THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

BUSINESS SCHOOL

Raising Capital in Aotearoa New Zealand: Insights from Women Entrepreneurs

Foreword

In the progressive, fast-paced world of entrepreneurship you may be under the assumption that all things are equal between men and women. This is not many women's lived experience. Raising capital is often where the rubber hits the road.

This study sheds a valuable and timely light on female founders' experience raising capital in New Zealand.

New Zealand is starting to get an ecosystem to support early-stage women founders:

- SheEO
- ArcAngels
- Ice Angels

These are safe and supportive environments for women founders to access capital from firstly other women and then men who share their values. The focus on values which comes through in this study is very significant. Women founders can activate change in the world through building businesses of scale that are focused on both profit and purpose. Indeed, that is exactly what many of us are doing.

We must educate and encourage women to engage with all aspects of entrepreneurship, and capital raising is among the most daunting. When we do this as a country, we will reap the returns of cultivating all of New Zealand's business talent.

I am delighted to be part of this generation of female founders opening the door to all those women who want to become part of an unstoppable force. That is why I chose to co-create with the University of Auckland and fund the Chair for Women in Entrepreneurship.

When I brought SheEO to New Zealand in 2017 as a way to support both the funding and mentoring of women founders there was a complete paucity of data around the subject of women and entrepreneurship in New Zealand.

What isn't discussed isn't focused on.

We all want to live in a world where it's ok to be a woman leader and to be able to start, and get funding for businesses that are solving problems which make life better for everyone.

This survey is an encouraging, important step in that direction.

Theresa Gattung
July 2021

A Note from the Author

I am delighted to share this first summary report exploring the capital raising journeys of women founders in NZ. It is hoped that by sharing their lived experiences with you, the reader, and the wider entrepreneurial ecosystem we can better understand what drives these women as they grow their ventures, what they require from an ecosystem that seeks to support them and what challenges they are currently experiencing. My motivations for doing this research are two-fold: 1) we currently know very little as a country about how women entrepreneurs 'do' entrepreneurship, particularly in the capital raising space. It is hoped that future research can build on this study in order to enact evidence-based change that goes beyond trying to 'fix' individual women entrepreneurs and towards addressing the structural gender biases that still exist in NZ society today; 2) Through reporting the insights and experiences of the 26 women participants, it is hoped that this summary will inform and inspire other women entrepreneurs, or would-be entrepreneurs to grow innovative and impactful ventures and successfully raise external capital when they are ready.

About the Author

Dr Janine Swail received her PhD from the University of Ulster in 2007. Her thesis explored the start-up activities of women entrepreneurs in Northern Ireland. Prior to joining the University of Auckland Business School in 2016, Janine worked as Assistant Professor at Newcastle University (2007-2013) and University of Nottingham (2013-2016), United Kingdom before moving to New Zealand to join the Department of Management and International Business as a senior lecturer in Innovation and Entrepreneurship (I&E). She teaches across undergraduate and postgraduate levels and contributes to the design, delivery and coordination of courses in the area of innovation and entrepreneurship. Her research interests focus on the impact of gender upon entrepreneurial activity, most recently in the area of entrepreneurial finance.

Contents

Executive Summary

"Empowering women remains a common denominator and a global imperative for all those who care about fairness and diversity, but also productivity and growth of societies and economies that are more inclusive. If we can achieve this, we all gain."

Christine Lagarde,
ECB President and former IMF Managing Director

A 2018 Boston Consulting Group study[1], reported that women entrepreneurs generate more revenue than their male counterparts despite receiving lower financial backing; and for every $1 of investment raised, women-owned ventures generated $0.78 in revenue, in comparison with $0.31 generated by male-owned ventures.

Women-led ventures received just 18% of angel investment in Aotearoa New Zealand (NZ) in 2018 (Angel Association New Zealand (AANZ)). Given the above statistics, it appears that the investment ecosystem and the wider NZ Inc. could be missing out on novel and lucrative opportunities that can be found among our entrepreneurial women seeking to raise capital for their early-stage ventures.

The purpose of this study was to explore the experiences of women founders in NZ who were in the process of raising capital through angel and/or VC finance. This report presents a summary of key findings and insights from the direct experiences of women founders who were at different stages of their capital raising journeys. In addition, we include a series of key takeaways for women founders to consider. We present these findings within three separate sections: 1) What Women Want; 2) What Women Experience and; 3) and What We Don't Talk About. We conclude with highlighting further areas for discussion.

What Women Want explores the expectations that women founders have of prospective investors and acknowledges that founders are discerning with respect to selecting a suitable investor or investor group. Company fit and value alignment were of paramount importance to most founders, followed by a requirement for smart capital and a desire to see increased diversity within the NZ investment ecosystem.

What Women Experience discusses the more gendered experiences women have had on their capital raising journeys. We demonstrate how bias (conscious and unconscious) has been experienced by some women founders and reflect on the strategies they use to overcome the challenges such bias can present. Our findings do not go as far as to suggest that gender bias is preventing women from securing investment in NZ. However, we acknowledge that it can be a more difficult journey for women that requires resilience and reflective practice.

Photo: AdobeStock

What We Don't Talk About focuses on the role of the household and how it serves as resource provider, but in addition we explore the role of women founders within their households and how they often negotiate conflicting identities, laden with gender role expectations. Women founders in this study often renegotiated household responsibilities with partners, sometimes reversing roles, particularly in households with children and other dependents.

