

An Intersectional Exploration of The Experiences of Women of Colour Founders

Featuring Insights from Berlin-Based Founders

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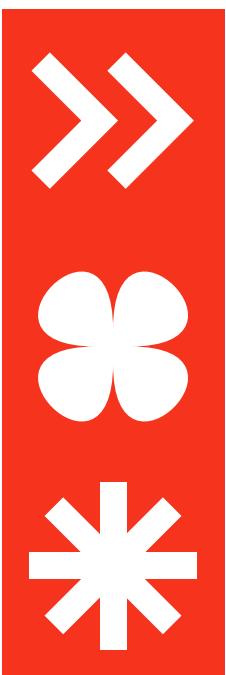
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FOREWORD

Foreword by Rowan Barnett & Nicole Danna



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At Google, when we think about a problem, we always start by looking at the data. When you look at the data regarding progress for women and particularly for women of colour, a clear pattern emerges: We've made progress, but it's been uneven, frustratingly slow, and equality is a long way off.

Looking back on the last few decades we've seen some progress realized. To start with, more girls are going to school than ever before, and increasing women's and girls' education contributes both to their empowerment and accounts for 50% of the economic growth in OECD countries over the past 50 years. Plus, not only are women in the workforce more than ever before, they're also getting paid more. 50 years ago, women made 60 cents for every dollar a man made. Today, thankfully that gap has shrunk - yet as the report states, a white woman still only makes around 78 cents to a white man's dollar, and for women and men of colour, it's even less.

So it's meaningful progress - but it's not enough. And these improvements are fragile, as recent crises have shown. For example, globally, women were almost twice as likely to lose their jobs as a result of COVID-19.

There is also a new urgency. We are facing a plethora of challenges globally and in Europe - from climate, to energy security, to the rising cost of living and inequality. Not only will women and women of colour face the brunt of these crises, but they are being held back in being able to effectively respond to them. We need to take action now. In practice, this means we need two critical things. Firstly, we need socially-minded entrepreneurs - who are putting people, purpose and the planet at the centre of business goals. Second, we need to support people from underserved communities to be successful entrepreneurs - and come up with the solutions. Because if there is one thing

we've learnt from our work at Google.org - it's that it's those that are closest to the problem that will come up with the most effective solution to it.

The data is clear that organisations with a woman in the founding team are more successful. And founders who are women of colour tend also to be impact-driven, with research showing that they create businesses that solve problems that they and their communities are confronted with. And yet as this report clearly shows, these founders continue to face a multitude of barriers and aren't getting the investment they need to build businesses that can change the world for the better.

It's a huge missed opportunity - one that hinders innovation and limits opportunities for economic opportunity, wealth generation and upward mobility and equity for women of colour. And, investors are also missing out on new business opportunities for return, while being able to make a positive difference.

Clearly therefore, we need to do far more to unlock investment in the organisations that women of colour build, both in support of critical ecosystem-strengthening organisations like Founderland, as well as investment in the founders themselves. Our Women & Girls Impact Challenge, of which Founderland was a grantee, was one of our most popular programmes ever, with thousands of organisations applying. We know that there are groups out there, ready to make a difference, they just need the funding and expertise to make their ideas a reality.

Some people may argue that there is already a plethora of DEI initiatives and accelerators and programs for female founders. Well, compared to 10 or 20 years ago yes, but we're far from having solved the issue and the number of women participating pales compared to male participation in similar programs. And critically, while support programs are very important, investment is the number one need. Women of colour tend to report being over-mentored and under-funded - without funding, a great idea remains an idea.

We therefore need to look closer to home - at ourselves, as funders, investors and philanthropists. If you are a funder - and particularly a white male - the first step is to recognise your own privilege and bias, the second is to educate yourself, and the third is to take action. By reading this, you are already on step two. Step three is the harder one. So take a moment once you have read this report and ask yourself, what can you do, and what are you willing to do, to make a positive difference to support women, and particularly women of colour entrepreneurs, to help make our world a better place by building great ventures.

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Foreword by Prof. Pisitta Vongswasdi, PhD & Prof. Julia de Groote, PhD



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PhD

The modern stereotypical startup founder is typically characterized as a middle-to-upper-class, young, highly-educated, white male leading a high-growth, high-tech enterprise. This imagery of what constitutes bona fide entrepreneurship had and continued to inform and influence startup institutional environments—best serving those that fit this prototype.

This report takes a close examination of the “other” type of founders—those who identify as Women of Colour and thereby defy such entrepreneurial stereotypes. Based on empirical accounts of these underrepresented founders, the report unveils several structural constraints that impede resource acquisition as the founders navigate their journeys in the Berlin startup scene. It highlights that however much they ‘lean into’ making their startup plans happen, there are daunting systemic barriers preventing them from enacting their full aspirations.

Nonetheless, despite their marginalized position, the report’s chronicles suggest that many of these women found ways to start and grow their ventures—an effort indicative of their unrelenting agency and adept resourcefulness in the contexts of inequality. Some, informed by their own experiences of discrimination but also their better understanding of entrepreneurship, started to challenge the status quo by starting their own venture and contributing to practices that make their community more inclusive. That is a true ‘disruption’.

But such a feat would by no means be achieved without the paramount support by organizations like Founderland who orchestrated this report. Their work helps to mobilize the collective power of these underrepresented founders, amplify their voices, and catalyze the ingenious ventures for all of us to see.

The report further highlights the pivotal role of educational institutions. For example, WHU, while being a small private business school, is the alma mater of an astonishingly high proportion of VCs and founders in general, and unicorn founders in particular. This fact underlines the responsibility of educational institutions at the center of the entrepreneurship ecosystem. They need to take on a leading role as agents of change by contributing to creating a more inclusive entrepreneurial ecosystem, which leverages the full potential of founder diversity. They can fulfill their role by enabling underrepresented groups to become part of their student body and grow into the network, by living diversity, and including related topics in their teaching to fight existing stereotypes and inequalities.

