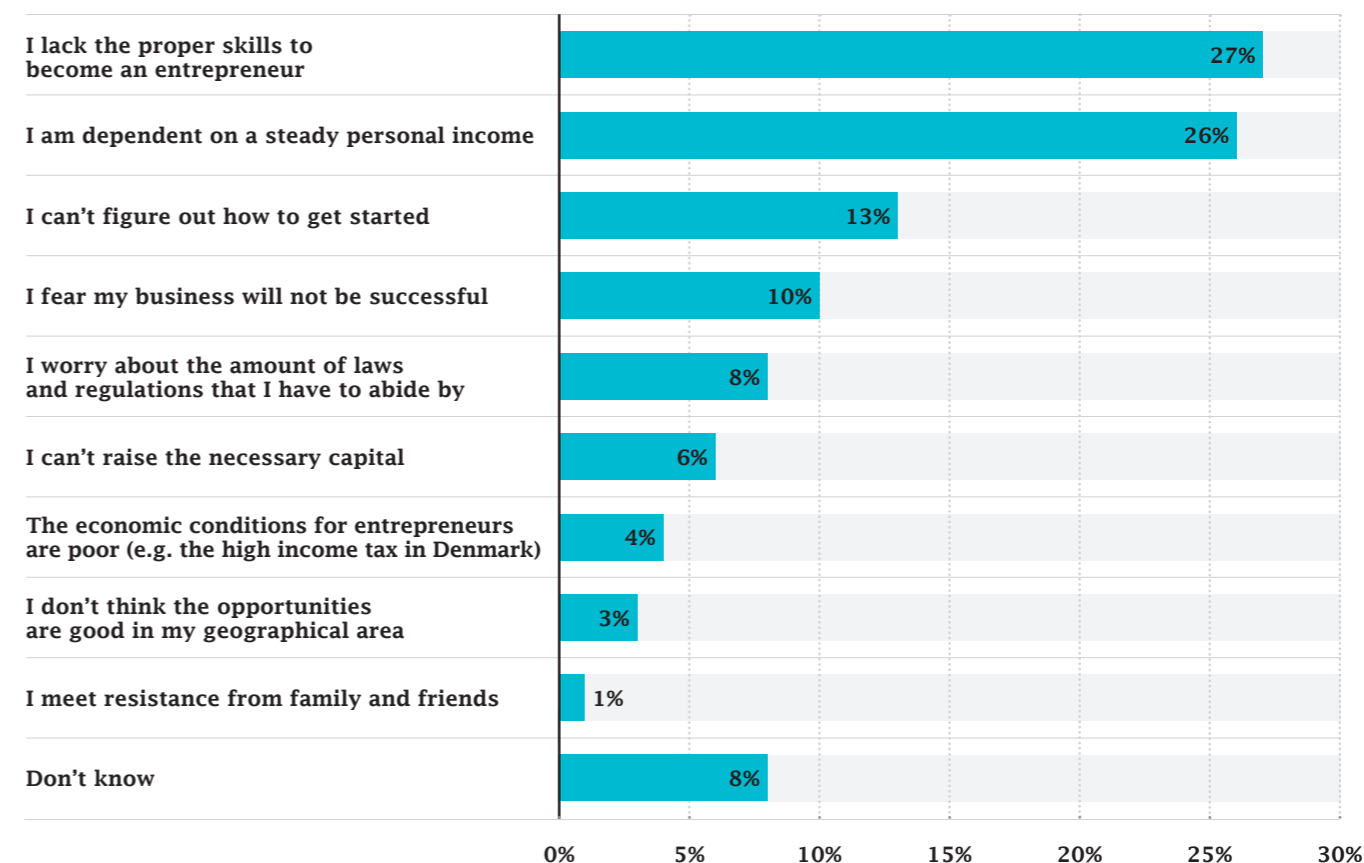
Louise Ferslev, founder of the allowance app MyMonii, advice to all budding entrepreneurs is to focus less on risk, and more on potential:



“I don’t even think about risk anymore. I think it is something that I have with me from golf. If you have to hit a 100-yard to the green, and there is a bunker, a pond and high grass behind, you cannot stand and think about all the places you mustn’t hit, because then you will definitely hit those. You do just think about getting as close to the flag as possible. And then I think my brain has just always thought “go for it”.

Louise Ferslev, founder and CEO of MyMonii

8 What are the main reasons why you do not want to start a new business within the next 3 years?



Source: Norstat on behalf of Dansk Erhverv, October 2019. Method: n= 333. The figure shows the distribution among women aged 18-64 who do not expect to start a new business within the next three years. The response categories "None of the above categories suit me" and "Other causes" are not shown in the figure.

Do women just want something else entirely?

The Danish Chamber of Commerce (Dansk Erhverv) concludes in their 2019-report on entrepreneurship, that the two primary self reported factors holding back women from starting a business, is (1) uncertainty about if they possess the

needed skills and (2) dependence on a monthly income⁹. The latter reason tends to score high for both men and women, whilst the first is predominantly a reason given by female respondents.

More interestingly than the self reported data itself, these two findings could point to an on average difference between men and women, namely: The Confidence Gap.



⁷ https://finanswatch.dk/Finansnyt/Pengeinstitutter/Danske_Bank/article11267012.ece
⁸ Policy Brief on Women's Entrepreneurship written by OECD for European Union

⁹ <https://www.danskerhverv.dk/siteassets/mediafolder/dokumenter/01-analyser/analysenotater-2020/35-danske-kvindes-ivarsatteraktivitet-er-blandt-de-laveste-i-oecd.pdf>

The Confidence Gap

Mistaking confidence for competence

Experimental studies by Dunning and Ehrlinger from 2003 focused specifically on women, and the impact of women's pre-conceived notions about their own ability on their confidence. They gave male and female college students a quiz on scientific reasoning. Before the quiz, the students rated their own scientific skills. *"We wanted to see whether your general perception of Am I good in science? shapes your impression of something that should be separate: Did I get this question right?"* Ehrlinger commented on the study.

The women rated themselves more negatively than the men did on scientific ability: on a scale of 1 to 10, the women gave themselves a 6.5 on average, and the men gave themselves a 7.6. When it came to assessing how well they answered the questions, the women thought they got 5.8 out of 10 questions right; men, 7.1. And how did they actually perform? Their average was almost the same – women got 7.5 out of 10 right and men 7.9.

To show the real-world impact of self-perception, the students were then invited – having no knowledge of how they'd performed – to participate in a science competition for prizes. The women were much more likely to turn down the opportunity: only 49 percent of them signed up for the competition, compared with 71 percent of the men. *"That was a proxy for whether women might seek out certain opportunities,"* Ehrlinger said of the appendix. *"Because they are less confident in general in their abilities, that led them not to want to pursue future opportunities."*

The confidence gap between men and women has been well documented in several different settings, from job interviews to salary negotiation, and it is a big barrier for women. Why? Because confidence – justified or not – also reflects back on your expectations to yourself and what you are worth¹⁰. The tendency to underestimate oneself can then become a negative spiral combined with the perceptions of what it takes to start and run a startup.



"The first step of change is awareness and acknowledgement. Acknowledging that there is a gender funding gap. Acknowledging that unconscious negative bias has an influence. Then we can start looking at what we can do in the ecosystem and society."

Rolf Kjærgaard, CEO of Vækstfonden

Assumptions, expectations, prejudices

So as we can see, assumptions – implicit or explicit – shape the way we perceive the world – even when the assumptions are about ourselves. And the challenge only grows, when we look at what others might expect. Most of us have several more or less unfounded assumptions when it comes to the topic of gender, because it is something we often take for granted and therefore rarely update our knowledge on.

Prejudices about gender can be a significant barrier to getting more startups with diverse founder teams – e.g. with more female founders. Let's take a closer look at different types of prejudices that might limit gender balance in the startup ecosystem:

Societal and cultural prejudices and expectations of men being more entrepreneurial

Diversity researchers have investigated the gender norms that might stand in the way for gender balance. "Gender schemas" are the culturally bound perceptions and expectations of different genders' behaviour and abilities, that are irreflexively attained during childhood. Some of the largest cultural prejudices that might hold women's careers back are¹¹:

- » We overestimate the competencies of men and that men are cut from a different cloth, more interested or better at leadership or entrepreneurship.
- » We underestimate and doubt women more often, when they break gender norms and go for leadership roles or entrepreneurship.
- » Men are viewed as having more entrepreneurial potential than women.
- » Women are more often judged critically for their current competencies, whereas men are more often judged on their perceived potential.
- » When women fail in starting a business, it is often viewed as lack of competencies, whereas a failed startup founded by a man, is often seen as the result of 'bad luck'.
- » Women are often judged more on their relational skills, while men are judged on more task-oriented skills.

¹⁰ <https://www.theatlantic.com/magazine/archive/2014/05/the-confidence-gap/359815/>

¹¹ Status Beliefs and the Spirit of Capitalism: Accounting for Gender Biases in Entrepreneurship and Innovation Sarah Thébaud in Social Forces, Volume 94, Issue 1, September 2015, Pages 61–86, <https://doi.org/10.1093/sf/sov042> & <https://www.forbes.com/sites/85broads/2011/04/14/why-is-it-that-women-are-seen-as-less-competent/#9288435394db> & <https://hbr.org/2018/05/the-different-words-we-use-to-describe-male-and-female-leaders>

Assumptions about which competencies are needed

With only 17% women the tech sector is one of the worst when it comes to gender balance¹². Even though there is no concrete data on the gender balance among Danish tech startup founders, most in the field will probably recognize that there are far more men.

Marie Lommer Bagger, who was a nurse before getting the idea for the medtech-solution Measurelet, believe, that this is partly because of women thinking they need the tech skills themselves, and underestimate how important sector-experience and knowledge can be:



"We have some giant industries with mostly women: Nurses, teachers, care workers who know their field of work and what the problems are, and can think up a tech-solution. The value they can bring to a tech company – without having any of the technical skills – is priceless. They hold the keys to products that can make a difference in the real world, instead of something that a software developer thought would be useful".

Marie Lommer Bagger,
founder and CEO of Measurelet

Myth 3: Women can't have kids and still run a startup successfully

Can entrepreneurs have children?

Women under 35 are highly underrepresented in the Danish startup ecosystem. According to Statistics Denmark¹³, in 2017 only 8% of new startups were founded by women under 35, including non-growth companies. One of the obvious reasons for this has to do with having children.

1 out of 10 female entrepreneurs experience challenges in life as an entrepreneur, while the same can only be said by 1 out of every 50 male entrepreneurs¹⁴. It is especially care of young children and parental leave that are mentioned as challenges among the entrepreneurs. And this is a shame, because in reality being a parent is not only a challenge – as most any parent will attest to – it can also be a qualification. Research shows that both genders, but especially women, become more effective at work, when they get children, and get better at time management¹⁵.

It is also these topics Le Gammeltoft, founder of Heartbeats, most often meet, when talking to other women, who are not entrepreneurs:



"I can feel that it is a big concern for young women. They are afraid they have to opt out of having kids, if they start their own business. But as a parent you get a clearer perspective about what is important at work, and what is important at home. And in that way, we find a better balance – at least most of the time."

Le Gammeltoft,
founder and CEO of Heartbeats

Fact 2: Female entrepreneurs match male in spite of a tilted playing field

While there seems to be some differences between the two sexes on average, they cannot alone explain the massive overweight of men in the entrepreneurial world.

Based on our research and our interviews, it does seem, however, that women are met with very different expectations than men, when they venture into starting and growing their own businesses. And as we saw in part one, data actually shows that female entrepreneurs still outperform their male counterparts.

So what we can conclude, is that it seems to be completely false that men somehow have a better entrepreneurial gene than women. And perhaps levelling the playing field will make it more attractive for more women to start their own businesses? We will explore this further in part 2.2.

¹² Diversity Wins: how-inclusion-matters. McKinsey, 2020. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

¹³ <https://www.dst.dk/da/Statistik/Analyser/visanalyse?cid=31441>

¹⁴ Iværksætterbarometer 2019, Center for Vækstanalyse 2019

¹⁵ Parenthood and Productivity of Highly Skilled Labor: Evidence from the Groves of Academe, rapport for Federal Reserve Bank of St. Louis

The cultural stigma: Is it really fair for your child, that mom is an entrepreneur?

Even in 2020, many of the women that we have interviewed, report that they are often asked about kids and family. Perhaps this is a spillover effect of cultural expectations of the women bearing most of the responsibility when it comes to housework and child rearing.

Camilla Kerlauge, who have sought investments for her tech-startups Spenderlog and CO2food tells us:



"Boy, have I gotten many ridiculous questions about my children! About whether they could really live with mom being an entrepreneur, and if it wasn't too risky. And I don't think my male colleagues get those questions - at least not as often."

Camilla Kerlauge, founder and CEO of CO2food and Spenderlog

In spite of examples that prove otherwise, there seems to be a strong perception, that you cannot run a successful startup and be a mother - of smaller children, at least - both in society in general and in the startup ecosystem itself. Paradoxically, it seems that the perception does not include fathers.

A study shows that men, who are fathers, are perceived as more responsible and women, who are mothers, are perceived as less committed to work. Even when there is no difference in work behaviour¹⁶.

The business stigma: Is it that costly to become pregnant?

There are especially two possible hindrances in the startup ecosystem centered around women with children:

- » A possible reason for women receiving fewer investments than men, is that investors see women in the age of about 25-35 years - pregnant or not - as a risk
- » The legend - and sometimes ideal - of the "super-entrepreneur" is incompatible with growing both a family and a business



"The first time I was pregnant, it was all about trying to hide it. From the bank and from investors. Because I was afraid of the effect it would have on our ability to raise capital."