The overall aim of this research is not to be divisive; rather through informing and constructive dialogue we can all challenge the structural dynamics (rules, regulations, culture) of investment ecosystems that frame beliefs and actions of individuals that undermine and delegitimize certain groups over others. We conclude by highlighting four recommendations that also create opportunities for further discussion:

1. Address the 'women don't ask' issue
2. Continue to challenge stereotypes
3. Engage in the development of more inclusive networks
4. Have conversations about households that challenge gender role expectations

Finally, this research would not have been possible without the participation of the phenomenal women founders who gave their time freely and provided detailed, candid and honest insights of their entrepreneurial journeys to date. It was a privilege to listen to and learn from your stories. The researcher, Dr Janine Swail would also like to thank Claire Ryan who assisted in analysing data and developing earlier drafts of this report; Dr Colleen Young who assisted early on in the project with initial data analysis; Dr Christine Woods (Associate Dean Equity, University of Auckland Business School) who funded admin support and assisted with editing and commentary; and Kirsty Reynolds (EHF Fellow, Ice Angel and SheEO Activator) who read numerous earlier drafts and provided valuable insights from an investor perspective.

1. https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet

1. Introduction

Photo: Chris Sisarich, NZStory

1.1
Background and Aim of the Research

Research has highlighted the relative invisibility of women across the equity financing landscape spanning the spectrum of supply (investors) and demand (entrepreneurs). Simply put, there are fewer women entrepreneurs (relative to men) who finance their growing ventures using entrepreneurial financing strategies such as venture capital and angel investment. Equally, there are fewer women who occupy corporate roles within venture capital firms or are represented as business angels within entrepreneurial ecosystems globally. In NZ, despite ranking 4th globally for its progress and support of the achievement of women entrepreneurs and business owners, a Mastercard (2020) report highlighted that lack of funding was one of six key constraints globally impacting on women business owners' progress. Indeed, in 2018 women-led ventures received just 18% of angel investment in NZ (AANZ). Further, women currently make up approximately 20% of the angel investor community in NZ.

During 2018 and 2019, a qualitative study was conducted by Dr Janine Swail (University of Auckland) to explore the experiences of entrepreneurial women as both founders and investors operating in the NZ entrepreneurial ecosystem. The study sought to explore 1) the capital raising journeys of women entrepreneurs; 2) the visibility and role of the NZ angel community, and to a lesser extent venture capital, in supporting women entrepreneurs; 3) the experience of women as business angels. The study was replicated in the United Kingdom (UK) with a view to presenting comparative insights.

1.2
Methodology, Context and Approach

Fifty-two participants were interviewed across NZ, 26 women founders (to seek their insights and experiences of raising external capital) and 26 investors (12 women, 14 men). Limited research has been conducted to date on the entrepreneurial financing landscape in NZ, with previous studies providing important overviews of growth and key challenges[2]. There have been no studies that have specifically looked at women entrepreneurs in this space and how the investment ecosystem is supporting this group in NZ.

This report is the first of two that present a summary of key findings and insights from the direct experiences of women founders who were at different stages of their capital raising journeys. Some had just commenced developing their investor networks through introduction meetings and first pitches; others were entering second, third and fourth capital raises at Series A-C. Many had experienced success and were grateful for healthy runways, others articulated the 'funding gap' worry and stressed urgency to find that lead investor. Most founders were focused on NZ angel investment but a small number had moved into venture capital with NZ and overseas funds. The majority of ventures were operating in the technology start-up space (17) [app development, SaaS, Big Data, FinTech, hardware], with an additional four ventures developing technologies in deep tech. Five ventures were growing in retail and manufacturing sectors (health and beauty, food, furniture). Pseudonyms have been used to conceal the identity of study participants.

This report will focus on women founders and their experiences, presenting insights from the entrepreneur perspective. The second report, focuses primarily on insights from men and women in the investment community, predominantly *angel investors, fund partners and directors*[3]. Participants were identified from online searches and then contacted on LinkedIn or by email to determine eligibility and availability. Eligibility criteria was that each woman was the founder (or on founding team) of the current venture and/or CEO; and was currently seeking or had secured equity investment for their ventures. Effort was made to engage founders from all over NZ (majority Auckland [17], then Wellington-based [4], but further interviews were conducted with participants from Nelson [3], Hamilton [1]and New Plymouth [1]). This research was gratefully funded by the University of Auckland, Faculty Research Development Fund.

Our Women Founders report presents key insights across three sections:

- What Women Want
- What Women Experience
- What We Don't Talk About

2. Ansari, Tripe and Wilson (2017) 'Investor Criteria of early stage ventures in New Zealand.'
3. Second report documenting Investor findings will be released in September 2021.

2. What Women Want

This section explores the expectations that women founders have of prospective investors and acknowledges that founders are discerning with respect to selecting a suitable investor or investor group. Indeed, some women founders chose not to approach prospective investors or investor groups and/or declined investment due to a perceived lack of fit with both company and personal values.

2.1
Company Fit

> *We've turned down opportunities to pitch, or turned down opportunities to engage with certain people because they don't fit into our planned trajectory. In terms of angel investors specifically, I just don't work with arseholes. If someone is acting like a dickhead, you avoid them.*
>
> **(Eden)**

Company fit and alignment of values are of utmost importance to women entrepreneurs when considering investment opportunities. 'Good fit' was assessed in terms of investor knowledge, reputation and degree of involvement. Women entrepreneurs sought out investors who were noted for being active rather than passive angels and therefore willing to invest their time in addition to the financial investment.