It is not only the educational institutions the report offers food for thought and calls to action for. The report outlines a comprehensive agenda to bring more equity. It spans a set of repertoires for founders themselves, and the responsibilities of the policymakers, VCs, and other stakeholders to not just become allies but to play an active part in making the European startup ecosystem even more competitive and dynamic by enabling underrepresented founders to flourish and grow their unique ventures.

We challenge ourselves, the policy makers, and the VC investors to create an inclusive and equitable environment for everyone to thrive.

Prof. Pisitta Vongswasdi, PhD

Prof. Julia de Groot, PhD

WHU Otto Beisheim School of Management



01. OUR LENS

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If you don't have a lens that's been trained to look at how various forms of discrimination come together, you're unlikely to develop a set of policies that will be as inclusive as they need to be.

— Prof. Kimberlé Crenshaw,

American Civil Rights Advocate and a Leading Scholar of Critical Race Theory

Introduction

Over the last two decades, there has been a global rise in entrepreneurial activity, but women aren't getting their fair share of the pie.

In 2020, only 800 women-founded startups received funding – that's barely 2% of the **\$300 billion in global capital funding.**¹ Worse yet, the “proportion of funding raised by women-only teams has dropped from 3% to 1% since 2018” in Europe.² This abysmal disparity persists despite the increase in activities and initiatives dedicated to supporting women founders.

**800 women-founded startups
received funding in 2020**

- <2% in Global Capital Funding

**300
Billion** USD

Part of the issue may be that underrepresented founders are often grouped into homogenous networks based on one unifying characteristic, for example, “female founders,” that fail to address how other social constructs like socio-economic class or migration status differentiate the needs of people within these larger groups. By grouping founders into sin-

gle-axis dichotomies like male/female or white/BIPoC, policymakers, DEI initiatives, and ecosystem players miss opportunities to address the ways different inequities can be mutually reinforcing.

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We tend to talk about race inequality as separate from inequality based on gender, class, sexuality, or immigrant status. What's often missing is how some people are subject to all of these, and the experience is not just the sum of its parts.

- Prof. Kimberlé Crenshaw,
American Civil Rights Advocate and a Leading Scholar of Critical Race Theory

Unfortunately, entrepreneurial research has also traditionally explored founders' experiences through single social categories. So we've used an intersectional approach in this report in order to gain a more holistic perspective on ways that overlapping social constructs can influence the motivation, experiences, and strategies for navigating the startup ecosystem of founders who are women of colour*.

This report utilised a hybrid approach, which has enabled us to analyse secondary research including reports and academic journals, alongside our own primary qualitative interviews.

In this report, you will:

- Gain an understanding of the current situation concerning entrepreneurship for Women of Colour in Germany
- Become aware of the current challenges and opportunities for this group of founders in Europe
- Learn about actions you and your organisations can take to create a positive impact

* By 'women of colour', we refer to women who experience the effects and processes of racialisation, class, and gender domination as well as other sources of inequality, particularly hierarchies of legal status (Bassel and Emejulu 2017). This includes, but is not limited to, women founders who hold ethnic backgrounds or heritage in Africa, the Caribbean, South & Central America, South & Southeast Asia, and the Middle East.³



02. OUR **FINDINGS**

Intersectionality

What is intersectionality?

The term intersectionality was first coined in 1989 by American professor Kimberlé Crenshaw to describe how systems of inequality based on gender, race, ethnicity, sexual orientation, gender identity, disability, class, and other forms of discrimination “**intersect**” to create unique experiences of **oppression** and **privilege**.^{1,2,3}



Illustration Inspiration: Emanu

The theory of intersectionality acknowledges that the interconnection between social categorizations such as age, gender, ethnicity, and socio-economic status can expose individuals to advantages and disadvantages that uniquely shape their experiences, as well as their social standing. The concept can be seen in almost all facets of life. For example, Black women face disadvantages based on both race and gender.⁴ Similarly, working-class gay men might face discrimination due to both their social class and sexual identity. For instance, there’s a wage gap between men and women, but also between Black men and White women. In the US, a Black man and a White woman make \$0.74 and \$0.78 to a White man’s dollar.⁵

Implications in the Entrepreneurial Ecosystem

The theory of intersectionality suggests that all forms of inequality are "mutually reinforcing and must therefore be analysed and addressed simultaneously to prevent one form from reinforcing another".⁶

In Germany, there has been a significant uptake in DEI initiatives in the entrepreneurial ecosystem targeted at single dichotomy networks like women entrepreneurs or migrant founders. While created with positive intentions, research has found that creating these homogenous groups can be counterproductive, for example, by further marginalising minorities within the group, since a single-dichotomy network doesn't adequately respond to intersectional discrimination.

At Founderland, we're dedicated to supporting women of colour founders, whose intersecting identities present them with needs and challenges that couldn't be addressed by a group that focused on founders who are women or founders who are people of colour. While it's not possible to completely address all forms of discrimination simultaneously, we're looking at ways that this group of founders' experiences might be affected through multiple lenses. The report aims to shed light on the heterogeneity of women entrepreneurs, and how they are distinctly positioned in their journeys by factors tied into and beyond their gender, including socio-economic status, ethnicity, age, and parental status.

Motivators

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Most entrepreneurs are born out of either opportunity, or necessity.

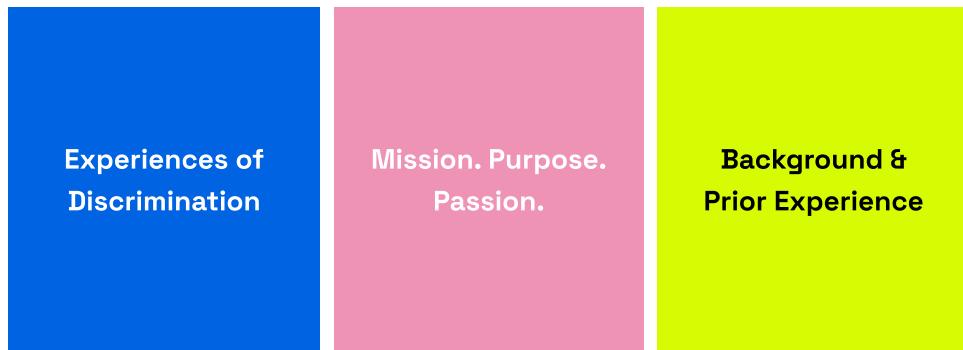
- Interview Participant

Men and women founders are influenced to start a business by factors such as psychological motivations (e.g., achievement), economic necessity, environmental influence, and opportunities for social mobility.¹

However, as the idea of intersectionality suggests, people's life experiences, their identities, and where they fit into social constructs can play a major role in their lives. Research shows that the general motivations for men and women to start their businesses are similar overall, however, we wanted to see what the most common motivations might be among women of colour founders, who often face multiple intersectional chal-

lenges because of their race, ethnicity, gender, socio-economic status, and migration status.