Sahra-Josephine Hjorth,
founder and CEO of CanopyLAB

Fact 3: Of course women can have kids and still run a startup!

It is a myth that you can't have kids and run a startup. Some of the entrepreneurs we interviewed told us that the flexibility of being able to plan their own workday and work-week gave them a sense of freedom and control, that they had missed when they were part of more corporate companies.

On top of that parents actually tend to become more efficient at work after they have children.

In terms of investments several of our interviewed entrepreneurs say they feel that the myth plays a role, when you are seeking funding as a young female entrepreneur. If this holds true, it is an important topic to handle in VCs and Business Angel Networks.

¹⁶ <https://hbr.org/amp/2017/10/a-study-used-sensors-to-show-that-men-and-women-are-treated-differently-at-work>

Challenge 1: Women in the startup ecosystem are paid less

Women are paid less on average in the startup community

Danske Bank's report 'The Nordic Startup Salary Survey 2018'¹⁷ shows that the average salary in a startup increases with seniority for both men and women. Still, men's salaries increase more than women's salaries, particularly from regular employee to senior employee. We also see that men, on average, earn more than women at each seniority level. The higher salary levels for men could not be explained by women rather having more equity ownership, as this was not the case. When accounting for the size of the respondents' companies, i.e. comparing e.g. CXOs working for companies of similar sizes, we find that the salary gap between men and women persists. Moreover, we see that the salary gap generally is most sizable for more senior roles in larger companies.

¹⁷ Find the report here: <http://salary.thenordichub.com/>

Challenge 2: Networking in the ecosystem favours men

Networking is not equal for all

Many in the startup ecosystem recognize the importance of a strong network to help the odds of succeeding with a startup. This importance is further enunciated by studies that confirm that male entrepreneurs have far better access to relevant networks than their female counterparts¹⁸. And generally speaking, men use their network more often in their professional life¹⁹.

Roughly a third of Danish men get a new job through their network, whereas only one fourth of women report so²⁰. Women generally have a smaller professional network than men, and men more often already know an entrepreneur in their immediate network, who could introduce them to the ecosystem²¹. And having access to role models that you can relate to – perhaps of your own gender, is also important for the choice to start your own business²².



"Why do we have this gender imbalance in the Danish ecosystem? Well, I think it's a mix of issues. Based on conversations we've had internally and in our network around byFounders, it's obvious that the whole societal debate around equality and diversity has been taken more seriously in Norway and Sweden – in terms of looking at and changing the dialogue to be more inclusive. On top of that, we often see that female entrepreneurs do not have the same access to informal networks that can help and guide them on their journey – and as such miss out on key pieces of information, experience and competencies that would be helpful for them".

Tommy Andersen, Managing Partner byFounders

¹⁸ <https://hbr.org/2019/10/the-trillion-dollar-opportunity-in-supporting-female-entrepreneurs>

¹⁹ Women Matter, Time to accelerate. McKinsey & Company

²⁰ <https://www.dst.dk/da/Statistik/bagtal/2019/2019-01-10-Maend-faar-oftere-job-gennem-naetvaerk-og-bliver-lidt-oftere-headhuntet-end-kvinder>

²¹ Policy Brief on Women's Entrepreneurship written by OECD for European Union

²² <http://ffe-blog.dk/2020/05/>

Why is networking so important for startups?

- » It is often in both formal and informal networking that entrepreneurs find new investors.
- » It is helpful to discuss your biggest challenges with others in similar situations.
- » You can create valuable partnerships with other businesses, potential mentors and future collaborators.

An international study has shown that informal professional networks and communities are often more important for entrepreneurs' success than the formal structures such as incubator- or accelerator programs²³. Women are more likely to participate in an accelerator program, than in private and informal networking that in turn can be harder to get into, if you do not already have the right contact person in your network.

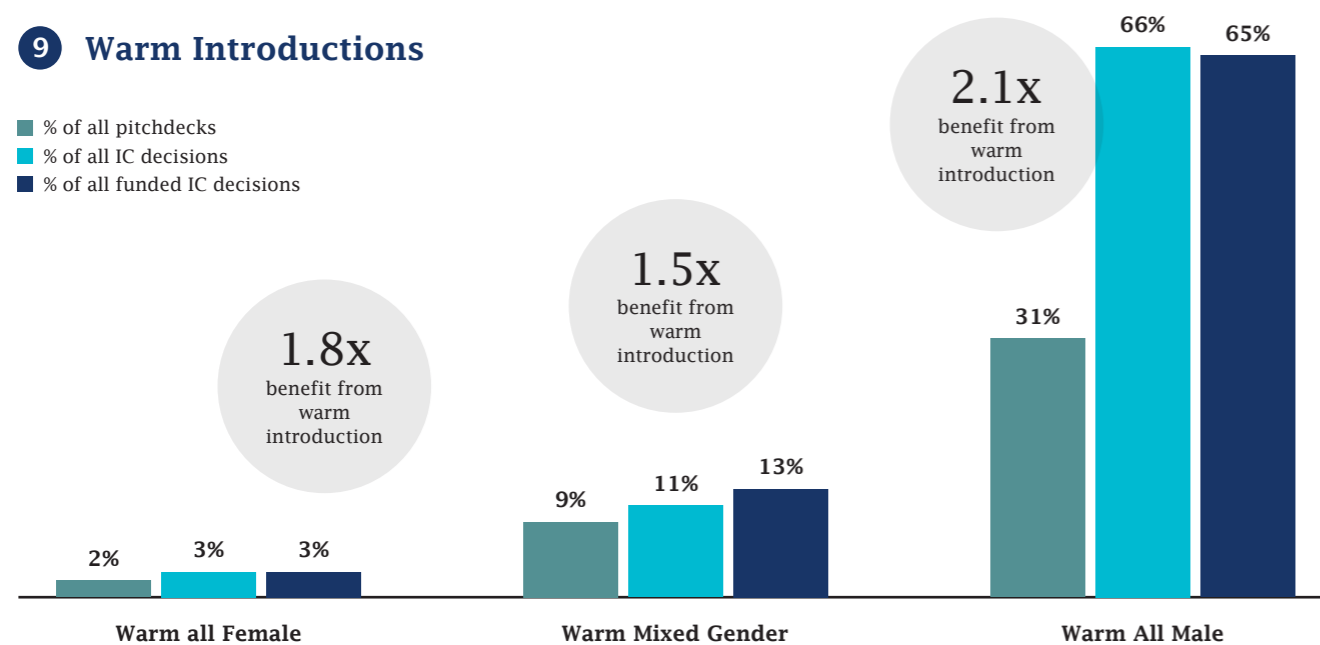
A lack of network can be expensive

The opportunity to raise capital is weakened, if you do not have access to the right network. A UK study from Diversity VC²⁴ has shown that a startup does on average 2,1 times better, when it has a strong network and has had a "warm" introduction to an investor.

The same report found that female led startups only received a warm introduction 30% of the time to VC's with all men, compared to 46% of the time for male-led startups. If there was at least one woman among the VC's decision makers, these numbers however even out. All in all, this indicates that female founders' lack of (relevant) network makes it more difficult for them to raise capital.

9 Warm Introductions

- % of all pitchdecks
- % of all IC decisions
- % of all funded IC decisions



A warm introduction means a team is much more likely to get funded at IC. Taking all warm introductions together with this benefit is 2.1X

All-female teams see a benefit of 1.8x, similar to all-male teams at 2.1x. However, mixed gender teams fare worse with benefit of only 1.5x.

This explains why mixed genderteams fall from 20% of pitchdecks to 15% of funded IC decisions - almost all teams receiving funding at IC come in warm.

Source: Unconventional Ventures report 2019 - Nordic Startup Funding - 'Through the Lens of Gender Diversity'

Challenge 3: We need more female role models to break the status quo



"We need to highlight the role models. Those who have successfully started and scaled their businesses. We see a potential to heighten appetite for starting companies, by putting the role models out there to inspire others."

Rolf Kjærgaard, CEO of Vækstfonden

The lack of role models

Finally, role models are key when it comes to inspiring people²⁵. And as there are more male than female entrepreneurs there are automatically far fewer female role models.

Studies show that women get a more positive view of women's opportunities and role in society, when they meet female role models²⁶. Similarly, women are more likely to choose a STEM education, if their STEM teacher is a woman²⁷. Perhaps more female role models could help counter some of the unconscious biases that women meet in the startup ecosystem? Studies have shown that men are more likely to have a positive attitude towards female leaders, if they have already met others through role models²⁸.

Role models of your own gender is essential for starting and growing your own company²⁹:



"I had my parents as role models who throughout my childhood had periods of being entrepreneurs. And that has of course de-dramatized the whole thing for me, and made me able to see what could be fun about it."

Camilla Ley Valentin, founder and CCO of Queue-it

25 Lockwood, P. & Kunda, Z. (1997). *Superstars and me: Predicting the impact of role models on the self*. Journal of Personality and Social Psychology, 73, 91-103.

26 *Seeing is Believing: Exposure to Counterstereotypic Women Leaders and its Effect on the Malleability of Automatic Gender Stereotyping*

27 https://www.jstor.org/stable/4132808?seq=1#page_scan_tab_contents

28 WOMEN AS LEADERS: LESSONS FROM POLITICAL QUOTAS IN INDIA. Harvard Kennedy School, 2013

29 'Sådan motiverer vi flere kvinder til at vælge iværksætterier.' <http://ffe-blog.dk/2020/05/>

Summing up

part 2.1

Misconceptions about women and entrepreneurship could be a part of what's holding back better gender balance in the startup ecosystem – specifically three myths are dominant:

Fact 1: While you do need to put in many hours of hard work, it's also about endurance, about making sure you don't burn out halfway. So, it's not all or nothing.

Fact 2: It seems to be completely false that men somehow have a better entrepreneurial gene than women. Female entrepreneurs seem to match or outperform male in most studies.

Fact 3: This is false and there are many examples to counterproof it. But a cultural stigma seems to remain, especially towards mothers.

On top of this, three challenges are making it harder for women and female founders to succeed in the startup world:

Challenge 1: Women in the startup ecosystem are paid less,

Challenge 2: Female founders have smaller and less relevant networks than male,

Challenge 3: We need more female role models to break the status quo.

Funding & Angel Investing in Denmark: A Tilted Playing Field?

In this part of the guide we look through the lense of the investor-founder dialogue and evaluation process of startups, and we find that the myths and matter-of-fact challenges described in part 2.1 are not the only barriers that female founders risk encountering.

Research indicates that in some contexts investors are prone to biased decision making, and that could, in turn, lead to bad investment decisions. We examine four areas that could be affecting investors' decision making both in general and especially in relation to female founders.

01

**Men investing in men,
investing in men**

02

**Are we missing 50%
of the product-market-fit?**

03

**The pitch competition: A perfect storm
for biased decision making**

04

**The investment:
Assessing women and men differently**

01 Men investing in men, investing in men

An overwhelming majority of men

Most of the investors in Denmark are men. This is both the case among business angels as well as private funds and VC-funds. Only 14% of the Danish Business Angels in 2018 were women¹, 74% of American VC-companies have no female investors, and also in Denmark VC-funds are dominated by men. This may be one of the central explanations as to why so few funds go to teams with at least one female founder². The startup ecosystem has historically been male dominated, and the same can be said about the financial sector more generally.



“We still have this stereotypical image of an entrepreneur being a young man. Systematically and structurally, we invest more in men. When women decide to become entrepreneurs, many of them lose out long before A-rounds, because they do not have the means to buy the financial runway to make their company a success.”

Sahra-Josephine Hjorth,
founder and CEO of CanopyLAB

“The biggest investing errors come not from factors that are informational or analytical, but from those that are psychological”

Howard Marks, Investor, Oaktree

Why is a predominance of male investors a problem?

The predominance of male investors can help explain the gender imbalance in the Danish startup ecosystem, for the following reasons:

» The so-called “Hewey, Dewey and Louie”-effect: When investors invest in founders who look like them, like the identical triplets from Duckburg

The Hewey, Dewey and Louie-effect – a term coined by CBS professor Majken Schultz³ – happens when men e.g. hire or promote other men, because they look like them or they like them. In the investment world, this could translate into men investing in a younger version of themselves. In turn, this can result in an unintended, implicit pattern of not investing in female founders.

» Historically many successful investors have been men. This can distort data and influence the investor decision making process

It seems reasonable to invest in people that are similar to other people who have had success in the past. Historically, entrepreneurs in Denmark have mostly been men, and so it follows that most successful entrepreneurs in Denmark, have also been mostly men. Since early stage investments are high risk, investors often look for patterns from earlier successes. However this can create a self-fulfilling prophecy, where men continuously are granted a better starting point for success, keeping the stereotype alive.

» VC-funds often have more men, and this can create groupthink positive towards male entrepreneurs

The lack of gender balance in VCs makes groupthink more likely, as well as a propensity for less risk tolerance towards entrepreneurs who are different from their own understanding and previous experience. Furthermore homogenous groups often have an unconscious in-group bias, where the group favours those outside the group, that are most like those in the group^{4,5}. Some analysts believe that it was groupthink that led to the big investments in WeWork in 2019, without asking the relevant questions about the sustainability of its business model. Investors lost more money on WeWork than was invested in startups with female founders in the USA in 2019 combined⁶!

» The deal-flow is often defined by men, and many investors are automatically presented with mostly male entrepreneurs

Investments are of course influenced by the startups that are presented to investors through their networks. A predominantly male network can easily create a predominance of men in the deal flow of investment opportunities. There is simply a lack of volume in the introduction of investor cases with female founders, in the typical investor’s dealflow.