> *We didn't turn investment down, just because we needed the funds.... But what else are we looking for? I guess involvement in the company, helping with networks is most useful.*
>
> **(Bella)**

Founders articulated a desire to work with investors they could relate to, but equally those that could invest their time, as Nancy explained,

> *I wanted that person to be a director, as well as an investor and to be quite involved, and to really help me.... I really loved her, and I thought she was such an inspiration, she's a woman in her late 50s, who's had an incredible career. But also had a family, she's got four kids. She was really interested, but she said, 'I just can't give you the time'. And I needed somebody who could give me the time, so we didn't take it any further.*
>
> **(Nancy)**

NZ is a small place; the entrepreneurial ecosystem is even smaller. Founders paid attention to an investor's reputation, and word of mouth among other fellow entrepreneurs and mentors impacted their decision to engage with individuals.

Us female entrepreneurs, we all stick together. I know all of them, and we all talk to each other. One of my female colleagues presented to a VC and he tore her to pieces and we all know who he is. That's gonna get around and you're gonna get a reputation. Do you want that reputation?

(Norma)

Eden confirmed this, but also admitted that whilst women in the entrepreneurial ecosystem might look out for each other, publicly calling out bad behaviour was not advised as a founder, particularly for those trying to raise finance.

A lot of these VC firms and angel investment groups wonder why they don't get approached by more women founders. They say, 'Oh, you know, we try so hard to get diversity'. Well, it's because you've got a bad rep and no-one's gonna go anywhere near you. They're not gonna put up with your bullshit. They're staying away from you, cos it's the easiest things to do when you don't have a lot of power in your own right. So, within my group of women [in the NZ technology sector], we're very straight-up. If they've been harassed or made to feel stupid, they'll give you the clear message. So, women to women, we're straight-up but no-one's saying this stuff openly because the penalties are that people won't work with you.

(Eden)

Photo: AdobeStock


Photo: AdobeStock

Entrepreneurs who were more value driven tended to be the most selective when considering investment. Common reasoning behind this was the feeling that investors were not always connected to, or cared about the company's customer base or values, or that the investors were more concerned with Return on Investment (RoI) than the purpose of the company. These entrepreneurs were content with turning down investment in order to find investors they perceived to be right for their company.

> *It [company fit] is really important. If someone wanted to invest, we would have a board meeting. If someone offered us a million dollars and they were bad people, I wouldn't take it. And that would be an interesting board meeting to have, because we all have different views on that. I will no longer do something I don't believe in, and I won't do something that doesn't make me happy.*
>
> **(Monica)**

Monica, who was seeking investment for her organic skincare venture had decided to approach a women angel investment group due to perceived 'good fit'.

> *[Women angel network] was always my first choice because women get it [the business concept]. They get it and they're more likely to invest. They can see the value. They were a logical group and a logical fit.*
>
> **(Monica)**

KEY TAKEAWAYS

- Focus on 'investor fit' and value alignment – declining investment is also an option
- Do your due diligence on your investors – know who you are forming a relationship with
- Trust your instinct and do what works for you and your company.

2.2
Smart Capital

Smart capital or smart money can be defined as the capital contributed by investors who not only offer money, but also knowledge, networks and mentorship. In other words, it is the intangible value that capital investors can bring to the table in addition to financial investment. Wynona captures the ideal attributes of these experienced investors.

> *An investor with industry connections would be really valuable. Getting strategic alliances within your market is really helpful. Just general business acumen, advice, connections with overseas VCs, or someone who's been involved in acquisition or raising funds in overseas markets. All of that kind of stuff is really valuable.*
>
> **(Wynona)**

Therefore, women founders place considerable value on investors who, in addition to their financial investment, have complementary experience, networks, industry contacts and a willingness and ability to help them grow their ventures. One entrepreneur spoke of an investor who became a company board member after investing but took a backseat and contributed limited smart capital. Given the early stage of her business and her own inexperience as a first-time founder she reflected how she was missing this value-add.

> *He came on board and at first, to be honest, he didn't really help out much. He gave me a bit of advice but he wasn't that involved, which was actually okay for then.... But for the last five months he hasn't really done much at all. We really need an investor now who's got experience and can help.*
>
> **(Nancy)**

Apparent with this group of women was the strong emphasis they placed on investors who had strategic networks and were willing to introduce them to industry contacts to open up opportunities for their business.

> *The valuable thing about having a huge network of investors is being able to tap into that. So, I can ask, 'Do you know someone who's got this, or has anyone got any expertise in this.' that kind of thing.*
>
> **(Wynona)**

Billie who had recently secured a lead investor[4] commented,

> *We keep getting introduced to people [other investors and investment funds] through our investor.*
>
> **(Billie)**

Most of these founders are raising capital for their first venture in sectors and industries where their own networks are limited. Therefore, they placed significant value on the importance of a well-connected investor.

> *We've actually engaged an investment banker to basically be our pimp and introduce us to all his wealthy friends and clients... Basically he's got a rolodex, he goes through it, rings his friends, organises meetings for us, and so we'll fly to Auckland, Wellington or Christchurch. He'll line up three to four meetings for us in a day, he'll drive us round, pick us up from the airport. And so, we just go in, we pitch, then we leave, and he does all the follow up.*
>
> **(Deborah)**

4. A lead investor has an ambassadorial role and may act as a point of contact between investors, the investee and other third parties where investors wish them to do so. The lead investor is usually the first investor to indicate their financial support for the investee and also contributes time and expertise to ensure that the round is closed successfully.