The founders in our study highlighted three reasons for wanting to start their venture:



Experiences of Discrimination

Discrimination is an all-encompassing term for unjust treatment based on the groups, classes, and categories that an individual belongs to or is perceived to belong to.^{2,3}

While speaking with founders during the research process, we noted experiences of discrimination as a major reason these founders decided to start their ventures.

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I felt like I was hitting a ceiling and it already took a lot for me to get there... and having kids did not help. It made people not consider me for new positions and opportunities. That's where I said, 'Okay if I'm going to create something, move up, and build my own success story, I have to do my own thing.'

- Interview Participant

The Glass Ceiling

One of the most notable forms of discrimination faced by this demographic of founders before starting their companies were the prejudicial barriers that hindered career mobility, also known as “The Glass Ceiling”. The glass ceiling is an unacknowledged barrier to professional advancement due to discrimination such as racism and sexism. It especially affects women and members of minority communities.⁴

Research has found that the appealing opportunity to have more control over their careers is a major motivator for women to leave their corporate careers to pursue entrepreneurial endeavours.⁵ According to the second annual Global Entrepreneurship survey, 61% of founders shared that becoming their own boss was a motivator for starting their company. 62% of women cited unfair treatment such as fewer opportunities (33%) for promotion and unequal pay (31%) in previous roles as the catalyst for starting a business.

Why did you start your business?

62%

Unfair treatment
in prev. roles

61%

Becoming my
own boss

Of those who cited unfair treatment

31%

Unequal
pay

33%

Fewer
opportunities
for promotion

Source: [Annual Global Entrepreneurship Survey](#)

Similarly, 43% of the women surveyed shared that they delayed starting a family for fear that it would negatively impact their careers, while 25% of the women surveyed shared that they faced pregnancy discrimination.^{6,7} Another study found that women with children are 79% less likely to be hired than women without children.⁸ In Germany, a survey conducted by the anti-discrimination agency found that six percent of women had been asked if they were pregnant even though such a question is inadmissible by law.⁹

WOMEN IN THE WORKFORCE

43%

Delayed starting a family for
fear it would impact their
careers

**And
of
those
that
do**

WOMEN WITH CHILDREN

79%

Less likely to be hired
than women
without children

Through our interviews, the founders shared that having children stagnated their career growth and often led to employers questioning their ability to focus and commit to full-time employment. As a result, entrepreneurship became a more enticing opportunity as it allows them to take back control of their career. Sadly, other founders shared that despite their desire to stay in the workforce, experiences of racism and discrimination forced them out.

Experiences of discrimination take on numerous forms. For some, it can occur before getting a job. For example, the German Federal Anti-Discrimination agency found that people with "foreign-sounding names" were 24% less likely than those with German names to be called in for an interview.¹⁰ Similarly, 18% of respondents surveyed shared that they were asked if German was their native language and 15% what their religious affiliation was.¹¹ Findings like these indicate that discrimination can have a significant impact on employment opportunities.

Unfortunately, discrimination doesn't stop at recruiting. In Germany, workplace discrimination is becoming increasingly prevalent. Before the pandemic, workplace discrimination was growing by 10-15% annually in Germany, which saw a significant increase to almost 79% during the pandemic.¹² According to the Global Entrepreneurship survey, 62% of women entrepreneurs shared that they wanted to start a business due to unfair treatment at the workplace.¹² Difficulty finding a job and mistreatment in

the workforce can prompt groups facing discrimination to choose self-employment.

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I was forced to leave my job because of discrimination, and after that, I became so lonely and isolated... and that's when I came up with the idea (for my business).

- Interview Participant

Despite these negative experiences, the many founders including the ones we interviewed were able to channel the hardships to create impactful businesses, which segues into the next motivator for starting a venture: Mission. Impact. Purpose.

Mission. Purpose. Passion.



According to the Global Entrepreneurship Monitor, nearly 45% of the world's social entrepreneurs are female. Within Germany, the proportion is higher at nearly 50%.¹ Based on these insights, it comes as no surprise that over 80% of the founders we interviewed have founded impact ventures.

Percentage of social entrepreneurs that are **Women**



Whether driven by experiences of discrimination or the desire to work on a mission that resonates with their interests, it is clear from the research that this group of founders is intrinsically motivated to create a positive impact. Some founders are motivated by the opportunity to be the role model that they never had growing up. According to the Global Entrepreneurship Survey, 80% of respondents shared that becoming a role model was a significant motivation for starting a business.^{2,3} Others share their prime motivation was a desire to dismantle the glass ceiling by hiring more diverse talent and closing the pay gap. While some shared a yearning to create a better future for younger generations by creating ventures focused on sustainable models such as reducing waste and recycling.

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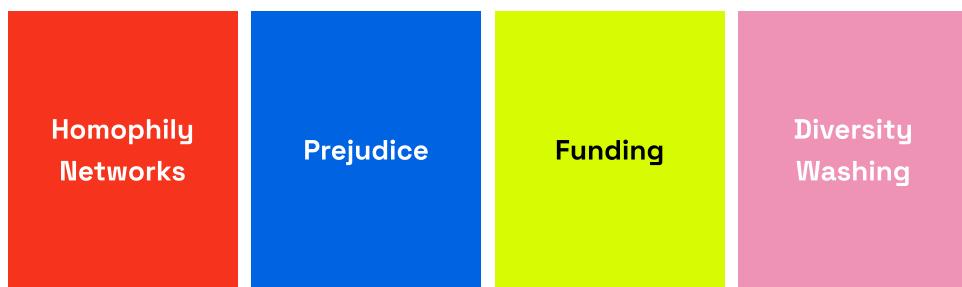
I wanted to make a difference. There are a lot of companies doing things for money and I feel like there's a real need for more social entrepreneurship. I have a child, and I want her to have a future. Also, I truly care about the environmental crisis and how to improve it. So I was like, if I'm gonna do something, I want to do something with impact.