¹ 'Kvindelige hovedrolleindehavere – Analyse af repræsentationen af kvindelige hovedrolleindehavere i virksomheder finansieret af Vækstfonden'. Vækstfonden October 2018

² Female founders have brought in just 2.2% of US VC this year (yes, again) <https://techcrunch.com/2018/11/04/female-founders-have-brought-in-just-2-2-of-us-vc-this-year-yes-again/>

³ <https://cbswire.dk/has-the-huey-dewey-and-louie-effect-taken-over-cbs-three-female-professors-think-so/>

⁴ “How Diversity Works” in Scientific American 311, 4, 42-47 (October 2014) doi:10.1038/scientificamerican1014-42

⁵ Diversity and Identity in the Workplace, 2018. Florence Villesèche · Sara Louise Muhr Lotte Holck or <https://www.forbes.com/sites/eriklarson/2017/09/21/new-research-diversity-inclusion-better-decision-making-at-work/>

⁶ <https://fortune-com.cdn.ampproject.org/c/s/fortune.com/2020/03/02/female-founders-funding-2019/>

A Gentlemen's Club?



The investment game is to some degree defined and driven on stomach feelings by middle-aged white men – like me – and with that said the female founder is sometimes behind on points from the beginning when playing. At the same time, we are missing proper data points and evidence on what makes great startup potential especially in the early phases, and we therefore to a high degree see evaluations being affected by:

- » *fear of missing out (FOMO) – if they want in we do too,*
- » *past performance – if the founder has succeeded before he/ she probably will again*
- » *pattern recognition – also called stomach feeling which to a high degree is affected by biases*

We try to eliminate risk when investing – and investing in people that look and act like ourselves feels more comfortable.

Frederik Lysgaard Vind, Business Angel



“If women look into an environment and observe that only 1% of investments go to women, it seems mad to even try. If I had known that statistic, it could easily have made me not try. It is almost statistically arrogant to think that you will be the one percent. It demands a certain type of mindset, wanting to swim against the stream all the time”.

Sahra-Josephine Hjorth, founder and CEO of CanopyLAB



“It’s about daring to knock on the doors of 45 men, who sit in their suits drinking their Barolos and saying: For Christ sake, invite me in. It can be a little intimidating. But just the fact that someone like Birgit Aaby has become a Business Angel is important, because she invests more in women, than a man would perhaps do. To a higher degree, we see women take the leap into entrepreneurship, have success, get on boards etc., and I believe that will impact investments in women”.

Le Gammeltoft, founder and CEO of Heartbeats



“Female members were below 5% a couple of years ago. Now it is over 11%, so we sense that we are on our way, although not as fast as we might wish. For the past five years we have been very conscious about moving away from an image of angel investing as a ‘Gentlemen’s Club’ – to continue to be more inclusive both in our communication and recruiting efforts.”

Jesper Jarlbæk, Chairman of Danish Business Angels

02 Are we missing 50% of the product-market-fit?



“When a female founder is building a startup in a market that is considered “a female niche” – e.g. catering to and solving needs of women – she is often overlooked by (male) investors. They often look at it as a limited market opportunity, a problem that only a few experience and have. Even if the founder has numbers and metrics to back her story up, she is still dismissed because male investors cannot relate”.

Gulnaz Khusainova, founder and CEO of Easysize

The best ideas prevail – if you’re a man

The traditional – maybe even old school – view in the market economy is that the best suited – or fittest – companies will prevail in free competition with each other. In the startup economy this could be translated into the assumption that the best ideas and teams will receive funding and the free market forces will do the rest.

But as we showed in part 1 of this guide, that is rarely the case for the best ideas of women. An illustrative example of this is the mentioned study by BCG that found that male only-teams on average raised 2,21 million dollars compared to 935,000 dollars for teams with at least one female founder. This is in spite of the fact that startups with at least one female founder, generated on average 68.000 dollars more than male only-teams⁷. So teams with women do better, in spite of having fewer financial means to do so.

Products, services and tech-solution targeted women, are seen as “niche”

Startups often solve problems that the founders have experienced themselves. Women meet other problems than men. And this has the makings of a problematic cocktail, if the startup has been founded by a woman, who has created a service or product targeted at other women or solving a “female” problem.

like they couldn’t give the support needed to the entrepreneur.

- » **If it is seen as a new market, it can seem more unsure and risky**
This is a vicious cycle, that will only be broken if the investor starts making the first good investment in this “new” market. The good news: It seems to be an underserved market with a huge potential upside.

What could make men avoid investing in the problems of women?

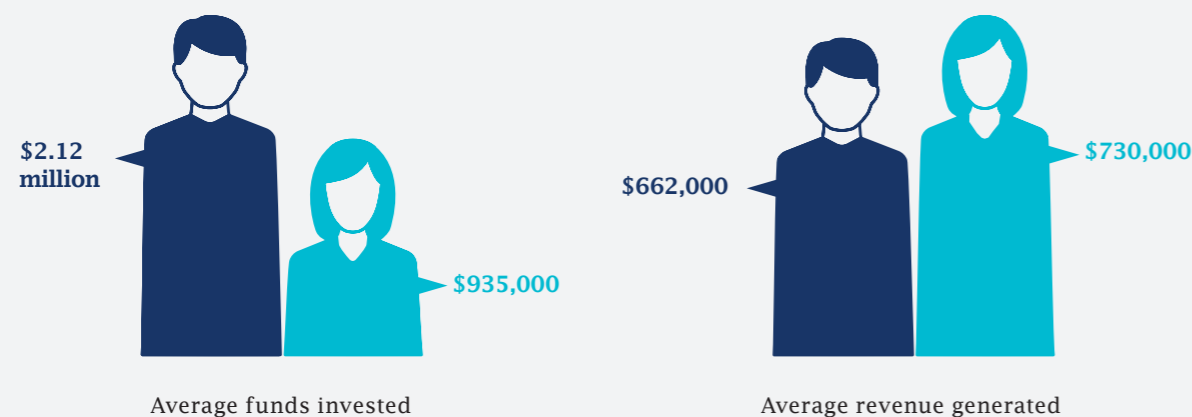
Many male investors may have implicit or explicit blindspots for startups that are targeted women. Why?

- » **Men are not personally exposed to the problem solved by the startup**
It is harder to intuitively judge the size of the problem and the potential of the solution, because the investor has no immediate experience with the problem.
- » **Investors are unsure, of what they can bring to the table**
Business angels typically bring much more to the startup table than money. They also provide priceless value in the form of advice, network and experience. If the investor lacks knowledge or experience with the product’s world, sector or target group, they may feel

An example is Femtech, a term coined in 2016 by Ida Tin who founded Clue, a period- and fertility-tracking app. As an industry, femtech largely encompasses any digital or standard health tools aimed at women’s health, including wearables, internet connected medical devices, mobile apps, hygiene products, and others.

Frost & Sullivan Market Research report on Femtech states that the market is under-penetrated but has the potential to reach \$9.4 billion by 2024. This is just one out of many industries, that is related to problems women experience that are in need of solutions made by entrepreneurs. It seems that even though roughly half of the world’s population is female, solutions targeted at women still present an untapped potential.

10 Study by BCG: Female Founders Doing More With Less



Source: MassChallenge, BCG Analysis

03 The pitch competition: A perfect storm for biased decision making

The pitch format as showmanship

Some pitch events can seem a little like X Factor. In X Factor, the contestants are selling a song. At pitch events, entrepreneurs sell a company. In both cases they have to deliver a convincing show in 3-7 minutes on stage. At pitch events ideas often compete on a stage with an audience of investors, and the success of your company depends on your ability to charm the audience. At least to some degree.

The problem with this show format, for both men and women, is that it primarily appeals to those with large gestures and those who like that kind of competition. This creates an imbalance – perhaps not specifically about gender, but about a certain personality type – that has the best chance of creating that first preliminary interest.

The format of a pitch competition has the perfect conditions for biased decision making

Furthermore, the pitch format can easily lead to biased decision-making. The conditions for decision making in pitch competitions are often of an extremely tight timeframe, with limited information available on each company and on the other

hand an overload of information as there are often many companies to assess. Here the memory of the possible investors can be challenged to extremes, especially when the competitions are held at the end of a long work day.

All together this makes the perfect conditions for biased decision making. As you can see in the model on the right each condition emphasizes different behaviours or strategies in decision making. In pitch competitions all 4 conditions are present in the decision making process in combination with the subjective assessment of *“do I believe the founding team can create the results they envision”*.

The likely result is sorting away what is unknown to the decision maker. The unknown problem, market, technology, **founder**, industry, etc. Creating a jury of members with the same industry knowledge, technology experience and life experiences based on gender, generation, culture etc. can unintentionally result in making the winners of tomorrow a copy of the jury members of today.

Are you selling a dream or a realistic future?

When entrepreneurs pitch their businesses, it is – especially in the early going – very much about selling a vision and a potential of what the startup can grow into.

11 Four Conditions that Affect Decision Making in Pitch Competitions

What Should We Remember?

- » We edit and reinforce memories after the fact
- » We discard specifics to form generalities
- » We reduce events and lists to their key elements
- » We store memories differently based on how they were experienced

Too Much Information

- » We notice things that are already primed in memory
- » Bizarre or funny things stick out more
- » We notice when something has changed
- » We are drawn to details that confirm our existing beliefs
- » We notice flaws in others more easily than flaws in ourselves

Need To Act Fast

- » We become overconfident in our ability to make an impact and to feel like what we do is important
- » We are focused on the immediate, relatable thing in front of us over the delayed and distant
- » We are motivated to complete things that we have already invested time and energy in
- » In order to avoid mistakes, we are motivated to preserve our autonomy and status in a group, and to avoid irreversible decisions
- » We favor options that appear simple or that have more complete information over more complex, ambiguous options

Not Enough Meaning

- » We find stories and patterns even in sparse data
- » We fill in characteristics from stereotypes, generalities whenever we encounter new, specific information
- » We imagine things and people we are familiar with or fond of as better than the unfamiliar
- » We simplify information to make it easier to think about
- » We think we know what others are thinking, when we do not
- » We project our current mindset and assumptions onto the past and future

Source: Liva Echwald, Female Founders of The Future

In a competitive, show-like pitch format, the previously mentioned “gender confidence gap”, in which men typically rate themselves higher and better than their actual level, and women rate themselves lower, may play a role. Perhaps it’s easier for men to sell the grandest vision, because they actually believe in it. Whereas women are used to having to prove themselves and present evidence for something before claiming it. This is probably one of the reasons why women tend to highlight metrics and

achieved results when they can, while men are more likely to paint the big picture based on their vision⁸.

But as we will see, this difference is most likely also due to the fact that women are in fact asked more about their competencies than men, and they therefore often need to spend more time and energy proving their worth. And time is an extremely sparse resource in pitch situations and investor meetings.

04 The investment: Assessing women and men differently

Same behaviour, different perceptions

In an experiment students were asked to assess the likability of a leader and how likely they were to want to work for this person⁹. Two groups were given the same information about the leader and the leader's results and CV. The only difference was the name which implied the sex of the leader. The result: No one wanted to work for Heidi, as she was assessed as egocentric and mean. Howard, on the other hand, was assessed as a great leader and kind human.



"The whole setup is geared towards young guys with big gestures, without anything to back it up. I believe we women are often more careful to prove ourselves, before we demand anything. And that can make it hard to receive investments. In the startup world, it is just as much about painting the picture, of how you could perform, not having actually done so."

Camilla Kerlaug, founder of Spenderlog and CO2Food

Why is this relevant in the startup and scale up ecosystem?

When investing in startups, you invest time in a founder and a team, and likability matters. It seems that when women do show confidence and bravado, they are assessed more negatively. Leaving women with a doomed-if-you-do and damned-if-you-don't situation in terms of showing confidence.



"In Vækstfonden we have looked across the demand for funding and provision of funding with regards to diversity. It looks like we don't have systematic negative biases in our selection process. That is to say if you only look at the connection between demand and provision. What it does not reflect is the deeply rooted unconscious negative bias we have in society, and that has been passed on by generations."

Rolf Kjærgaard, CEO of Vækstfonden

Men ask for more, and get more, capital, than women

Newsflash: 'size actually matters'! Especially, when talking about funding. The Alison Rose Review from the UK¹⁰ finds that the number one barrier for female entrepreneurs was lack of capital, and that women on average started with less than half (53% less) capital than men.

On average, female entrepreneurs started with less than half (53% less) capital than men according to the Allison Rose Review, 2019.

Interestingly, women on average estimated needing 40% less capital than the men. Furthermore, women were less likely to take investors on board and more likely to take bank loans, but still borrow significantly smaller amounts than men¹¹.

Unconscious preference for a male pitch

A study by Cambridge University found that investors have an unconscious bias for pitches from men rather than women – even if the pitches are identical¹². In one experiment, the exact same pitch was shown to two different groups of men and women, one with a recording of a man and another of a woman. The result was that both men and women preferred the male recording of the pitch, even though the content was identical. More

precisely, the man was 60% more likely to receive funding than the woman, and 68,3% more likely in a replication of the experiment. In another experiment pictures were added of different men and women to the pitch deck. And in this case, the audience still preferred the man over the woman – especially if the man was attractive.

Investors evaluate women differently from men

As if the playing field wasn't tilted enough, it seems that investors also have a tendency to evaluate men and women and their companies differently. E.g. Investors are 29% more likely to have investment discussions with male entrepreneurs, and doubly likely to have preconceived perceptions of women-owned companies as doing worse than they actually are¹³.

We ask men to win and women not to lose

The most basic difference between investor conversations with either male or female entrepreneurs is that women are typically asked to prove how they will not fail, while the men are asked to prove how they will have success. Importantly, what kind of questions the entrepreneurs answer have an impact on who gets investments and who doesn't.