Photo: David Straight, NZStory

It is clear that the networking required to find suitable investors is immensely time consuming. This was particularly challenging for solo founders.

> *I'm a solo entrepreneur at the moment and so things are super busy. My preference would be to have the support of a lead investor who could then go round and help solicit other investment on my behalf, rather than me having to do 150 coffees with different investors to try and get that support myself.*
>
> **(Moana)**

These women are strategic and think carefully about how to gain access to the 'right' networks that could lead to potential investment. This involves thinking carefully about how to initially connect to these individuals as communicated by one founder below.

> *Investors don't want to meet you; they want to be introduced to you. When I find a potential investor, I jump on LinkedIn and check who they are connected with to check 'who of these people do I know well enough that I could ask for an introduction?'*
>
> **(Deborah)**

Mentorship has also eventuated into investment for some entrepreneurs through introductions to investors or through investment from a mentor.

> *The cool thing about Ben being invested is that he's gone on to be a substantial investor. In addition, Ben works with Alan, who has been a wonderful mentor for me. We meet regularly and he's just given so much fantastic feedback and advice. Today they're almost as big a shareholder as I am now.*
>
> **(Karla)**

One entrepreneur outlined how mentorship from an investor is an additional resource she is seeking, referring to a potential investor as a 'partner'.

> *Finding that right partner that's actually going to help us do what we need to do, so finding a partner who's got the money is going to be great. But it would be really great if they actually had the skills to mentor us.*
>
> **(Denise)**

KEY TAKEAWAYS

- Look for an investor who can potentially fill knowledge gaps in your founding team
- Look for an investor who has connections and strategic networks in your industry/sector
- If operating as a sole-founder engaging a lead investor (who is willing to be hands-on during a capital raise) or investment syndicate could save time and energy

2.3
Increased Diversity

Diversity in this study was largely focused on gender diversity, notwithstanding the importance of ethnicity, age and other forms of diversity. Women founders did reflect on experiences where they noticed a lack of diversity, whether it be at pitching events or investor meetings or other investment events.

> *On that pitch panel I think there were ten people and eight of them were men and they were all white and they were all over 50. That's the first thing I noticed. There is a massive lack of diversity in this space.*
>
> **(Mahina)**

Similarly, this was experienced by Ursula during a due diligence meeting with an angel group.

> *I remember one due diligence meeting which was with an angel group. It felt like there were about thirty guys in the room, there were probably only 12-15. They were all investors and I was with one of our co-founders. I was the only woman there. I just looked around and thought, 'This is ridiculous. I'm the youngest here by 10 years and I'm the only woman.'*
>
> **(Ursula)**

Another founder reflected on the issue of narrow founder stereotypes and investment opportunities that investors are exposed to, which leads to conservative assessments of what a viable start-up opportunity might be.

> *I think a lot of investors are used to seeing a certain kind of investment or a certain kind of founder. And I think they can miss a lot of value.*
>
> **(Eden)**


Photo: Matt Crawford, NZStory

Photo: AdobeStock

Women founders would appreciate the opportunity to pitch to more diverse audiences. Not necessarily because they perceived it would be easier to secure investment from women angels *per se*, but rather they felt that women offer an additional perspective when evaluating investment opportunities.

> *I think female investors have a slightly different take on investments. Where male investors might be more traditionally focused in terms of: 'How many users have you got? What return are you getting? How are you growing? What's your pathway to other markets?' In my experience, female investors look more holistically at the founder - who they are and what they can bring to the table.*
>
> **(Moana)**

Subsequently, that diversity of thought may lead to a wider range of investments being made.

> *Female investors are more easily able to resonate and relate to women who are pitching, and I think get a better sense of what a woman is capable of.*
>
> **(Ursula)**

This was echoed more strongly by women who had previous negative experiences with investors and who felt that some women angels may have an increased sense of 'investor-founder' empathy. This influenced Maria's decision to pitch to a women-only angel group.

> *I guess I walked into the room, and I immediately knew that I wasn't going to get someone talking to me like I'm an idiot! Generally, they're there [women angels] because they have been successful and have jumped the hurdles and they know the hurdles you're going to have to jump. And I believe they're there because they appreciate that.*
>
> **(Maria)**

Regardless of gender, Karla speculated that the growth and maturity of the NZ investment ecosystem will depend on more *'exited founders with more diverse backgrounds putting money back into the ecosystem'* (Karla).

KEY TAKEAWAYS

- Seek out opportunities to get in front of different audiences – you never know who might be listening
- Diversity can drive differentiated investment behaviour as different world views and backgrounds allow people to see things from other perspectives.
- What does diversity look like to you – in your team, your board, your investors, your clients and customers?

2.4
Respectful Valuations

> *Our lead investor is from the UK, and I have to tell you that we asked him to come in because we were not comfortable with the valuation that the New Zealand angels were prepared to make.*
>
> **(Eden)**

It is well documented that a source of investor-investee contention can be around pre-money valuations, particularly for pre-revenue ventures. Valuations not only play a role in determining how much equity is retained by founders and is shared with investors, it also sets the foundations for future capital raises. If the valuation is too high, future investors could be deterred or face future down-rounds. If the valuation is set too low, founders will be subject to significant and unwanted dilution. Founders we spoke to had experienced some challenges when negotiating valuations with both VCs and angels.