- Interview Participant

Challenges

While there is no surprise that there are a range of challenges impacting the founders we interviewed, we did identify some commonalities due to the intersection of their race and gender, and for many, migration status as well.

Below are four of the main challenges we identified:



Homophily Networks

Opposites do not always attract!

Through our primary research, the first challenge identified was the issue of “homophily networks,” a sociological theory that people with similar characteristics have an inclination to consciously or unconsciously group themselves together.^{1,2} People tend to gravitate towards others with similar characteristics or backgrounds, like gender, educational and professional experience, or culture, because these similarities create an environment of trust that is more conducive to cooperation. Additionally, homophily networks act as a way to pre-vet individuals. For example, in the context of investing, there is a preference to commit capital to a founder within one’s network or to a founder who has a similar background (e.g., education, professional experience, age, etc...). This mitigates the feeling of risk and fosters more trust in their abilities to create a successful venture.^{1,2}

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Birds of a feather invest together.

Michael Blanding,
Forbes

Within the context of entrepreneurship, this can be seen in many different forms. For example, according to the Deutscher Startup Monitor, 36.4% of founders met their co-founders in university, 34.5% were friends, 28.2% from a common previous employer, and 23% met through a mutual connection.³ This is significant for the diversity of the startup scene since homophily networks also have a big impact on founders that are seeking funding – and because of this, tend to reinforce and perpetuate inequities.

How did you meet your co-founder?

34.5 %

Already friends

28.2 %

Shared a common
employer

23 %

Through a mutual
connection

One central and very pronounced type of homophily network we looked at is education. In Germany, for instance, almost one in four founders (24%) studied at what is considered to be the “top ten” list of the country’s entrepreneurial universities.³ This homogenous educational background is even more pronounced in the US, where a study led by Harvard Professor Paul Gompers, Eugene Holman, and Silpa Kovvali revealed that nearly one in four venture capitalists studied at Harvard – in a country with thousands of higher education institutions.⁴

Our research team conducted an analysis of where venture capital investors from Germany’s top* VCs and unicorn founders studied. We found that nearly 42% studied at the following universities: The Technical University of Munich (TUM) (15%), WHU- Otto Beisheim School of Management (13%), University of St.Gallen (9%), and Ludwig Maximilian University of Munich (LMU) (5%). Similarly, the educational composition of German unicorn founders was similar with 41% having studied at the same institutions: The Technical University of Munich (TUM) (15%), WHU- Otto Beisheim School of Management (11%), University of St.Gallen (5%), and Ludwig Maximilian University of Munich (LMU) (9%). While these findings do not imply causality, they do highlight a strong correlation between educational background and network. Lastly, 52% of the unicorn co-founders studied at the same universities.

In the next section, we’ll explore how homophily networks can influence access to information, networks, and risk perception.

* based on Pitchbook’s “The 10 most active German VCs” and Vestbee’s “Top VC Funds In Germany To Finance Your Startup”.^{5,6}

Access to Information

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When it comes to building a business, I had to learn things the hard way... I had to learn in the process.

- Interview Participant

Every entrepreneur learns by doing, but some have a steeper learning curve due to their identities or where they fit into social constructs. Our interviews and research demonstrated that a significant information gap is a challenge and that it’s amplified by factors like migration background and socioeconomic status. This can be traced back to the broader, overarching issue of homophily networks.

In our research, over 80% of interview participants were first-generation migrant founders. In Germany, 1 in 5 founders has a migration background with almost 60% being first-generation migrant founders.^{7,8,9} For exam-

ple, through conversations with this demographic of founders, we learned that bureaucracy, both before starting their venture and after its formation, was a significant hurdle, not only due to possible language barriers, but also the visa process, residency permits, and social security.

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It was frustrating because I didn't know it would be financially beneficial to have a holding company for my GmbH until I was fundraising last year. We were in the process of closing our seed round and everyone was signing off, when I found out that they all had this type of UG (holding company). And at some point, they're like, 'oh, where's yours?' And I asked, 'do I need this?'

- Interview Participant

Founders also shared their frustrations and anxiety around their visas and residencies. This founder told us about her struggle with understanding and navigating the circular process, and how she was eventually helped:

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It was my biggest source of anxiety. If you think of a self-employment visa, the requirements are that your company or you have the money to realise a business idea. So, it means you need to have funding. And it's like, well, 'how do I get funding if I don't quit my job to raise it?' Then, the other type of visa would be to be employed by your company and just get a normal visa. But, then for my company to employ me, it needs to pay me, and to pay me we need to raise money. So it's a circular thing, that whole thing was a nightmare. Thankfully, I didn't do it alone. I would be lying if I said I did. I worked with Berlin Partners, who actually submitted my visa application on my behalf.

- Interview Participant

Access to Network

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The next gem of an opportunity might come out of left field rather than via your mate.

- Sarah Turner, Sifted

Warm introductions are crucial to the success of a startup. A warm introduction is an introduction from a known and trusted person or a referral. The term “warm introduction” is common in investor circles in which investors will only deal with entrepreneurs introduced to them by way of a warm introduction. They also exacerbate and perpetuate other challenges that underrepresented or “out of network” founders, including women of colour, face.

One founder we spoke with shared the following experience:

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I was at an event where a VC shared that while they do accept online applications, they have never really funded an applicant. He shared that it's all about warm introductions, which infuriated me because I was like, 'to get a warm intro, you need to be a part of those circles, and being honest most circles are still white German men. I'm a Black queer working-class woman. I don't understand how I'm going to get into those circles and get warm introductions.'