9 Heidi/Howard US university experiments from 2003, reproduced in Norway 2015

10 The Alison Rose Review on Entrepreneurship, 2019.

11 State of Small Business Lending: Spotlight on Women Entrepreneurs, Fundera rapport 2020

12 Investors prefer entrepreneurial ventures pitched by attractive men, Alison Wood Brooks, Laura Huang, Sarah Wood Kearney, Fiona E. Murray, PNAS Vol. 111 (12), 2014.

13 Morgan Stanley rapport, The Growing Market Investors are Missing. 2018



"Investors ask different questions to women and men. We need more awareness on that, and we need investors and especially VC's to be better educated in this area."

Louise Ferslev, CEO and founder of MyMonii

A study in Harvard Business Review found that even in VC-funds with 40% women, 67% of the questions to men were promotion-oriented, while 66% of questions to women were prevention-oriented¹⁴. That is, the men were more likely to be asked about their dreams, plans, progress and hopes, whereas the women were asked about security, responsibility, guarantees and potential pitfalls. **See the table for concrete examples (13).**

Imagine a job interview where the male candidate was asked what he could add to the company, but the female candidate was asked why she would not be a mishire.

Which of these would present themselves in a way, that would make you hire them? The male candidate, most likely. The questions you ask, influence the answers you get – and the way you perceive the business opportunity.

The point is, that a larger bet is put on the person that explains his winning strategy, than the person presenting her strategy on how not to lose. The study by HBR found that entrepreneurs who answered win-questions raised 7 times more capital than those entrepreneurs who answered mostly prevention-oriented questions. **See graph on top of the next page (12).**



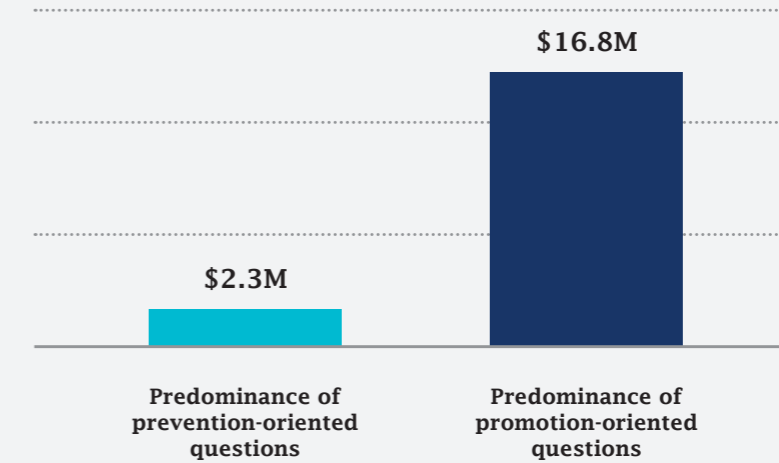
"If we want more women in the startup ecosystem and more female founders, we need a concerted effort towards change and towards levelling the playing field. Not because of charity, but because it will be better business – for startups, for investors and for Denmark."

Klavs Hjort, SVP for Growth & Impact in Danske Bank

¹⁴ Male and Female Entrepreneurs Get Asked Different Questions by VCs – and It Affects How Much Funding They Get by Dana Kanze, Laura Huang, Mark A. Conley and E. Tory Higgins, in Harvard Business Review, June 27, 2017.

12 Average Capital Raised by Comparable Businesses

Average funding for comparable companies



13 VCs Frame Questions in Two Different Ways

Promotion questions focus on potential gains, whereas prevention questions focus on potential losses. VCs tend to ask the former of men and the latter of women.

Topic	Promotion	Prevention
Customers	Acquisition Example question: "How do you want to acquire customers?"	Retention Example question: "How many daily and monthly active users do you have?"
Income statement	Sales "How do you plan to monetize this?"	Margins "How long will it take you to break even?"
Market	Size "Do you think that your target market is a growing one?"	Share "Is it a defensible business wherein other people can't come into the space to take share?"
Projections	Growth "What major milestones are you targeting for this year?"	Stability "How predictable are your future cash flows?"
Strategy	Vision "What's the brand vision?"	Execution "Are you planning to Turing test this?"
Management	Entrepreneur "Can you tell us a bit about yourself?"	Team "How much of this are you actually doing in-house?"

Source: Dana Kanze, Laura Huang, Mark A. Conley, and E. Tory Higgins

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Young men have potential, young women are inexperienced

If you've read this far into this guide, it should be clear that we all have some unconscious biases – whether based on gender, ethnicity, age, education, sexual orientation, a combination or otherwise. These biases do not only creep up in the questions in the early investment conversation, but stay and influence the following evaluation stage.

A study of 36 hours worth of evaluation work in a government supported VC-fund in Sweden analysed the language used to describe fund-seeking entrepreneurs¹⁵. They found that the pictures painted of the women were more defined by qualities not generally seen as important for an entrepreneur. Investors were also more critical towards the skills of women than men. In the table on the next page, you can see examples of sentences used to describe different entrepreneurs.

The female entrepreneurs in the study received 25% of what they sought for, and were denied funding 53% of the time, compared with 52% of men receiving the amount they sought and only 38% being rejected.

Examples of how men and women are evaluated differently

- » For young male entrepreneurs, focus is on their potential. For young female entrepreneurs, more focus is on their inexperience.
- » Women are more likely to be judged critically for their competencies, whereas men are judged more on their trustworthiness.
- » Men are characterised more often as having entrepreneurial potential than women.
- » Enthusiasm and optimism is seen as a positive trait for male entrepreneurs and to a higher degree seen as a negative hectic, manic style among women.
- » Women are judged more on their “soft” skills, whereas men are judged more on their task-related skills.

14 Comparing How Male and Female Entrepreneurs Are Described by Venture Capitalists

These gendered personas are illustrated with quotes from Swedish government VCs who were observed discussing a total of 125 applications for funding between 2009 and 2010.

The average MALE entrepreneur is described with attributes such as:	The average FEMALE entrepreneur is described with attributes such as:
● “Young and promising”	● “Young, but inexperienced”
● “Arrogant, but very impressive competence”	● “Lacks network contacts and in need of help to develop her business concept”
● “Aggressive, but a really good entrepreneur”	● “Enthusiastic, but weak”
● “Experienced and knowledgeable”	● “Experienced, but worried”
● “Very competent innovator and already has money to play with”	● “Good-looking and careless with money”
● “Cautious, sensible, and level-headed”	● “Too cautious and does not dare”
● “Extremely capable and very driven”	● “Lacks ability for venturing and growth”
● “Educated engineer at a prestigious university and has run businesses before”	● “Visionary, but with no knowledge of the market”

Note: Quotes were translated from Swedish to English.

Source: “Gender stereotypes and venture support decisions: how governmental venture capitalists socially construct entrepreneurs’ potential,” by Malin Malmstrom et al., Entrepreneurship theory and practice, February 2017 © HBR.ORG

¹⁵ We Recorded VCs’ Conversations and Analyzed How Differently They Talk About Female Entrepreneurs by Malin Malmstrom, Jeaneth Johansson and Joakim Wincent. Harvard Business Review, 17th of May, 2017

Summing up part 2.2



“After we started to look at our own company and our own deal flow, we know that there are a lot of really capable women out there. We are trying to bring people together so we mix and blend our networks. Right now, we focus on identifying all the startups out there where female founders are part of the founding team, as we can see that diversity has a positive effect on the performance of the startup.”

Tommy Andersen, Managing Partner at byFounders

We find four areas that could be affecting investors' decision making, when it comes to gender imbalance.

1. Men investing in men:

A field so dominated by men is especially prone to biased decision making - e.g. in the form of investing in someone who looks like you or has a similar background, i.e. a younger version of the investor himself. The same goes for providing access to networks, dealflow and warm introductions.

2. Are we missing 50% of the product-market-fit?:

The predominance of men may lead investors to miss out on market potential targeted female customers, because they have no experience within the field. And if it is seen as a new market, it can seem more unsure and risky, and e.g. angel investors are unsure of what they can bring to the table.

3. The pitch competition: A perfect storm for biased decision making:

Pitch competitions have tight timeframes, limited information on each company and an overload of information with many companies to assess. The likely result is to disregard what is unknown to the investor. The unknown problem, market, technology, industry, and **founder**.

4. The investment: Assessing women and men differently:

Perhaps most importantly, studies indicate that we treat and evaluate men and women differently, even when they do and say the same things. Among a plethora of other biases, we e.g. ask men to win and women not to lose by asking promotional questions to male founders, and preventive questions to female founders.

Looking through the guide so far it seems rather understandable if capable and talented women do not rush into the startup world. But this is a potential, we as a country can't afford to miss out on.

We need to work on levelling the playing field for female founders. Not just because it is the right thing to do, but because it is better business.

Now is the time for change!

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Tips and tools for the Danish Startup Ecosystem

In this concluding part of the guide, we present operational tools and solutions for the startup, private investors and those who organise investments, in the form of two toolkits on how to achieve your **Return on Diversity**.

Diversity and gender balance in the startup ecosystem, will not happen automatically. Public initiatives and legislation are important, but private investments, interest groups and founders, also have an important role and responsibility to play. **All, who are a part of the startup ecosystem, have the opportunity to influence and potentially change it.**

Furthermore, investors and founders have the opportunity to invest their time, energy and capital in diversity and inclusion, and reap the benefits as an important differentiator from those following the status quo. Don't miss out on your return on diversity.

The hope is that the following tips, tools and solutions are concrete enough to be put into practice easily and quickly. Inclusion and diversity don't have to be rocket science, but rather a series of active choices and small but important first steps.

So let's get started!



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Return on Diversity - The Startup Toolkit

Whether you are in the earliest stages of your startup, or rapidly growing from startup to scale-up, diversity and inclusion are important factors that, if overlooked, **risk holding your startup back from business potential**. By focusing on diversity and gender balance, your startup could gain several benefits and with that a significant competitive advantage.

In this section, we provide **14 solutions (including 6 tools)** for the startup that want to realise their return on diversity, through recruitment, employee engagement, product development and fundraising & advisory boards.



"Startups have the privilege of starting with a blank slate, so to speak, which gives them the opportunity to build a more diverse organization from day 1, before they get stuck in the inequalities that we know from the more established companies and which require a lot of effort to change"

Søren Kofoed-Sørensen, Head of Danske Bank Business

1.0 Recruitment

Attracting and retaining the best talent

Team composition is vital for startups, and recruiting diversely has potential for increasing your chance of attracting and retaining the very best talent. And keep in mind; hiring diversely, does not mean you have to compromise talent on behalf of diversity, it means you may need to look at your recruitment efforts in new ways to find more diversity and more talent.

1.1 Boost your Startup's Recruitment Success

Potential

Achieve higher performance, by hiring from a diverse pool of talents

Having a strong team in your startup is key to success. And in order to get this strong team, you need to attract the right people. If you can widen your pool of potential candidates by having a broad appeal, e.g. to both male and female candidates, young and old, or from different educational backgrounds, you have a greater chance of recruiting the very best.

Problem

Unintended bias in jobdescriptions and postings

How we describe a job affects who wants to apply. Searching for a "rock star", or "ninja", might not be equally attractive across the breadth of relevant talents. Since most startups have male founders, and the startup ecosystem is predominated by men, the language in job postings can sometimes be significantly more appealing to male candidates, than female.

Startup Solution (tool) # 1

De-biasing your job postings

We propose two steps to make your job posting attractive to as many relevant talents as possible. There is no truly neutral way of describing a job, and being creative about how you describe a position, might be necessary and beneficial to attract more and better talents.

Startup Solution (tool) # 1

Step 1

Review the job posting for gendered words

As a first step, go through your first draft of a job posting, and look for language that might have an imbalanced appeal. This can be difficult to spot, and having a sparring partner is often a great idea. You can consult example lists of potentially problematic words, as provided below by Ongig+. Or you could even run the description through a gender-bias control software, such as the Gender Decoder, Develop Diverse or Ongig's Text Analyzer.

Top-10 "masculine words" to "neutral words" according to an analysis of 48.246 job applications, by Ongig+, and possible alternatives.

"Masculine words" "Neutral words"

01. strong	>>	sound - steady - excellent - solid
02. drive	>>	energy - inspiration - guide - steer - push - run deliver - energize - inspire
03. lead	>>	head - top person - manager - run - head up manage - steer - grow - pioneer
04. analysis	>>	investigation - study - test - testing - research - data
05. analytical	>>	systematic - thorough - thoughtful - deductive - statistical - data
06. driving	>>	motivating - energizing - inspiring - guiding - steering pushing - running - delivering
07. individuals	>>	people
08. proven	>>	established - known - demonstrated - reliable, successful - trusted - tested
09. workforce	>>	teams - workers - members
10. decisions	>>	choices - conclusions - judgments - moves outcomes - steps - actions

Step 2

Focus on skills instead of requirements

According to a statistic from Hewlett Packard, men apply for a job when they meet only 60% of the qualifications, whereas women more often apply only if they meet 100% of them¹. To attract more female applicants, and to circumvent this bias, we suggest applying a laser-like focus to your job description. That is, to directly outline the most important skills the position requires - the "must-haves" instead of the "nice-to-haves". By doing this, you gain access to more talents that meet the most important needs of your startup.

¹ <https://hbr.org/2014/08/why-women-dont-apply-for-jobs-unless-theyre-100-qualified>

1.2 Widen the Talent Pool

Potential

Recruit from a **wider pool** of talents by hiring outside your network

By looking outside your existing network, going where the diverse talents are, you can access a larger pool of relevant, potential candidates and increase your chances of recruiting them.