> *The problem arose after they [VC] reduced our valuation significantly and then wanted 35%. It wasn't feasible.*
>
> **(Orla)**

Women founders felt that they needed to stand their ground, particularly if they had conducted their own research around their venture's future potential and worth.

> *One of the guys [angel investor] came back and said he loved the product, but my valuation was too high. I said, 'No, the valuation is not too high.' And I explained in a lot of ways I want to close now, because what I'm about to prove with the sales we're about to get, puts the valuation up, and therefore I get diluted with the next round.*
>
> **(Monica)**

> *You need to go and work it out [valuation]. You need to make sure that you're very clear on your valuation. And even if they [investors] don't think that that's the right level of valuation, back yourself up on it. Have that confidence.*
>
> **(Nancy)**

KEY TAKEAWAYS

- Know your worth – before approaching investors be clear about your pre-money valuation, Total Addressable Market (TAM), 'Go to Market' strategy etc.
- Understand the key metrics potential investors use so that you can negotiate from an informed platform.
- Read and research widely. There are some excellent books and other resources[5] available to you.

5. Capital Education: A guide to raising capital in NZ (Callaghan Innovation).

Photo: AdobeStock

3. What Women Experience

This section will explore the more gendered experiences women have had on their capital raising journeys. The objective here is to demonstrate how bias (conscious and unconscious) has been experienced by some women founders and to reflect on the strategies they use to overcome the challenges gender bias can present. Whilst our qualitative findings do not go as far as to suggest that gender bias is preventing women from securing investment in NZ, we do acknowledge that it can be a more difficult journey for women that requires resilience and reflective practice.

> *I believe that there's this unconscious bias with investors because we [women founders] get asked questions that guys don't get asked. The questions I have had include, 'Who looks after your children? Are you in a relationship? How are you going to travel with children?' Do they ask my male counterparts these questions? It's just crazy.*
>
> **(Norma)**

3.1 Direct Experiences of Gender Bias

Women founders can experience bias in many different ways. Some women reported direct experiences of gender bias which was often exacerbated by age and appearance. Older women founders appeared to be more aware of gender bias, and certainly reported such experiences more often than younger women, particularly in relation to appearance.

> *When he first met me [lead investor] I was wearing something very bright and he said to me, 'Look Deborah, when I take you to meet my friends [other investors] you need to dress more conservatively....and don't mention that you've got kids.' I know he was trying to tell me that from a place of trying to help me out.*
>
> **(Deborah)**

> *It was a launch of a new fund, so we [founder, plus female co-founder] went there and this misogynist shithead, I think would be the way to put it, he said on our arrival, 'Oh here come the show girls!' That comment, it wasn't prevalent [among all attendees] but it did represent some of the attitudes there. We might as well have been wearing tassels!*
>
> **(Gerry)**

Women of child-bearing age received explicit comments and questions about their relationship status, family situation and intentions to have children.

I met with one investor who said he was really interested … and he said, 'oh, and I've got one last question, how old are you?' I said 29. And he asked, 'when are you planning on having children, because this will affect whether or not I invest.' I said, 'I don't see why that's relevant, I'm so passionate about my business and I would never leave. I'd never let my business down…' I was just like, you know what? He's not the right person for me. I'm not planning to have kids any time soon but when I do, I want to know that I feel okay telling my investors and that we can make it a good working relationship.

(Nancy)

The worst comment that I got from a high-profile angel investor was that I should tell people I'm single because I'd probably raise more capital

(Norma)

Furthermore, women who had a male co-founder or business partner commented how during some introductory investor meetings, some investors would direct their questioning and conversation towards their male colleagues, assuming that they were not founders, nor key decision-makers.

Louis [male business partner] is a lawyer by trade but not practising and he and I will go to meetings together and unless I control the meeting from the outset, they will turn to him.

(Monica)

Usually they [investors] don't ask me many things, they ask Steven [male co-founder]. When they ask the question, they look at Steven. I usually take notes and I don't speak much in the meetings. I let Steven do the talking. One investor said we should do something a different way, and I said 'No, we're not going to do that' but he turned to Steven and was waiting for a response.

(Orla)

These are typical examples of gender biased assumptions in which men are seen as the stereotypical ideal entrepreneur. While not all women encounter such explicit bias, they still reflect on how gender might influence their capital raising efforts.

In my opinion, when investors see a young woman, they think, we don't know how persistent this woman might be. She might decide to have a family and how strong is she to carry on being a CEO? Or does she have enough guts to play this game?

(Paula)

If you're a youngish woman, they [investors] don't expect that I've got two Masters … whereas a guy in a suit, they can put him in a box, 'oh, I'll take them seriously'. But if it's a woman, what box do you fit in? Are you bringing us coffees? No, I have none. It's all unspoken crap, but that's my perception.

(Eden)

Perceptions can influence action and self-belief. Whilst we are unable to measure the extent to which gendered perceptions might be discouraging women founders from approaching potential investors, we need to acknowledge that such thinking exists among women founders.


Photo: David Straight, NZStory

3.2 How Women Founders Deal with Gender Bias

Among our women founders there were various ways that women internalised their experiences and found ways to overcome the challenges gender bias can present. These strategies ranged from simply 'getting on' with it and accepting it exists to openly addressing such bias as an issue.