- Interview Participant

As we alluded to earlier when we discussed Homophily Networks, the German startup scene is relatively homogenous, with many of the founders and investors sharing similar educational and cultural backgrounds, which can make gaining access to networks challenging for women of colour entrepreneurs. The majority of the entrepreneurs we spoke with have the intersectional, compounding challenge of having a migrant background. The Migrant Startup Monitor 2022 named a lack of network as the main challenge for first-generation migrant founders in Germany, especially those who studied abroad.⁷ Access is connected to the next challenge related to homophily networks: Risk Perception

Risk Perception

“Warm intros” act as a filter to protect and enable homophily networks. When meeting others from within your network, they typically have similar backgrounds and qualifications, which fosters a greater level of trust and confidence. Ironically, this goes against the nature of venture capital, which aims to identify the outlier business models and products that are positioned to disrupt industries.¹⁰ By focusing on patterns and their network to make investment decisions, investors are more likely to miss phenomenal “out of network” opportunities. Additionally, this also alludes to the fact that success in the startup ecosystem is heavily determined by your network. For women of colour founders that do manage to get their foot in the door, “they have to go the extra mile to prove their redeeming qualities and overcome higher perceptions of risk, than their white, male counterparts”.¹¹

Research demonstrates that investors ask men and women very different questions when evaluating their companies. One report from Harvard Business School discussed how male entrepreneurs are asked more promotion-focused questions, like “What does your venture forecast look like?” or “Where’s the opportunity?”, whereas women entrepreneurs are typically asked prevention-focused questions focused on anticipated problems.¹² Another Harvard Business School study by Laura Huang confirmed this gender difference and also discussed the additional challenge for Black women being evaluated by venture capitalists, who must contend with a “sort of disbelief around what they’re able to achieve”.^{11, 13} These studies unsurprisingly found that cognitive bias, “a subconscious error in thinking that leads you to misinterpret information from the world around you, and affects the rationality and accuracy of decisions and judgments”¹⁴ linked to racist and sexist stereotypes are the culprits behind biased questions during evaluations.

As we discussed in the section **Mission. Purpose. Passion.**, founders who are women of colour tend to be impact-driven, and research has shown that they create businesses that solve problems that they and their communities are confronted with.¹⁵ However, when seeking funding, they are frequently told that their businesses are “too small” or “too niche.” This was the case for ListedB, a social booking app for beauty and wellness services targeted at the Black community in the US.¹⁶ In actuality, the Black beauty industry is a multi-billion dollar market. When investors don’t know the target audience for a company – which goes back to the issue of homogeneity – they don’t understand the potential of a business. Cecilia Corral, the co-founder of CareMessage, shared in a GirlBoss article that she spent a lot of time “correcting presumptive misconceptions” investors made because they were unfamiliar with the low-income and minority populations that the company serves.¹⁴ This is another example of how cognitive biases can negatively impact women of colour founders. In the

case of minority businesses, investors' unfamiliarity with the market, demographics, and lack of time to analyse the market often leads to negative assumptions about the business's potential.

Cognitive bias ties into the next major challenge faced by women of colour founders: **Prejudice**.

Prejudice

One of the biggest challenges expressed by the founders interviewed and uncovered in our research was prejudice. This is often manifested through the biases of those who frequently had inferior opinions about these founders' intellectual capabilities based on their gender and ethnic backgrounds.¹ This prejudice is reflected in the types of questions that women and minority entrepreneurs are asked, and in the actions and requirements imposed on them.² For example, the founders interviewed shared countless experiences of having to prove their worth and being underestimated.

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I've had more direct biases in ways where I felt like I had to prove myself more and really, really show that I have an engineering background... and I just don't know if that would have been the case if I looked different.

- Interview Participant

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The challenge of drumming up conviction... people make these short and very quick understandings of who you are, where this conversation is going to lead, and how much time they might give you just based on how you look, certain signals, etc. I know I have a lot to bring to the table, but it can be hard to get through those biases. We see it in the way someone's eyes glaze over before you've even gotten the chance to start talking.

- Interview Participant

Another type of frequent prejudice is related to family status. Founders we spoke to who are also parents, shared that they faced scepticism around their ability to fully commit to their businesses because they are mothers – something fathers aren't typically asked. As one founder shared:

“

It's been super rude comments. Our last potential investor asked us if we are actually able to work full-time since we are both mothers. They never asked my husband this and he's also an entrepreneur. My husband and I shared the responsibilities 50/50, which is how it should be. But, they just asked me about those things.

- Interview Participant

One study conducted by HSBC Private Banking, which interviewed over 600 women entrepreneurs across North America, Europe, Asia, and the Middle East found that gender bias from investors “came in the form of questions about entrepreneurs’ family circumstances and their credibility as business leaders. Female participants in the study said they were asked more questions about their personal life than their business ideas, whereas men were mostly asked about their business ideas”.³ While numerous sources provide women and minority entrepreneurs with suggestions on how to react and manage prejudice (e.g.,⁴), the onus should also be on investors and ecosystem members to educate themselves, as well as evaluate and mitigate their own (un)conscious biases.

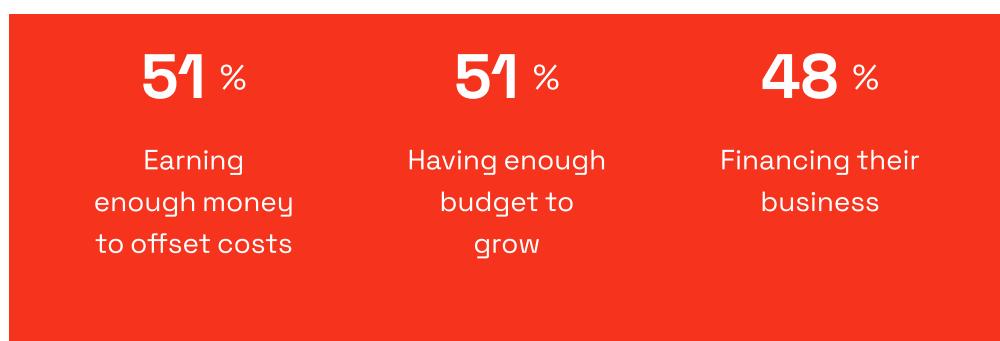
Funding

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The ticket size I have now is where most of my white male friends start... and it's taken me three years to get here.