Problem

Over-relying on your **existing network**

Startups often recruit through their network. However, in many cases that network will be more suited to find just one type of talent – those who are similar to the team. If your network is mostly men, your job opportunity might never reach the relevant female talents.

👍 Startup Solution # 2 Go where the **women are**

To expand the talent pool you attract from, try hiring outside your network. This does not have to be in the form of a formal posting, it can also be done by relying on people outside of your startup, who are tapped into other relevant networks than you have access to. Expand your search for talents, by using a mix of different platforms, and proactively seeking out people who might know relevant talent. To start asking for referrals or sharing a job post to attract more female talents, we suggest the list below as a starting point.

Relevant network groups and organisations in the startup ecosystem for attracting more female candidates

- Ladies First - ladiesfirst.dk
- WonderCoders - wondercoders.org
- Female Founders of The Future femalefoundersofthefuture.dk
- Women in Tech - womenintech.dk
- Female Go getters femalegogetters.com
- Girls Are Awesome girlsareawesome.com
- Good talks - goodtalks.dk
- Women in hardware womeninhardware.dk
- Ing.dk Blog: Greater spaces ing.dk/blogs/greater-spaces

1.3 Make sure you are hiring the best candidate

Potential Enhance your chances of hiring the **best candidates**

If you are successful in attracting candidates from a large and diverse pool of talents, making sure that you also hire the best, depends on high quality hiring decisions. By being aware of potential bias, and minimising it, you enhance your chances of hiring the right candidate, male or female.

Problem Bias in reviewing applications and **applicants**

Decision making in hiring processes is prone to at least some bias. Especially if review of applications and applicants is based on a low degree of structure. And ultimately, if your hiring decision process is biased, your hiring will be worse for it.

🔧 Startup Solution (tool) # 3

Six steps for **reviewing applications** and applicants without bias

To be aware of and try to reduce bias when reviewing and evaluating potential candidates, we suggest the following six steps.

- 1 Implement Blind Resume Screening** A blind resume and cover letter screening, can easily be implemented, by having a team member remove the names and pictures (or other details) on resumes, allowing you to focus on skills and experiences, without being subconsciously influenced by e.g. gender.
- 2 Create a Gender-balanced Hiring Team** Creating a diverse hiring team, might help create less groupthink, and a more nuanced view of each candidate and thereby increase the likelihood of hiring diverse – in this case female – talents. Furthermore, female candidates might be more interested, if they see that other women are thriving at your startup.
- 3 Use Simple Rules-of-Thumb** Set clear rules-of-thumb for diversity in your hiring process. E.g. require that for every open position a minimum number of underrepresented – e.g. female – candidates are considered. This is especially important for C-level hires and other equally important positions.
- 4 Set Targets to Hire Diversely** Set targets for recruiting diversely, especially for your key competencies and positions. One rule-of-thumb would be to (try to) hire one woman, for every two open roles, as if your startup was completely gender balanced.
- 5 Measure your Progress** Measure your recruiting efforts towards diversity & inclusion, and plan when you review your progress – e.g. 6 months or a year later. If you're not successful in living up to your goals make sure you evaluate and adapt.
- 6 When in Doubt, Hire the Woman** This final step might be a somewhat controversial piece of advice. The idea is that if you have two or more equivalently competent candidates, choosing the person least similar to the rest of your startup team might be the best course of action. Why; because going with your gut-feeling might unfairly benefit the more stereotypical candidate. Choosing the woman to counteract this, or even flipping a coin, might therefore be better in these cases.

1.4 Getting a Headstart on Diversity

Potential

Create a more attractive startup, by getting a **headstart** on diversity

A diverse team and organisation is more likely to attract the best talent and to perform the best – and statistically they seem to be a better investment. So, there should be many motivations to start working on diversity and inclusion in your startup. Getting a headstart on diversity, could make all the difference.

Problem

When two boys in a garage become two **hundred boys** in a garage

As a startup, team composition, diversity or gender balance might not be top of mind. In the volatile startup world, there will always be something else to do, and if you are not careful, you will quickly go from **two boys in a garage, to two hundred boys in a – slightly larger – garage.**

Theis Søndergaard from **Vivino**, tells us how they only late in the scale-up phase, discovered that even though they had built a culturally diverse organisation, dimensions like gender and age had unintentionally been overlooked. Resulting in significant difficulties in hiring and retaining the female talents.



"When we started to implement a strategic focus of hiring more women, it had just become that much more difficult. It would have been considerably easier, and worth the effort, if we had made diversity in hiring a priority from the very beginning, instead of having to start from a baseline of an office and a culture dominated by men."

Theis Søndergaard, Founder Vivino

🔧 Startup Solution (tool) # 4

Make a **"non-rocket science"** plan for diversity in hiring

Make a simple "non-rocket science" strategy for diversity and gender balance in hiring with a few well-placed stumbling blocks. It could look as simple as this:

Startup Solution (Tool) # 4: Plan for diversity in hiring

Step 1	Set concrete goals for gender balance at different milestones – e.g. a percentage based on employees at 10 – 20 – 40 – 100 hires, or year based, after 1, 2 and 3 years.
Step 2	Build in when to evaluate and update your plan and adjust A) Your goals, and B) Your strategy.
Step 3	After every 5-10 hires, I should look around and ask – "am I hiring myself?"

To qualify this plan, ask yourself the following questions:

- What forms of diversity are especially important or difficult for your startup? E.g. gender, nationality, age, culture, educational background.
- At what levels, should we hire diversely? Example: If you only hire e.g. women for junior roles or as support staff – that might also be a problem.
- What would our ideal organisation look like, when we have scaled e.g. 10X? More of the same, would your organisation be diverse? What would be missing?



"Diversity is not a quick fix. It takes time and effort to change old habits and ways of doing. However, it's far from rocket science. All it takes is the will to act."

Natasha Friis Saxberg, CEO, IT-Branchen

2.0 Employee engagement & culture

Creating the conditions for high performance, diversity & inclusion

Employee engagement and culture is fundamental to retaining talented employees and motivating your team towards high performance. As the startup grows, the culture changes. Actively working to develop a culture that fits your scaling organisation is one of the most important jobs as a founder.

2.1 Higher Performance Through Culture

Potential

Higher performance through full engagement

Knowing how to motivate and take care of all members of your startup team, is central to high performance in your startup. Both in the early going, and especially as you scale and more talents join your team. High performance in your startup is achieved by the output of all its members. Managing your culture is paramount to making sure your team members are motivated and feel at home in your startup.

Problem

Diversity without inclusion doesn't work

As a startup grows, a culture starts to take shape. Importantly, what worked in the initial stage, might not be a fit culture for a growing startup with a larger team of employees. A startup team can become more diverse, but still not be inclusive to those who are not in the majority. Without an inclusive workplace culture, diversity might soon dissipate leading to worse performance, or a "revolving door of talent", where diverse talents leave your organisation fast – as we have seen 40% of women leaving engineering^{2,3}.



"We are working under our promise "fairness first": For our team, customers, partners and people who queue. We believe that a queue is a fair thing when many people want the same thing at the same time. We try to also use this internally. To make sure that we are equal".

Camilla Ley Valentin, co-founder and CCO of Queue-it

🔧 Startup Solution (tool) # 5

Focusing on workplace culture as you grow

Getting a head start, and nipping potential cultural problems in the bud will often be the best strategy. Set rules and expectations early – not after you start witnessing diversity or cultural issues.

We suggest the following focus areas, as a starting point for managing your startup culture:

Focus areas and ways to influence them

Suggested focus areas

- What is the general tone of voice?
- How is our sense of humour?
- How do I talk about work and give feedback?
- How do we celebrate our victories, and correct our errors?
- Who gets talking-time and how?
- Which type of events do we have? Are networking/social opportunities attractive to everybody?
- What is not ok in your startup?

Ways of influence

- **Communication.** The signals you send as founders or leaders, the questions you ask and ways of giving feedback.
- **Alignment.** Helping the team understand how what they do impacts the startup and helps it towards its goals.
- **Goals.** Setting clear goals of how the startup should work, which behaviors are valued. And follow up on them.
- **Recognition.** Maintain an inclusive culture, by recognising and appreciating employees who live up to the values and the startup's mission.

👍 Startup Solution # 6

Assigning responsibility with a head of culture

As the team grows, more people will have an influence on the culture, as they help create ways of working that either does or does not include others. We suggest appointing a person to be responsible for making sure that newcomers and

people who are not in the majority, feel comfortable and are motivated at your startup. A place to start for your new head of culture could be looking at the focus areas above.

² University of Wisconsin, Stemming the Tide: Why Women Leave Engineering, 2012
³ kapor Center for Social Impact. "The 2017 Tech Leavers study"

🔧 Startup Solution (tool) # 7

Tips for talking about gender in your startup

When discussing topics related to gender, it is important to be aware that faulty assumptions about women or men can lead to unnecessary constraint of ideas or discussions. Consider the following tips to avoid the most common pitfalls – e.g. in the context of your cultural strategy.

- 1 **Avoid generalising or definitive statements about men and women.**
- 2 **Distinguish between values, opinions, personal experience and facts. This can help ensure nuance, and keep discussions productive.**
- 3 **Share personal experiences to explain your perspective. We all come from a slightly different perspective, and by offering that, we might help understand where each of us are “coming from”.**
- 4 **Be curious about other people’s experience.**
- 5 **Recognise the limits of your knowledge and expertise.**
- 6 **Acknowledge and respect the difference of opinions and values.**
- 7 **Avoid “fix-the-men” or “fix-the-women” solutions (e.g. we just need to educate women to the importance of investing, in order to get them to use our fintech app). Instead use a fix the product, mentality – how can we make our design even better for its potential users.**

Nb: These principles can also be used with other dimensions of diversity like age, education or culture⁴.

⁴ Developed by Lynn Roseberry Co-Founder and Director of On the Agenda and Liva Echwald Founder of Female Founders of the Future.

2.2 Work-Life Balance – A Way to Attract and Retain Talent

Potential

Appealing to **more talents**, and retaining the ones you have

Striking the right balance between work and life is likely to be important for your startup’s ability to recruit and hold on to a team of talents. This is true for talents now, and perhaps especially for future talent – male or female. Think of work-life balance and adapting work to your employees’ needs as an investment – both to hire the talents that seek this balance and flexibility, and to not lose talented employees.

Problem

Hard work can seem **unavoidable** in many startups

Work-life balance is easier said than done, and startup life will probably always include periods of very hard work. However, a high amount of hours of inflexible work might not be feasible or attractive for many talents, who could otherwise have been a part of your team.

👍 Startup Solution # 8

Making life an **attractive** part of your startup

While the demands in a startup can definitely be high, startups can often be much more flexible and creative in how they solve tasks compared to the more bureaucratic corporate world. We suggest using this insight to make life, an attractive part of your startup, with a two-pronged approach: 1) decrease the unnecessary hindrances that can be decreased in your startup, but also 2) increase the “resources” – that is how your startup supports its team, in the periods of hard work⁵. See model on the next page.

⁵ Inspired by the Job demands-resources Model developed by organisational psychology researchers Arnold Bakker and Evangelia Demerouti.

👍 **Startup Solution (continued) # 8**
 Making life an **attractive part** of your startup

Increase Resources	Decrease Demands
<ul style="list-style-type: none"> • Flexible/remote work • Focus on physical and mental health • Reward and celebrate your achievements • Involve employees in planning own time • Make the startup feel like family • Increase the feeling of (or actual) ownership of the startup 	<ul style="list-style-type: none"> • Minimise overtime • Remove unnecessary hindrances to work • Working smart not hard

In this way you both focus on minimising the unnecessary stress of work, and on maximising the benefits - i.e.:

- feelings of autonomy in what you do,
- the social aspect of relatedness with your colleagues, and
- ensuring a sense of fairness and meaningfulness, when working extra hard.

Not all members on your team will have the same way of working - and not all will be equally flexible, in the same ways. Dealing with this diversity of work habits and constraints involves setting clear expectations, and finding a way to cultivate a culture that can accommodate this diversity of working.

2.3 Retain and Recruit by Showing the Way to the Top

Potential

Retaining and recruiting talents via **clear advancement opportunities**

Being able to see opportunities for personal and professional growth in a company, is key to feeling motivated and working at peak performance. Seeing these opportunities as someone outside your organisation might also be an important way of attracting diverse talent.

Problem

If talents can't see a way **to the top**, they may not stay for long or even join

If your startup has no e.g. female C-level personnel it is difficult for female talent to see themselves learning and advancing in your startup. This can result in talents not even applying for a position, or looking for new opportunities, with more perceived advancement opportunities after joining.

👍 Startup Solution # 9

Make opportunities for development clear, **and clarify** how to get there

One way to fix this, is of course to hire or promote your diverse talents for higher level positions. In the meantime, you can still communicate the possibilities to develop in your startup, e.g. making employee learning and development plans. All in all, **talents in your startup should be able to see a clear path for their own career and development.**

2.4 Develop your Team and Create Role Models

Potential

Develop your team and **create role models** at the same time

By developing your diverse team, you can reap two important benefits: Firstly, you develop your own talents to become even better. Secondly, you create role models for others to see that they too could be successful in a startup like yours, increasing your chance of retaining and recruiting diverse talent.

Problem

Underutilized and **invisible** talents

Even in startups that have succeeded in creating a diverse team sometimes the founders and leadership team remain very homogenous. This can lead to underutilised diverse talent diffusing from your startup. Furthermore, having a diverse team is not the same as people knowing you have one. Without sufficient role models it is much harder for future talent to recognize possibilities – or find them attractive.