> *Bias exists but get past it.*
>
> **(Wynona).**

> *If you don't keep the issue in the spotlight, then it stops being an issue.*
>
> **(Gerry)**

Revisiting appearance, some founders did carefully consider how they presented themselves to investors.

> *If I'm meeting with male investors, I make sure that I'm reasonably well put together... I will be more careful with my make-up, I will make sure my hair is normal, and that I'm wearing shoes that aren't obviously sneakers. I'll wear my glasses which is great shorthand for 'I know things (laughing)!' And I do that because I think that's the uniform of someone who needs to be taken more seriously.*
>
> **(Eden)**

This quote is telling in a number of ways. Such conformity was considered necessary by Eden because she felt she needed to be taken more seriously by investors. Therefore, she felt an 'appropriate' appearance would legitimise her as a serious entrepreneur in the eyes of investors. Similarly, Monica explained how she thought carefully about how she communicated and adjusted key messages during her pitch depending on who her audience was.


Photo: AdobeStock

If you're talking to a guy [investor] and you're talking in a high-pitch voice and you're laughing silly, it's not gonna win him over. Or if you talk a bit fluffy that's not gonna work. So, you have to model or re-model your language and your attitude and everything you do, depending on who you are talking to. So, if I'm explaining it [business concept] to my daughter, it's different than how I'd explain it to my mum and how I explain it to my dad or, if I pitch to a guy or if I pitch to a girl.

(Monica)

Eden even felt it necessary to make sure investors knew in advance that she was a woman when meeting for the first time.

It's just really unfortunate that these guys don't have to think about it, they can show up in stubbies in a New Zealand context and people assume they exited with $5 million. But when you're a woman, I believe from the experience I've had ... just being careful that you've sent out your information in advance so they know to expect that you're a woman, especially if you're youngish.

(Eden)

Contrastingly, Diana as an older entrepreneur who had been successful in securing Series B funding felt compelled to point out to one of her investors how his opinions and subsequent comments reflected his own unconscious bias.

One of my investors, at one point said, 'I'd like to be your mentor.' I said, 'I'm actually interested in maybe pursuing board positions.' Then he said to me, 'but I just want you to understand I don't believe in that stuff about diversity on boards, I only go for quality.' And so, I thought for a minute, 'that's classic right - we don't wanna lose quality by going for diversity.' So, I invited him out for coffee, gave him some literature and told him that what he had said was the classic expression of underlying gender bias. And that he needed to stop, or he would never be able to see the quality through his own gender biased lens.

(Diana)

Finally, founders exhibited unconscious bias too. One founder questioned the validity of advice she received from two female investors about not letting interested male investors lower her valuation.

"[female investor X] and [female investor Y], both said don't let the boys [male investors] beat you down...as in 'Don't let them under value your business.' Now is it true, do they beat you down, or is it the perception that is given? Do they know from experience on the whole, are male investors more aware of what a value of a business should be, because they've invested multiple times, more than women do? I don't know, but I just thought it was quite an interesting comment.

(Denise)

The unconscious bias here is the perceived lack of legitimacy that women have as angel investors when compared with the stereotypical male. Similarly, another founder questioned the autonomy and decision-making of women angels who were members of a women angel network, as well as their knowledge of more technical applications.

"The impression I got after the presentations was that women who are in that club [women angel network], they have husbands in the Ice Angels as well, and they don't make decisions themselves, but they talk to their husbands if they like the idea. And it's much easier to explain what a hand cream is than a technology product ... We're in a technical field and it's an area that male investors understand a bit better.

(Bella)

In this example, the assumptions drawn from this founder's unconscious bias are that women investors need the backing and support of their more experienced male partners to help them decide which opportunities to invest in and that male investors understand technology better. The reality is 'husband and wife' angel investors will most likely discuss their investments together as these financial decisions reflect resource flows within the household.

Gender bias exists among all players in the NZ investment ecosystem. The aim of this research is not to be divisive; rather through informing and constructive dialogue we can all challenge the structural dynamics (rules, regulations, culture) of investment ecosystems that frame beliefs and actions of individuals that undermine and delegitimize certain groups over others.

"We are only as blind as we want to be."
Maya Angelou

Photo: David Straight, NZStory


Photo: Chris Sisarich, NZStory

3.3
Different Perspectives – Possibility for Change

There were a few instances in which founders in this study had not considered gender bias in relation to their own ventures. Despite recognising that such bias – conscious or unconscious – exists, these women explained that they did not feel they had experienced it directly and attributed family upbringing, cultural background and even youth as positive influences that alleviated bias. Whilst beyond the scope of this research, it is important to acknowledge that gender intersects with other social identities (ethnicity, class, age) that will influence the experiences of women founders in different ways. Here, we look briefly at ethnicity and age.

One founder reflected on her identity as a Māori woman who historically always 'had a seat at the table' within Māori culture and thus gender bias did not exist for her. Her business is focused around her culture and cultural world views and she was seeking investment within these circles, which will contribute to the lack of bias she has experienced.

> *I don't go round with a gender lens; like I'm a woman engaging with men or whatever and therefore I have to behave in a certain way. I don't do that at all. And that's probably because of my upbringing. In a Māori family, women have the stronger voice, so we're already given the platform to be the speakers anyway. I feel pretty confident and comfortable. That'll be a cultural influence.*
>
> **(Mahina)**

Two younger founders (under 30) felt that the growing societal awareness in NZ around gender, diversity and inclusion may have worked in their favour. They both shared the view that they were launching their ventures and raising finance at a time when there is significantly less gender bias than before.