- Interview Participant

According to the second annual Global Entrepreneurship survey, the top three challenges to starting a business for women were all related to funding:¹



Another study found that companies founded by women entrepreneurs do not underperform because of a lack of knowledge, insufficient skills, or

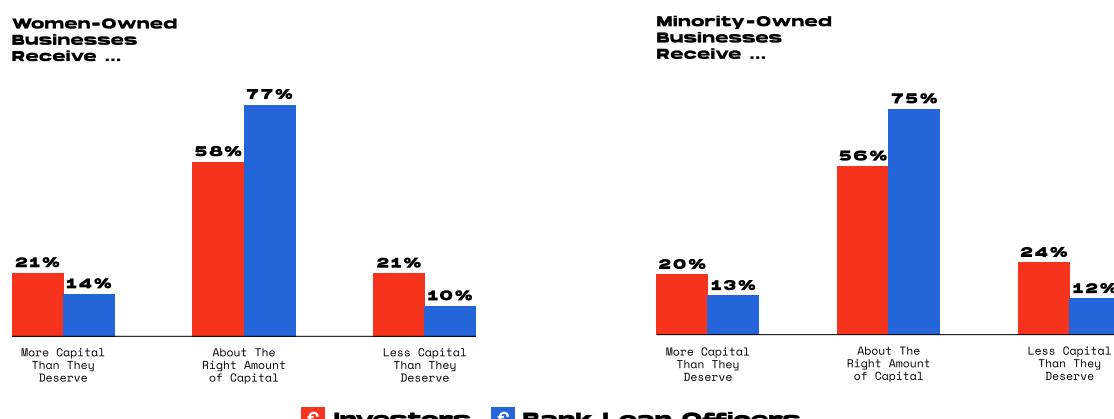
inability – rather, it's because of undercapitalization. Male founders receive and use up to three times more capital than women.² Due to difficulties obtaining capital, underrepresented founders typically turn to bootstrapping to finance their ventures, which is often revered as a demonstration of grit and resilience. But in reality, especially for underrepresented founders, this often leads to a debilitating cycle that leads to slow growth, which is unattractive to investors.³ As a result, founders are less likely to receive capital, which could stagnate or even force the founder to shut down their startup.

There is also a major gap in funding in Germany based on migration background. First-generation founders receive an average of € 1.1 million in funding – less than half of the national average of € 2.6 million reported by the German Startup Monitor.⁴

Three factors have been found to perpetuate the funding gap according to a study conducted by Morgan Stanley:⁵

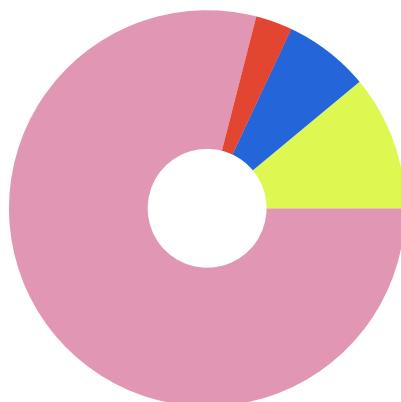


According to the Morgan Stanley study, investors “don't see the imbalance” in the amount of funding that goes to women and minority founders. Of the 101 investors they surveyed, 61% felt that women and minority founders get “about the right amount of capital” – and 20% believe that they get “more capital than they deserve.” Why is this, when we know a vast inequality exists based on the actual data? According to the study, investors lack exposure to and interaction with women and minority founders – another issue traced back to how homogenous the startup ecosystem is.⁵



The lack of diversity among investors mirrors the state of funding for women of colour entrepreneurs.

In Europe, only 15% of general partners are women, and it was found that they have fewer seats on investment committees and less carry than their male counterparts.⁶ When broken down by ethnic background, only about one in five people working in VC or private equity are people of colour (11% are Asian, 3% are Black, and 7% identify as multi-ethnic or other).⁷



The ethnic breakdown of people working in VC or Private Equity

- 11% Asian
- 7% Multi-ethnic or Other
- 3% Black
- 79% White

The lack of diversity and homogeneity of the ecosystem contributes to challenges like access to networks or risk perception. While initiatives in the startup ecosystem approach the funding gap with bottom-up solutions. Our research has uncovered that top-down solutions are required to bring about real change.

Likewise, while there are many sources that provide women and minority entrepreneurs with suggestions on how to navigate and mitigate prejudice, this places the burden on them (ex. this article from Forbes e.g. ⁸). The onus should ultimately be on the investors and other members of the ecosystem to do the work themselves, looking into and checking their own biases, whether conscious or not.

Diversity Washing

”

Unfortunately, I've not experienced much of an advantage for my business being a brown woman. Maybe in terms of my story being interesting for people in terms of PR and wanting to share it.

- Interview Participant

The last challenge unveiled in our research was “Diversity Washing”, a term used to describe the process of conveying an image of Diversity, Equity, and Inclusion by companies through initiatives in order to appear more positive and/or benefit from it. In the entrepreneurial ecosystem, this can be seen through deceptive marketing campaigns which fail to represent

the reality of a company's diversity. One of the interview participants shared the following:

“

There have been articles about someone else with a very short mention of me or something related, but my picture is on the top. That felt like tokenism.

- Interview Participant

We also need to look at whether DEI initiatives are truly changing circumstances for underrepresented founders, or if they're only giving the appearance of change. There has been an uptake in DEI initiatives, including programs focused on women and minority founders and quotas targeted at these groups. But funding for women in Europe is still extremely low, with only 2% of venture capital going to all-women-led teams in 2021.¹ For women of colour, the figures are even worse. For example, only 0.02% of funds went to black women entrepreneurs in Europe.^{2,3} This shows that the problem is more complex than well-intentioned initiatives and programs can fix, and requires intersectional and systemic solutions to combat the issues on all fronts.