👍 Startup Solution # 10

Putting your **diverse talents** to the forefront of your startup

Put your diverse talents to the forefront, but celebrate your talents for what they bring to the table, not who they are at the table. This can be done both internally and externally. For example, you could promote your diverse talents in job postings with testimonials, in press relations, as well as internally with presentations of projects, products or innovations.



"Countless studies show that it is good business to create a diverse organization. It gives more creativity and innovative power. It improves the ability to assess a case from different perspectives. It increases employee engagement. And it creates a better culture."

Søren Kofoed-Sørensen, Head of Danske Bank Business

3.0 Product and market

Better product-market fit through diversity

Product development and market understanding is fundamental for startups. Having an accurate understanding of both the problem, the market, and seeing the full potential of your solution is key. Lack of diversity, is a potential barrier for all of these – leading to biased and problematic design or risk of missing out on market potential⁶.

3.1 Unlock your Full Market Potential

Potential

Reach the full potential of **your solution** or core technology

Different people have different perspectives and needs. If your startup does not consider the needs or mindset of the full range of potential customers, you risk limiting your potential reach. By understanding your potential customers better, you can gain a lot, e.g. by:

- **Ensuring diversity in your data set for product development,**
- **Tweaking some products or services, to be relevant for a different market,**
- **Adapting marketing, to appeal more to different customers,**
- **Considering other relevant applications of your core technology.**

Diversity in team composition can help startups tap into unfound markets and audiences.

Problem

Risk not realising the full potential your startup's solution or core technology

A startup often tries to solve a problem, the founder has experienced him- or herself. Other people, however, might have different experiences or perspectives of the same or similar problems. Be aware that the more homogenous your team is the likelier you might take many things for granted. Or in other words: You risk not realising the full potential reach of your startup's solution or core technology.

⁶ "Invisible Women: exposing data bias in a world designed for men", by Caroline Criado Perez, 2019 and "Mismatch: how inclusion shapes design", by Kat Holms, 2018

🔧 Startup Solution (tool) # 11

The “Don’t Limit your Startup” Checklist

Making sure that your strategy fits best as possible with all of your potential customers is worthwhile for any startup. Challenge yourself and your team with this checklist:

Step 1	Who would this product/idea not be relevant for - and why?
Step 2	How well have we sought to find out how people unlike us react to our idea? <ol style="list-style-type: none">Are there some potential market groups we know a lot about?And some we know less about?
Step 3	Who might we inadvertently be holding back from buying our product?
Step 4	Do our language unintentionally seem more appealing to some, e.g. men, than others, e.g. women? How could we find out?
Step 5	Could our core technology be applied in another way, that might be relevant more broadly, or for a group we are not currently addressing?

Nb: Some of the questions, your team is probably already the best experts in. For others, the best advice is to test it out, with people different from you, drawing on a diverse pool of potential customers. Other questions come to mind? Feel free to add them to the checklist.



“Our experience is that diversity has a great importance. Not only in developing and growing our business but also in terms of understanding our clients and meeting their needs.”

Camilla Ley Valentin, co-founder and CCO of Queue-it

3.2 Diversity means more Creativity, Innovation & Adaptability

Potential

Foster more diverse and innovative products and prototypes

Diverse teams and startups are more likely to create more new and radically innovative products⁷. A HBR study concluded that companies with diversity in management were 70% more likely to go into new markets and 45% more likely to have increasing revenue⁸.

Problem

Inability to adapt or pivot in a volatile environment

There is a tendency in homogenous groups to erroneously assume a high degree of agreement in the group, about ideas, challenges and potential solutions. This can be especially problematic in the ever-changing and dynamic world of startups, where a founder team’s first idea, prototype or product is seldom a homerun. In other words adaptability and the ability to pivot is key to success, and diverse teams, it seems, are much better suited to this challenge.

👍 Startup Solution # 12

Use diversity as a strength and value the perspectives of newcomers

Use diversity in backgrounds and perspectives actively and as a strength. Try to ensure diversity in teams and project groups – members with different outlooks are more likely to avoid group-think and are more adaptable when facing unknown challenges.

Specifically, consider letting the newest members of your team present their own perspectives on your core technology, your understanding of your customers’ needs or your go-to-market strategy. Importantly, do this before they become too assimilated in your “tribe” – perhaps as part of your onboarding process.

⁷ Diversity & Inclusion in Tech . A Practical Guidebook for Entrepreneurs. Atomico. 2019.
⁸ How Diversity Can Drive Innovation, Harvard Business Review December 2013.

4.0 Fundraising and advisory board

Utilise your return on diversity

4.1 Using Diversity as a Competitive Advantage

Potential

Unlocking your Return on Diversity

When you have decided to make diversity a priority, **tell the world and use it as a competitive advantage**. We believe that sooner rather than later, investors will include team composition, gender balance and diversity, as part of their criteria when making investments. We already see this in some European funds⁹ and Goldman Sachs are making it a criteria when underwriting an IPO¹⁰.

Problem

Thinking and talking about team composition

Strategic considerations about team composition is central to the startup itself – but often equally important to the potential investor. Investors have to be convinced that the team is the right one, but often they have very little time to examine or find this data. In other words, it needs to be presented and explained why diversity and inclusion are good for your business.

👍 Startup Solution # 13

Four ways of being explicit about your diversity

There are many ways to think about, and be explicit about, your gender balance and diversity strategy and focus. We suggest four ways you can tell this story: Marketing, Product, Team, and Advisory.

Not all of these necessarily apply to your startup – and perhaps other ways of framing your thoughts or efforts on the subject might make more sense for your team. Use it as a simple framework to first think about, and then communicate your strategy on team composition, gender balance, inclusion and diversity in your startup.

And the next time you pitch, try adding some of these thoughts to your pitch deck. Soon enough, pitch event organisers and institutional investors might make it mandatory to include a slide about team composition and strategy for diversity and inclusion?



“Today diversity is a key component in our due diligence process when assessing the people side of businesses. We discuss it with startup teams to push for diversity. In the future, I suppose this might even materialise in term sheets. Especially, if they are not sufficiently diverse, then we can lean in as investors and push for diversity. It is key and it is something all investors can do.”

Rolf Kjærgaard, CEO, Vækstfonden

9 Gender Smart Financing Investing In and With Women: Opportunities for Europe https://ec.europa.eu/info/sites/info/files/economy-finance/dp129_en.pdf
10 <https://www.goldmansachs.com/what-we-do/investing-and-lending/launch-with-gs/pages/commitment-to-diversity.html>

4.2 Gain Access to the Right Mix of Skills and Competencies

Potential The benefits of a diverse advisory board

Many startups benefit from having an advisory board. Having a diverse team of advisors, may be one of the best ways of connecting broad and relevant competencies and networks closely to your startup. A diverse advisory board is also better equipped to help your startup with other aspects of diversity and inclusion, such as recruitment, motivation, work-life balance, and perhaps make diversity and inclusion a differentiator for your startup.

Problem Too much homogeneity, in skills and in network

Too much homogeneity in your network of advisors, might lead to unnecessary overlap in who and what they know. A board of very similar advisors is more susceptible to groupthink in terms of decision making and may not see as many different possibilities as a diverse one. In short, you lose out on important aspects of what makes advisors so valuable to startups.

👍 Startup Solution # 14 Recruiting a diverse advisory board

We suggest putting together your advisory board with an explicit focus on gender balance and diversity of thoughts and backgrounds. Of course still with respect to specific sectors, knowledge and networks your startup needs access to.

If your advisory board is on the look-out for women with business experience, we have compiled a list of a couple of places you can start your search:

Resources for finding a female advisor

- Curie (<https://curie.dk/>)
- Kvinder i bestyrelser (<https://kvinderibestyrelser.dk/>)
- Erhvervskvinder (<https://www.erhvervskvinder.dk/>)
- KV - Foreningen for Kvindelige virksomhedsejere (<https://kv.dk/>)
- Bestyrelseskvinder (<https://www.bestyrelseskvinder.dk/>)
- Mandag Morgen Business kvinder (<https://business-kvinder.com/>)

And if you're participating in an accelerator, a startup mentor or springboard program, specifically ask the program managers to connect you with those types of profiles needed for your advisory board.



"I've been a member of many boards of directors, and I can tell you that, in my experience, the best decisions are made by diverse groups – e.g. balanced in gender, age, education. You could say the "Common Wisdom" grows bigger in such groups, than in homogeneous groups."

Jesper Jarlbæk, Chairman of Danish Business Angels

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Return on Diversity - The Investor Toolkit

All startups need three things to establish, consolidate and grow: a great idea, a great team and capital. However, as we have explored throughout this guide, when it comes to capital, not only are women less likely to receive funding for their startup than men, they also receive less capital on average than men, when they do get funding.

The business case is strong

As shown in Part 1, the performance data speaks for itself. Startups with at least one female founder seem to match or even outperform male founder teams¹¹.

In this section, we provide **14 solutions (including 6 tools)** for investors that want to realise their return on diversity, through deal flow, early due diligence, supporting the startup, diversity in your organisation and fundraising.



¹¹ Unconventional Ventures report 2020 - Nordic Startup Funding - in the worlds most equal region: <https://www.unconventional.vc/report/>

1.0 Deal flow

Getting access to the best startups

1.1 Analyze and Expand your Outreach

Potential

Get access to **overlooked** potential

In part 1, we estimate that approximately 20% of Danish startups have a female founder, however only about 4% of the VC funding go to teams with mixed teams and a measly 1% to all female founder teams¹² – indicating a large and untapped potential. Furthermore, numerous studies (again see part 1 of this guide) indicate that female entrepreneurs match or even outperform their male counterparts – showing a clear business case for making an effort to invite and invest in more female founders.

Problem

Overrelying on existing **network** and assumptions

Male founders tend to have a better network readily available to them, and female founders receive fewer warm introductions to investors than men. Since deal sourcing often is highly dependent on the network, this can easily lead investors to believe that the relevant female founders simply are not out there. However, with an investment-gap of around 15%, that does not seem to tell the entire story. Part of the problem could be that if startups with female founders are not a part of your network, there is a high risk that you will never know about them.

👍 Investor Solution # 1

Looking beyond your **immediate network**

Diverse talent is out there. But, if startups with female founders are not finding you currently – how can you find them? We suggest actively looking outside your own network to source startups. Why? Because you risk missing out on the business potential of the startups that are not part of your current professional network.

We suggest the following ideas for increasing the number of diverse candidates:

Finding Startups with Female Founders

- Ask for connections from female investors or founders
- Proactively seek out diverse teams on campuses, events and coworking spaces
- Make open calls for female founders, since they do not get the same warm introduction as many male founders
- Apply simple rules-of-thumb: e.g. at least 1 pitch out of 5 from female founders per event
- Set ambitious goals, and measure your progress

“A year ago, in November 2019, DanBAN arranged a female founders pitch event together with the IT University of Copenhagen. It was a great success, and we learned 3 things:

1. The quality of pitches was excellent – really well-prepared founders,
2. The interest was great in terms of participants (i.e. Business Angels),
3. and finally, we were surprised that we received so many capable applicants.



Why the surprise, you may ask? That's because our deal flow is always open to capable female applicants, but it seems the direct invitation made a difference, so we will definitely do it again.”

Jesper Jarlbæk, Chairman of Danish Business Angels

Know your own biases:

The Confirmation Bias

We tend to confirm what we already believe, and try to falsify what we think is wrong. This tendency is called the confirmation bias, and leads us to make worse decisions by not updating our (subconscious) beliefs – e.g. that women are less “entrepreneurial”, to the actual evidence.

¹² Unconventional Ventures report 2020 – Nordic Startup Funding – in the worlds most equal region: <https://www.unconventional.vc/report/>

👍 Investor Solution # 2 Break free from warm introductions

Are referrals truly what brings you the best deals? First Round Capital found that accelerator demo days and twitter research outperformed network referrals by 58%¹³. Since female founders tend to get fewer warm introductions, consider the following ideas for where to find your next female founder team:

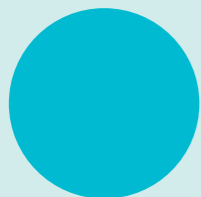
Be a founder for one day every other week

1. >> Attend events like demo days, here you can meet startups, follow them over time and build relationships and trust with a diverse pool of founders, both for yourself to explore the field and for the founders to get familiar with you.
2. >> Switch seats, go work at a coworking space, to stumble upon new startups in the making.
3. >> Open doors with office hours. Both physically and digitally.
4. >> Use platforms that you have documented works for you.

👍 Investor Solution # 3 Be transparent about your deal flow

Make sure everyone can get in contact with you and apply for investment or funding, to avoid the missed potential of relying only on warm introductions. Be open about your search and screening criteria, to ensure that it is clear that you are looking for diverse teams.

You could even go as far as Fast Forward, an American accelerator and investment company, and publish your pipeline of companies:



"We published our pipeline. As soon as we opened up our process, we were flooded with pitches from founders who were not connected to any of our peer investors¹⁴."

Shannon Farley, Co-Founder & Executive director of Fast Forward

Know your own biases:

The Availability Bias

How familiar something feels, affects how we think about it. If a market or an entrepreneur feels different, we might, just because of novelty, find their proposition more risky.

¹³ First Round Capital. First Round 10 Year Project.

¹⁴ Farley, S (2017). Why we need diverse founder and funding teams and how to find them. (online) TechCrunch.

1.2 Diversity Starts at the Selection Boards

Potential When the selection board can choose beyond bias

Selection boards play a key role in deciding which startups can move from just a pitch deck in a pile to who actually gets to present for investors. Making sure you have a selection board that is fit for judging diverse startups and founders, is therefore the first step in helping attain diversity – e.g. gender balance – and the premise for better investment decisions down the line.