> *I think there was probably an unconscious bias that women founders weren't able to secure funding and couldn't get in the room, or their businesses weren't as good. Or whatever those unconscious biases were. And then I think we kind of came at a later time where the unconscious bias was made conscious and I think people became very, very aware of making sure they weren't unconsciously not funding someone because they were female.*
>
> **(Teresa)**

> *I feel like for some people the fact that I'm female may place doubts but for other people it's helped. I'm definitely coming into this in a time where investors are more aware of female-led projects or companies, and they are trying to improve and change things. There is that advantage.*
>
> **(Barbara)**

This heightened awareness and 'changing time' may have resulted in some 'tokenist' media attention whereby a founder felt that she and her female co-founder were showcased as 'female success stories' in an otherwise male-dominated industry. She uncomfortably acknowledged this.

> *I feel like we came at a time when there was a lot of awareness around diversity and equality. And I think that got us some positive attention. I hate to say but I definitely feel like we were 'pumped up' because we were women founders in FinTech.*
>
> **(Teresa)**

Finally, an older founder wisely reflected on the dangers of unconscious bias and whilst acknowledging the progress that has been made in the NZ entrepreneurial ecosystem, she warned against a *fait accompli* mentality and urged that there was work still to be done.

> *We [women] all make our own choices, we can get funding, we don't have to get our husbands to secure our mortgages anymore. A lot of people really do think that the job's been done. I think the minute you start thinking that, then you stop making an effort ... it is the unconscious bias that's killing it. So, in this world [founders raising capital in NZ] whilst I think there has been a lot of change, I think it's got a long way to go.*
>
> **(Gerry)**

KEY TAKEAWAYS

- As a starting point reflect on your own biases; reflect on personal associations and interactions; take the Implicit Association Test[6]
- Actively seek out and engage with diverse investors (gender, background, age, ethnicity)
- Difficult as it might be, call out direct experiences of bias
- Support other entrepreneurs in your network who may have negative perceptions of raising capital as a result of experiencing gender bias.


Photo: AdobeStock

6. https://implicit.harvard.edu/implicit/aboutus.html

4. What We Don't Talk About

Raising finance is an all-consuming, momentous task that can often be drawn out over several months. Founders are well aware of the challenge of running the 'day-to-day' business operations whilst simultaneously engaging with their investment community. What we do not often address is how the private sphere of home-life and the entity of the household interacts with the founder and their early-stage venture. This section focuses on the role of the household and how it serves as resource provider, but in addition we explore the role of women founders within their households and how they often negotiate conflicting identities, laden with gender role expectations.

4.1
The Role of the Household

Every founder belongs to a household, where they assume additional roles of partner/wife, (grand) mother, sister or daughter and may have dependent responsibilities for babies, young children, teenagers, elderly parents, and even family pets! Therefore, the decision to raise finance will be *impacted by*, as well as *impact on*, the households and families to which these individuals belong to. We do not openly talk about this in our entrepreneurial ecosystems – how support structures and responsibilities within households can both hinder and help women founders' abilities to successfully raise finance.

> *I am planning to raise up to a million, that is gonna commit me to producing a $10 million company. And that is a hell of a thing to do to yourself. It's a hell of a thing to do to your partner and your kids. I get the impression that women generally weigh things up in terms of their collective family and commitments. Whereas men are more likely to just assume that someone's got their back.*
>
> **(Eden)**

4.2
Domestic Support

Integrating a fast-growing business with home life is challenging. Often women founders are running a household in addition to managing a high-growth business. A recent survey reported that women in NZ typically undertake most of the unpaid work, or 'the load[7]' at home, while men do the majority of paid work[8]. Gendered roles and division of labour within households has a direct impact on the ability of women founders to raise capital for their ventures. Committing to a high-growth venture has required many women to adjust their care-giving roles and responsibilities at home. For those who can afford to, this entails outsourcing domestic work and childcare responsibilities. For others, it has involved renegotiating household responsibilities with partners, who often share more of the load, which often involves stepping into a primary carer role to allow women time and energy to focus on their ventures.

> *George [life partner] looks after our home life because he's a teacher. That's not saying that what he does isn't as tough as me, but he's got more time in the mornings and in the afternoons for drop-offs and pick-ups … He says, 'whatever it is, we'll just make this work.' He's my rock.*
>
> **(Norma)**

The reality of being a high-growth entrepreneur, particularly during a stage of raising capital is that women, who are also mothers, need to be able to step back in the domestic sphere to be able to commit to raising investment for their growing ventures.

> *At the moment I'm travelling a lot because we're capital raising and even though we normally look after the kids 50-50, it's a big juggle for me right now. But because I'm travelling a lot at the moment, he's [husband] doing all that [childcare]. I think a lot of men would not be able to be my partner and support me the way that my husband does.*
>
> **(Deborah)**

Contrastingly, one founder delayed starting her business until her children were teenagers because she was a single parent.

> *I think that's why for me it [business start-up] happened later and because as a single parent, I was adamant I wanted to raise my own children. So, I couldn't take the risks while I was solely in charge of young kids.*
>
> **(Rachel)**

Photo: Daryl Ward, NZStory

4.3 Financial Support

For many women founders who were raising finance for the first time, the household was the source of financial support and even bootstrapping. The security of a partner income afforded women more time to be able to secure investment.