“

The quota doesn't do anything unless they actually change. For example, a VC has investment analysts who talk to startups every day, but they are still holding on to their prejudices and are still doing things that can be considered micro-aggressions or sexist. Also, the quota impacts one startup. There are still hundreds of startups with diverse founders that have to interact with that same company, without necessarily making it into that quota. So for me, the quota doesn't mean anything. I'm like, 'Okay, cool. You have the quota, but what else are you doing?'

- Interview Participant

Lastly, by making it seem like inequities have improved much more than they really have, diversity washing further exacerbates the challenges around diversity in the startup space.

DEI initiatives can make people think underrepresented groups are getting a leg up when they're still facing unique and pronounced challenges. This could be one reason 20% of investors in Morgan Stanley's study believed that women and minority founders "get more capital than they deserve." They don't see the imbalance and inequity in the startup landscape because of their lack of exposure and interaction with that demographic.⁴

One founder in our research explains below how diversity washing makes it appear that minority founders are being more supported and funded than they actually are:

“

Now there is this rhetoric that it should be easier for Black people and minorities because we're now in the mainstream or people are aware of us. Optically, yes, we're being seen, but in terms of getting funding, or actually having a seat at the table, it's still non-existent. That's a frustrating thing. People think that we should be grateful, or that now we have an upper hand, but no, our faces may be on billboards, but I'm not being paid.

- Interview Participant



03. IMPLICATIONS

“

I am no longer accepting the things I cannot change. I am changing the things I cannot accept.

- Angela Davis

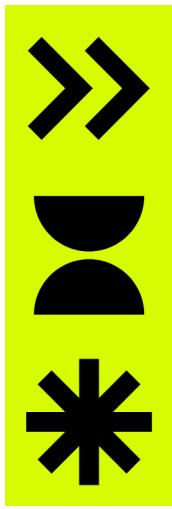
Where do we go from here?

Only **1%** of women-led startups and **0.7%** of ethnic minority founders received VC funding in Europe in 2021.¹ This can make one feel that the state of the European startup ecosystem is a lost cause, but there is power in numbers, and hope when we come together to support the creation of **equity** for all founders.^{2,3}

Whether you're a founder, investor, policymaker, ally, or simply interested in the topic, we've collected further resources and tips below to help you in creating a more equitable startup ecosystem. Take a look below.



Refer to the online versions for the links



04. The Makings of a Founder

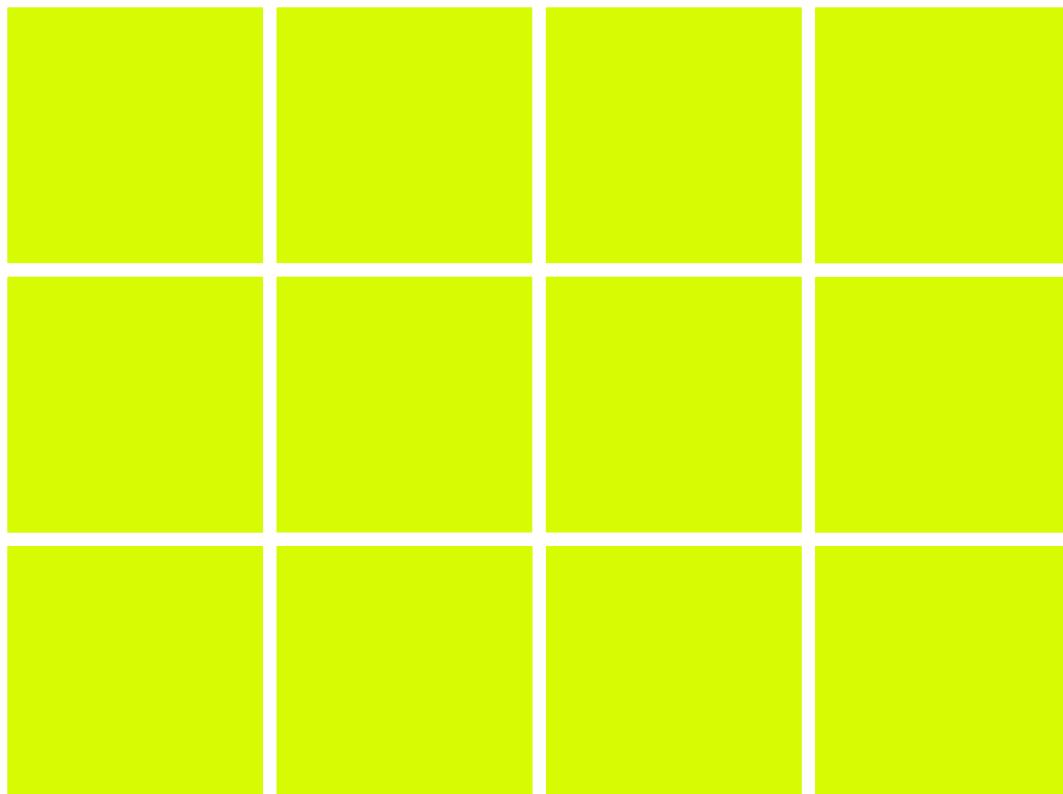
The myth of the “pipeline problem,” which implies that there “is not enough qualified talent from diverse backgrounds” simply isn’t true.¹ A survey conducted by Inc. and Fast Company found that 21% of female founders had an MBA as compared to 15% of male founders.² In Germany, the percentage of men and women who have completed a university degree before founding their startup is nearly equal, especially in the field of economics and business.³ Interestingly, the Migrant Startup Monitor 2022, found there is a higher proportion of first-generation migrant founders with university degrees (approximately 91%) than the general founder population in Germany.⁴ These statistics alone debunk the pipeline problem myth.

Much like other founders in the startup ecosystem, women of colour entrepreneurs are drawn to entrepreneurship because of the challenge, opportunity to make an impact, and the freedom it can offer. However, according to our research, they are also often drawn to it as a reaction to negative experiences, such as workplace discrimination and systemic oppression.^{5, 6, 7} We’ll further explore their motivations for becoming a founder in the following sections.

Here’s a look into the backgrounds of the 12 powerhouse founders we interviewed for this report, who are leaving their mark on the current startup scene in Germany.