Problem We deselect the unknown

We are all biased. These biases affect our decision making every single day, and can be a hindrance to making balanced investment decisions. One bias is our tendency to find what we do not know more risky or less attractive. Leading investors to select startup cases that have the fewest “unknowns”, and most “knowns”¹⁵. However startups with unknown qualities or quantities, can also be great investments, and should not be discarded out of hand.

🔧 Investor Solution (tool) # 4

FAIR - 4 steps towards a diverse selection board

A few design hacks can support you in minimizing biased decision making.

Flip the process (F)

- >> Let the newest in the group speak first, and start with the “unknown to all” startup cases on offer.
- >> Ask yourself flip questions¹⁶, e.g.: “What if this unknown market, with this market size, had been a known market – Would we have selected this business case?”

Anonymise (A)

- >> If possible anonymise applications from names, gender, age, nationality. If this is not possible let everyone indicate if they know or do not know the team, problem, technology ect. Be extra aware when screening the unknown to all.

Individual evaluations (I)

- >> Let everyone give their own individual evaluation and ratings of each case before you meet up. Make it impossible to see the others’ ratings before the meeting as it could influence the ratings unduly.

Rules of thumb (R)

- >> Use rules of thumb to achieve diversity in the long term. E.g. by aiming for 50/50 split by gender on newcomers. Also, include considerations about other forms of diversity, to broaden your pool of knowledge and minimise the risk of missing out on potential because of bias against the unknown.

¹⁵ By Female Founders Of The Future and Danske Bank Growth and Impact 2020

¹⁶ Inclusion Nudges Guidebook, By Lisa Kepinski and Tinna C. Nielsen

1.3 Rethink the Pitch Event

Potential

Attracting more relevant founders to **your pitch** events

By experimenting with new, alternative pitch formats, or tweaking existing ones, investors might be able to attract an even wider audience of relevant startups with great potential. And who knows, it might result in more relevant and accurate pitches from the startups?

Problem

The downside of the **pitch format**

The typical pitch events have two major problems. First of all, it is prone to bias. Second of all, the typical pitch event format, might not be suited to a broad variety of founders – male or female. Importantly, the typical pitch with its showmanship and competitiveness involves a big risk for investors to confuse the founders' confidence, with the competence of the founder team and potential of the startup.

Know your own biases:

The Confidence = Competence Illusion

Confidence is often mistaken for competence, perhaps particularly in the world of startups and pitch events, where founders are effectively trying to sell their idea in a very short timespan. This actually exacerbates most biases, and especially it sets the founders with the least amount of pyrotechnics – but perhaps more substance – up to fail.

👍 Investor Solution # 5 Tweaking your Pitch Format

Female entrepreneurs have been said to focus more on the facts, and less on the story. Part of the explanation, probably is that they are asked to defend and demonstrate their competences more often than men. The typical pitch format, however, mostly benefits those who excel at selling the story and the vision.

Consider tweaking your pitch format with structures aimed at leveling the playing field for a more diverse pool of talents:

Structured pitches, wherein the pitch is more of a conversation – or a Q&A, led by a series of questions from the investors in a structured format, that is asked similarly to all founders, thus limiting bias. Depending on the level of detail the investors are interested in, some of the questions could even be handed to the entrepreneurs beforehand.

In a more substantial way you can test completely new ways of supplementing the pitch:

- **Video pitches: With the chance of a do-over, and possibility for careful consideration of the content of the pitch.**
- **Written pitches: A chance to pitch more carefully thought out, with more details and numbers.**
- **Ditch the pitch. You could even go one step further, and “ditch the pitch” entirely. A data-driven approach could be delivered in a blinded fashion, and still indicate the foundations of good business: customer needs, product fit, marketing skill, sales funnel and customer management.**

1.4 Diversifying your Portfolio of Founders

Potential

Invest in startups other **investors** are overlooking

Since female founders tend to perform at least as well as male founders, but receive much less funding, investors might not be tapping into anything near the full potential in Denmark. While others are still sitting on the sidelines, you can take the opportunity to jump onto the playing field and diversify your portfolio – with regards to gender, as well as fields or industries.

Problem

Unintended homogeneity of the founders in an **investment portfolio**

As stated throughout this guide, there seems to be a funding gap in Denmark between men and women. Now it's time to ask yourself: **“What is the current percentage of female founders in my own portfolio?”** If your portfolio reflects the statistic, that number is probably pretty low!



“What can be measured, can be changed. When we started tracking and reporting on our progress, we also created a focus and a momentum for action. Now diversity and gender balance are recurring items on our bi-annual board meetings. In that way we keep ourselves to our promises.”

Tommy Andersen, Managing partner, byFounders

🔧 Investor Solution (tool) # 6

5 steps towards a **balanced startup** investment portfolio

Investors who want a more balanced portfolio could start by aiming for 20% – or 25% or even higher if you want to really drive change in this area.

If you find that your ratio is lower than you would like for your portfolio in the future, we suggest taking the following steps:

Investor Solution (tool) # 6:

5 steps towards a balanced startup investment portfolio

Step 1	Set an ambitious goal. Aiming for at least 20% or 25% to pull in the direction towards gender balance.
Step 2	Make a timeline of goals for gender balance at different milestones, spacing out your goal, over time (e.g. 10% in year one, 15% in year two, and etc.).
Step 3	Achieve your goal by aiming for simple rules of thumb when investing, eg. for every 3 investments, at least 1 must be in a female/mixed founder team
Step 4	Utilise your network, by asking your Business Angel network about what you can do together, to attract more female founders to pitches. And tell your network that you are looking for good business cases with female founders. This may also make you a more attractive investment partner to a female founder.
Step 5	Follow-up, and measure your success and progress. And adapt your strategy accordingly.

2.0 Early due diligence

Making better and more objective evaluations

2.1 Better and more Objective Early DD when Evaluating Startups

Potential Better early due diligence

Minimising bias in the early due diligence, e.g. in the pitching phase, could give you a more accurate perception of the startup potential on offer – whether male or female founded.

Problem Decisions driven by unconscious bias

As an investor, it may be tempting to think that the gender balance can be fixed, solely through better deal flow. That there is no bias against female founders, and that we just need to figure out how we get a bigger volume of investment cases with women in the founder teams. However, as we have thoroughly documented in part 2.2 of this guide, there are a number of reasons why the typical pitch format and investment decision biases might unfairly disadvantage female founders.

Investor Solution (tool) # 7 Balance your upside and downside due diligence questions

Especially, it is important to be aware of the tendency of asking mostly preventive questions to female founders. This tendency can be countered by remembering to complement those questions with more promotive questions – and vice versa for male founders. As an upside, this will give you a more objective understanding of the founders you are evaluating – regardless of gender.

To keep track of this balance, make a note of two columns of your upside and downside due diligence questions¹⁷:

Balance your upside and downside due diligence questions

Topic	Upside Due Diligence	Downside Due Diligence
Customers	Acquisition: “How do you want to acquire customers?”	Retention: “How many daily and monthly active users do you have?”
Income statement	Sales: “How do you plan to monetise this?”	Margins: “How long will it take you to break even?”
Market	Size: “Do you think that your target market is a growing one?”	Share: “Is it a defensible business wherein other people can’t come into the space to take share?”
Projections	Growth: “What major milestones are you targeting for this year?”	Stability: “How predictable are your future cash flows?”
Strategy	Vision: “What’s the brand vision?”	Execution: “Are you planning to Turing test this?”
Management	Entrepreneur: “Can you tell us a bit about yourself?”	Team: “How much of this are you actually doing in-house?”

Know your own biases:

Asking “win”-questions to men, and “lose”-questions to women

Even at the tables of VC funds with 40 pct. women, a study published in the Academy of Management Journal¹⁸ found that while men were mostly asked about their dreams, visions, progress and ideals, the women were asked about security, responsibility, guarantees and potential pitfalls. We ask men to win, and women not to lose. Importantly, the entrepreneurs that answered win-questions, were more likely to be evaluated positively, and receive funding.

¹⁷ Examples from: <https://hbr.org/2017/06/male-and-female-entrepreneurs-get-asked-different-questions-by-vcs-and-it-affects-how-much-funding-they-get>

¹⁸ Kanze, D., Huang, L., Conley, M. A., & Tory, H. E. (April 01, 2018). We ask men to win and women not to lose: Closing the gender gap in startup funding. Academy of Management Journal, 61, 2, 586-614.



"It's so important to be aware that biases are there, even though our gut instinct may be to deny it. Bias goes to the bottom of society and the world around us. That is why we need a change in mentality and we need a platform for action."

Rolf Kjærgaard, CEO, Vækstfonden

🔧 Investor Solution (tool) # 8 – The Investor Bias Checklist

A number of biases might lead you as an investor to unintendedly invest in a way that favours male over female teams. Below is a list of five of the most central biases to be aware of, when making investment decisions – and perhaps more importantly: how to counter them.

1. Confirmation bias

The bias: We tend to confirm what we already believe, and try to falsify what we think is wrong. This tendency is called the confirmation bias, and leads us to make worse decisions by not updating our (subconscious) beliefs, e.g. that women are less “entrepreneurial”, to the actual evidence.

How to counter it: Actively look for examples that counter the assumptions that would lead you to not invest in a female founder. Or you flip questions, to challenge your assumptions (e.g. If a man said this, would I perceive it differently?).

2. Availability bias

The bias: How familiar something feels, affects how we think about it. If a market or an entrepreneur feels different, we might, just because of novelty, find their proposition more risky.

How to counter it: Be aware, that the feeling of something unknown to you, might lead you to dismiss it prematurely. Take extra time to consider these ideas, they might be even better investments, in the cases where novelty is in fact innovativeness.

3. Interpreting the same behaviour, differently for men and women

The bias: Because our expectations of women are often implicitly different from our expectations of men, our interpretation of what female vs male founders do and say – even when they say and do exactly the same thing – can be very different.

How to counter it: Be aware of the common pitfalls of evaluating women different from men:

1. Judging men for having potential, women for experience,
2. Judging men for trustworthiness, and women for competency,
3. Seeing enthusiasm as positives for men, and as “hectic” for women, and
4. Judging women harder on soft skills, and men on task-related skills.

4. Asking “win”-questions to men, and “lose”-questions to women

The bias: Even at the tables of VC funds men are more likely to be asked about their dreams, visions, progress and ideals, women were asked about security, responsibility, guarantees and potential pitfalls¹⁹. We ask men to win, and women not to lose. Importantly, the entrepreneurs that answered win-questions, were more likely to be evaluated positively, and receive funding.

How to counter it: Try to keep track of how you weigh your questions during your next pitch event – see “Investor Tool # 3: Balance your upside and downside due diligence questions” in previous section.

5. The Confidence = Competence Illusion

The bias: Confidence is often mistaken for competence, perhaps particularly in the world of startups and pitch events, where founders are effectively trying to sell their idea in a very short timespan. This actually exacerbates most biases, and especially it risks setting the founders with the least amount of pyrotechnics – but perhaps more substance – up to fail.

How to counter it: Give founders with smaller arm movements an extra chance. Take a second look at their numbers and the facts, and not just on the storytelling. This is not just about gender, but women are on average more likely to focus on facts and substance than showmanship.

¹⁹ Kanze, D., Huang, L., Conley, M. A., & Tory, H. E. (April 01, 2018). We ask men to win and women not to lose: Closing the gender gap in startup funding. Academy of Management Journal, 61, 2, 586-614.

2.2 Help Startups Reflect on the Value of Diversity

Potential

Qualify the founders' **pitch**

Many of the Danish BA-networks and VC funds already have pitch-deck guidelines. You can use this opportunity to inform aspiring startups about your focus on diversity and make sure they have qualified thoughts about this. Why? Because diversity is good for their business, and thus a more sound investment for you.

Problem

Thoughts about **diversity and inclusion** are not discussed

The startup might not focus on diversity and inclusion yet, and without showing clear expectations of this, any discussion about it might be unqualified and not prove of much value. However, if this is not a part of initial discussions, the startup and the investor risk inadvertently scaling into a business with diversity issues.

👍 Investor Solution # 9

Add a mandatory diversity slide to the **pitch deck**

Add a slide to your pitch-deck guidelines about gender balance and diversity. This will force the startup to at least consider and reflect upon diversity and gender balance in their team, and to consider their longer-term strategy on the subject. Explicit considerations about team composition is generally relevant and only more so in terms of gender balance, specifically.



"Investors are preoccupied with return on investments, and diversity is delivering just that. In my view, investors have a great opportunity to push for more diversity in startup teams as their words weigh heavily."

Natasha Friis Saxberg, CEO, IT-Branchen

3.0 Supporting the startup

Make gender balance and diversity part of the journey

3.1 Give your Investment a Head Start on Diversity

Potential

Set your investment on the **right trajectory** towards return on diversity

As an investor in a startup, you are in a unique position to help guide startups in the right direction on the path towards gender balance and diversity. This will not only help meet stakeholder expectations of diversity and inclusion, it is also likely to increase returns on investment, and enhance decision making within the startup as we have described in part 1 of this guide.

Problem

Founders overlooking team composition as a **strategic focus**

Team composition, inclusion and diversity might often not be at the forefront of a founder's mind. If nothing is done, we risk that the vast majority of founders, who are male who are male, inadvertently build a team that mostly consists of other men that, in a lot of ways, are quite similar to themselves. Team composition and diversity in hiring is important, however, and should not be overlooked, if you as an investor want the startup to perform at its best.

👍 Investor Solution # 10

Help formulate a "Startup Diversity Commitment" - e.g. in term sheets

Investors can help shake up this habit of men hiring men, with a **Startup Diversity Commitment**.