> *I'm very lucky that my husband is just ridiculously supportive. I mean the poor guy has to leave at 5:30 in the morning to go to his job to work and at the moment he's doing 60 hours a week because I currently don't draw a salary, so he is funding us.*
>
> **(Maria)**

Another entrepreneur described the dynamic she experienced when discussing shared finances in relation to funding her business.

> *You almost have to pitch to your partner. It's kind of like, 'Right, honey, can we take out 50K from the mortgage, we've got that money sitting there.' My husband and I went to Otago for a year for him to do his MBA, so that's what, 50K, 60K … I totally supported him. But I'm hesitating to have that conversation.*
>
> **(Olivia)**

KEY TAKEAWAYS

- Time and energy required to raise capital may involve renegotiating household responsibilities with partners, particularly in households with children and other dependents
- Communicate your expectations and ask for help (be it moral, domestic and/or financial) from supportive partners
- Growing a business cannot be separated from 'daily life'; focus on finding 'work-life integration[9]' as opposed to 'work-life balance'.

7. Sharing the load at home is an "umbrella" term for the variety of tasks required to run a household, and how these tasks are shared.
8. https://www2.deloitte.com/nz/en/pages/economics/articles/westpac-new-zealand-sharing-the-load-report.html
9. https://haas.berkeley.edu/human-resources/work-life-integration/

5. Concluding Points and Recommendations

Having presented the insights and perceptions of a group of women founders in NZ we conclude this report by highlighting areas for further discussion and recommendations to be considered by key stakeholders in the NZ investment ecosystem.

5.1
Address the 'Women don't Ask' Issue

There is evidence to suggest that women founders are less likely to ask for external funding over the lifespan of their business[10]. For policymakers and stakeholders this is often the simple answer to explain disparities between men and women founders who access equity investment. Based on some of the evidence from this report we suggest that negative perceptions and unfamiliarity with the investment process may dissuade women founders with investable businesses from exploring this avenue for growth. Further research could be conducted with women-owned NZ businesses who, despite having growth-oriented ventures choose not to raise external finance and prefer to grow their business organically or using alternative methods such as debt finance, bootstrapping or self-funding. In understanding *why* some women don't ask, we can then respond with appropriate engagement measures and solutions.

Furthermore, we know little about how women founders might be using other forms of external finance such as crowdfunding or family offices to grow their ventures – this could be further explored.

5.2
Continue to Challenge Stereotypes

The gender bias experienced by some founders in this study revealed that gendered 'entrepreneurial' stereotypes are still embedded in the NZ investment ecosystem. Understanding unconscious bias and being aware of our own biases is a first step towards challenging stereotypes and embedded assumptions about who can be a high-growth entrepreneur or indeed who can be an angel investor.

Showcasing or celebrating successful women founders who have raised capital is a positive step, but media and other organisations should be mindful of 'tokenistic' campaigns that may unintentionally patronize or undermine female founder endeavours[11] without addressing underlying issues of systemic bias. A few success stories can be dismissed as 'exceptions'; increasing numbers as well as visibility is key.

Customised workshops, training and information sessions on a number of diversity dimensions, but specifically unconscious bias could be considered more widely among stakeholder organisations in the NZ entrepreneurial ecosystem[12]. Finally, all players in the investment community need to be ready to call out bias when it occurs.


Photo: Paul Sutherland, NZStory

5.3
Engage in the Development of more Inclusive Networks

Women founders in this study were extremely conscious of the need to develop strategic networks in order to identify potential investors for their business. This 'groundwork' is required even before a pitch occurs and is immensely time consuming, particularly for sole founders.

Pre-pitch, we need to consider how women founders can be better supported to foster and develop their investor networks. The use of more open forums and informal events (face-to-face and online) would facilitate initial introductions to investors and allow for both founder/investor to assess company fit, which was identified as most important for these women founders. Access to an investor database with initial information on angel investors could help founders identify a first point of contact.

5.4
Have Conversations about Households that Challenge Gender Role Expectations

A recent report in NZ announced if men contributed more at home the economy would be NZ$1.5bn better off. Women tend to carry what's called the 'cognitive load' of households, taking responsibility for forward planning, children's healthcare and education, balancing the household budget and other stressful planning tasks. What effect does this 'load' have on the growth ambitions women founders might have for their ventures?

> *We expect women to work like they don't have children and raise children as if they didn't work.*
>
> **Westervelt, 2018**[13]

This quote could be aptly adjusted for the expectations that investment ecosystems have of our women founders. Entrepreneurship ecosystems currently cast the domestic sphere as wholly separate and do not recognise the interplay of household and life course dynamics on the business ownership experience. Founders who are also mothers face difficult sacrifices when committing to a high-growth venture. This report advocates for more transparent conversations around these challenges.

10. Kwapisz, A. and Hechavarria, D.M. (2018) 'Women Don't Ask: An Investigation of Start-up Financing and Gender'. Venture Capital 20(2): 159-182.
11. A Tale of 'O' Video on Diversity.
12. https://diversityworksnz.org.nz/events-training/customised-training/
13. Westervelt, A. (2018) Forget 'Having it All': How America Messed Up Motherhood --and How to Fix It. Seal Press.

THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

BUSINESS SCHOOL

For further information about this report, contact:

Dr Janine Swail
Senior Lecturer in Innovation and Entrepreneurship
Department of Management and International Business

The University of Auckland Business School
Sir Owen G Glenn Building
4th Floor, Room 457
12 Grafton Road
Auckland 1142

Email: j.swail@auckland.ac.nz