The premise of this idea is that even though startups need freedom to establish the initial teams, and gender balance and diversity might not be feasible right away, **two boys in a garage should still not turn into 200 boys in a garage**, as the startup scales.

Several VCs²⁰ are even starting to **incorporate diversity clauses in the term sheets** of all their investments - e.g. that the startup must have a diversity and inclusion policy within 6 months of the investment or even specific actions that are required by the startup at certain points.

We recommend that the specific **targets for inclusion and diversity should be set together with the startup**, and align in a meaningful way to other important targets e.g. about market or product development. Furthermore, the targets should be spaced out in time, to foster action and energy in the here and now, while also setting ambitious longer-term goals.

²⁰ See for example: http://www.diversity.vc/wp-content/uploads/2019/09/DI_Report_2019_Web_Version.pdf & <https://news.crunchbase.com/news/introducing-the-diversity-rider-program> & <https://www.atomico.com/diversity-and-inclusion/>

3.2 Supporting the Startup with Diversity in the Boardroom

Potential

Strengthening the startups in your portfolio

As an investor you have the opportunity support the startup by creating a diverse board to minimise risk of groupthink and to lead by example on diversity and inclusion. A diverse board is better equipped in helping startups focus more on team composition and hiring diversely, and with that focus, gain access to and attract from a larger pool of talents – all in all securing a better team, and a startup with a better foundation for success.

Problem

Electing board members from networks similar to your own

Most often the board members are chosen by the startup and investors. If both the Business Angel syndicate or investment fund and the startup organisation consist mostly of men with male-dominated networks, the likelihood of a diverse board is slim. And furthermore, setting a target for diversity and inclusion in the startup also seems less likely to happen.

👍 Investor Solution # 11

Make diversity in the boardroom an explicit priority

Bring in candidates in the boardroom that do not look like you, e.g. by setting a diversity goal that future partners or shareholders in the company must have a diverse representation of either age, gender, culture, educational background etc.

Know your own biases:

Interpreting the same Behaviour, differently

Because our expectations of women are often implicitly different from our expectations of men, our interpretation of what female vs male founders do and say – even when they say and do exactly the same thing – can be very different.

Consider checking out these networks, groups and organisations to start your search for capable female candidates.

Relevant network groups and organisations in the startup ecosystem for attracting more female candidates

- Ladies First (<https://ladiesfirst.dk/>)
- WonderCoders (<https://wondercoders.org/>)
- Female Founders of The Future (<https://femalefoundersofthefuture.dk/>)
- Women in Tech (<https://www.womenintech.dk/>)
- Female Go getters (<https://femalegogetters.com/>)
- Girls Are Awesome (<https://girlsareawesome.com/>)
- Good talks (<https://www.goodtalks.dk/>)
- Women in hardware (<http://womeninhardware.dk/>)
- Ing.dk Blog: Greater spaces (<https://ing.dk/blogs/greater-spaces>)

Resources for finding a female advisor

- Curie (<https://curie.dk/>)
- Kvinder i bestyrelser (<https://kvinderibestyrelser.dk/>)
- Erhvervskvinder (<https://www.erhvervskvinder.dk/>)
- KV - Foreningen for Kvindelige virksomhedsejere (<https://kv.dk/>)
- Bestyrelseskvinder (<https://www.bestyrelseskvinder.dk/>)
- Mandag Morgen Business kvinder (<https://business-kvinder.com/>)

4.0 Diversity in your organisation

VCs, BA- networks & Syndicates

Diversity in your own VC organisation or Business Angel Network can help you achieve three key benefits:

- Gaining access to a more varied network,
- Better understanding of different markets and sectors,
- Better decision making and deal screening.

4.1 The Benefits of a Diverse VC Investor Panel

Potential

Wider deal **funnel & better** investments through internal diversity

Having the right mix of people on your panel, can lead to better investment decisions. According to the World Bank Group International Finance Corporation, PE and VC funds with gender-balanced senior investment teams, generate 10-20% higher returns²¹. Furthermore, diversity in your investor group might expand your networks and thereby increase the scope of your deal funnel.

Problem

The problem with **all-male panels**

Research by MIT Sloan Management Review²², indicates that the gender composition of the investor panel, affects the pitching process. For example all-male panels tend to focus more on preventive questions, and this can in turn hinder especially female entrepreneurs that are already being asked more preventive questions than men are. Furthermore, investors might be less likely to connect to the sectors that female entrepreneurs thrive in, but the male investors might not have experience with or knowledge about.

Investor Solution (tool) # 12

Five Steps towards gender balance in your organisation

We suggest the following steps for moving towards a more internally gender balanced investor group. For more details, examine the similar approach proposed for startups in the previous section.

- | | |
|--------|--|
| Step 1 | Set ambitious long-term goals |
| Step 2 | Communicate the goals both internally and externally to demonstrate commitment |
| Step 3 | Create short-term targets and measure progress towards these goals |
| Step 4 | Learn from successes and failures in achieving short-term targets |
| Step 5 | Make leadership accountable for reaching your targets |



"This is not rocket science – one simple action point to solve the gender funding gap: Invest in more female fund managers and the rest will follow. Today about 89% of all VC partners in the Nordics are men and we know there is a close correlation between who writes the checks and who receives the funding. If you want to see more women getting funded, invest in female fund managers. Easy as that."

Thea Messel, Founder & General Partner, Unconventional Ventures

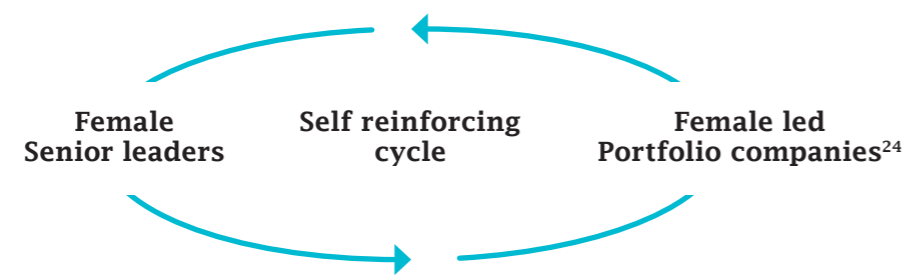
²¹ Report: Moving Toward Gender Balance in Private Equity and Venture Cap
²² <https://sloanreview.mit.edu/article/how-women-can-improve-their-venture-pitch-outcomes/>

4.2 Your Talent Management Funnel

Potential

Create **synergy** between your talent and investment funnel

Role models matter in both starting, scaling and staying in business²³. Diverse investment teams tend to attract more diverse startup teams and outperform the investment teams without diversity. One example of this is the case of Light Speed Ventures, where about 29% of their consumer portfolio in 2015 were female founded companies. That increased to 35% after the team added its first (of now five) female investment partners. By creating more diversity in your organisation, you increase your chances of investing in more female-led companies. The same goes for syndication funds among Business Angels.



Problem

"It is not us, it is the pipeline"

Only blaming external factors, such as difficulty finding qualified talent or a lack of female founders' interest in private equity, investments and scaleups, can reinforce the status quo. By also looking at internal factors, such as biased recruiting practices and a lack of firm prioritisation, you get a more complete overview. Ask yourself: If a startup was missing out on market share with a high ROI would you buy the arguments?:

- **"If the customers want to buy our service, they must come to us",**
- **"We have looked into our own network, we can't find the customers",**
- **"That type of customer, do not seem interested in buying, because they don't come to us"?**

Investor Solution # 13

Develop relationships and partnerships with **relevant communities**

Do you have enough voices around the decision-making table? Your fund needs to ensure that a wide variety of views and perspectives are represented. If not, reach out to local or national groups with a focus on diversity. Connect to the leaders and ask for their advice on how to reach a diverse pool of talent and how to attract them.

Here are examples of communities in Denmark you can reach out to:

- **Nordic Women in Tech** (<https://nordicwomenintechawards.com/>)
- **Female Founders of The Future** (<https://femalefoundersofthefuture.dk/>)
- **Women in Tech** (<https://www.womenintech.dk/>)
- **Level20** (<https://www.level20.org/nordics-committee/>)
- **FemaleInvest** (<https://www.femaleinvest.dk/>)
- **Professional Women's Network** (<https://pwn copenhagen.net/>)
- **Unconventional Ventures** (<https://www.unconventional.vc/>)

²³ Article from the Foundation for Entrepreneurship, referenced previously

²⁴ Inspiration from Moving towards gender balance in private equity and venture capital, by IFC, Oliver Wyman and RockCreek

4.3 Diversity Commitment & Goal Setting

Potential Transforming behaviors

Setting goals and committing publicly to diversity, help keep diversity on top of the agenda and make the change more likely to happen. By creating a shared commitment, you can also more easily get access to learnings from others who are working towards similar goals. Such commitments have been done successfully by VCs in other countries as e.g. in the Netherlands with Fundright NL (<https://fundright.nl/>). A Danish initiative is in the making in collaboration with the co-contributors to this guide Female Founders of The Future (FFOF).

Problem Finding the right level of ambition

Committing to a shared set of diversity and inclusion targets, requires for investors to meet and agree on goals - which can be quite difficult. How high should the bar be set? And how do we make sure that the commitment is followed through in action?



"We take our responsibility very seriously. That is why Vækstfonden will engage in The Diversity Commitment (by FFOF). To work with like-minded people and players in the ecosystem who also see the potential."

Rolf Kjærgaard, CEO, Vækstfonden

Investor Solution (tool) # 14 5 steps of the Diversity Commitment

No matter what your existing level of diversity is you can improve and track that improvement. Consider the following 5 steps:

Step 1	Create a commitment to change
Step 2	Establish and commit to shared goals with peers for access to funding and opportunity for founders
Step 3	Commit to track progress and share learnings
Step 4	Follow-up commitment by action and action plans
Step 5	Evaluate and adapt action plans in accordance with your individual and shared progress

The specific goals will be defined on what you as stakeholders agree on. You can decide to create goals and track on diversity on e.g. the following:

- > Your existing portfolio today
- > Your existing portfolio over time
- > Your future investments
- > Your incoming deal flow
- > In your organisation internally

5.0 Fundraising for next round or LPs

From differentiator to qualifier

A few years ago we saw Limited Partners in VCs increasingly view a company's approach to the ESGs as a differentiating factor when committing capital.

In the near future, we could start to see examples of diversity in leadership and boardrooms as a qualifier for further commitment of capital with LPs seeking to understand how diversity and inclusion are being implemented across the investment cycle and how Key Performance Indicators on diversity are tracked against performance.

In other words, what is now a differentiating factor, that can help startups and investors get ahead of the pack, could soon become more of a qualifier for startups and investments that start to scale rapidly and seek capital from more traditional and institutional investors:



"We are a few who have been on the mission for some time now and with these numbers being revealed, we will hopefully see more traditional and institutional investors, the limited partners, who really can push the needle, to be illuminated and to take part in this potential. After all, if there is one thing that gets investors moving quickly it is fear of missing out. If you as an investor do not manage to be attractive to the diverse founding team out there – you will be missing out."

Thea Messel, Founder & General Partner, Unconventional Ventures

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Camilla is co-founder & CCO of Queue-it, a developer of virtual waiting room services to more than 1 billion consumers worldwide. She is a co-founder of Women in Tech Denmark, and was named one of 100 Women Founders in Europe to Follow by Forbes in 2018. In 2020 she received the Data Innovator prize at the first European Tech Women Awards.



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Conclusion

Throughout this guide we have shown that Denmark is missing out on an untapped potential because of the gender imbalance in the Danish Startup Ecosystem. We have documented that female founders seem to at least match male founded teams, when it comes to return on investment, and that diverse teams perform better in a number of areas.

We have busted, or at least nuanced, three of the central myths around gender and entrepreneurship, and we have identified three challenges for women and female founders in the startup ecosystem: less salary, smaller network, fewer role models.

We have also looked at the investor-founder dialogue and evaluation process of startups and found that in some contexts, investors are prone to biased decision making, and that could, in turn, lead to poor investment decisions. And importantly, it could lead to men and women being treated very differently, because of unconscious biases.

All in all, it seems rather understandable if capable and talented women do not rush into the startup world. But this is a potential, we as a country and as founders and investors simply can't afford

to miss out on. We need to work on levelling the playing field for female founders. Not because of charity, but because it is better business.

"We cannot turn a blind eye when it comes to diversity. The business case is crystal clear both in terms of return on investment, innovation and better decision-making. I have high hopes that this guide will inspire both startups and investors to work more with diversity. All of us can make a difference – big or small. What is important is that we start the change today!"

Natasha Friis Saxberg, CEO, IT-Branchen

Our contribution towards this objective is the two toolkits, that we sincerely hope will inspire change for both startups and investors. Each and

everyone in and around the startup ecosystem have a role to play.

And although the challenge is complex, actions speak louder than words, and taking a few first steps in the right direction does not have to be rocket science.

We have seen the numbers in terms of the lack of investments in teams with at least one female founder, and it is not uplifting. The good news is that the numbers also represent a massive opportunity for return on investment.

Investments accelerate growth, and we are in need of new solutions to create a socially, culturally, environmentally, and economically sustainable world. The need for investing with both profit and a grander perspective in mind is critical, not only in regard to the environment, but also in regard to equality, diversity and inclusion.

It's time for Denmark to realise it's Return on Diversity and unlock the potential of better gender balance!

"We believe startups will become a more and more central part of our economy and be vital in developing new solutions for sustainable growth. For that to succeed we think it's time for a focus on and a push for diversity and inclusion to make our ecosystem attractive for all the talents out there."

Klavs Hjort, SVP for Growth & Impact in Danske Bank