Meet the Rise & Thrive Founders

Meet our Twelve Participants



All women of colour entrepreneurs

Women of color Entrepreneurs

12 people

All with migrant backgrounds

First-Gen Migrants

10 people

Second-Gen Migrants

2 people

Of diverse ethnicities

Black

5 people

Asian

3 people

Latina

2 people

Arab

1 person

Mixed

1 person

Most have a higher education degree

**Master's
Degree**

6 people

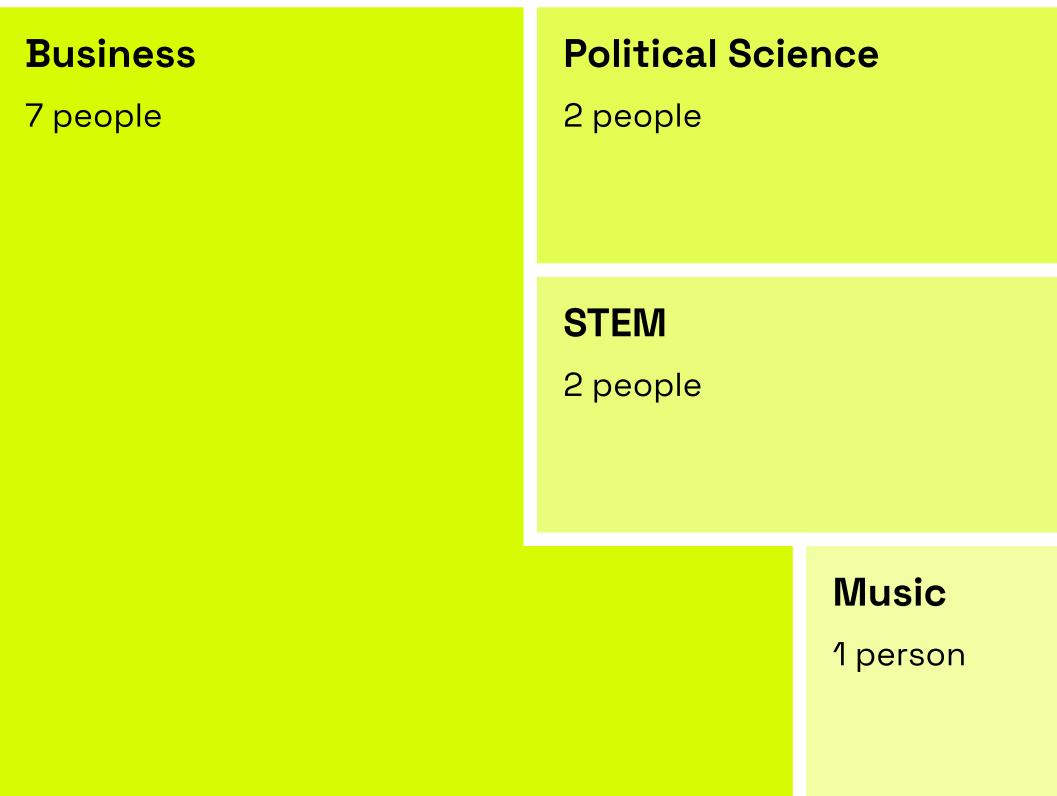
**Bachelor's
Degree**

5 people

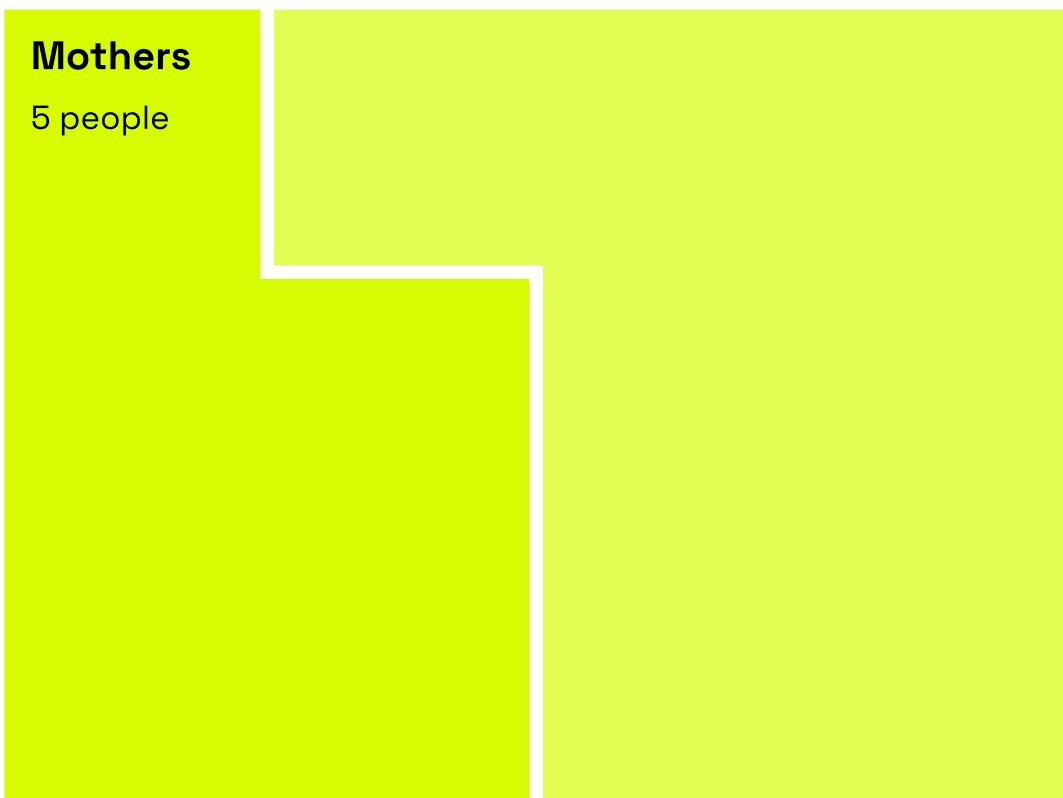
Other

1 person

Across a wide range of disciplines



Nearly half are mothers



All are in, or close to, their thirties

**Late
Twenties**
1 person

Thirties
10 people

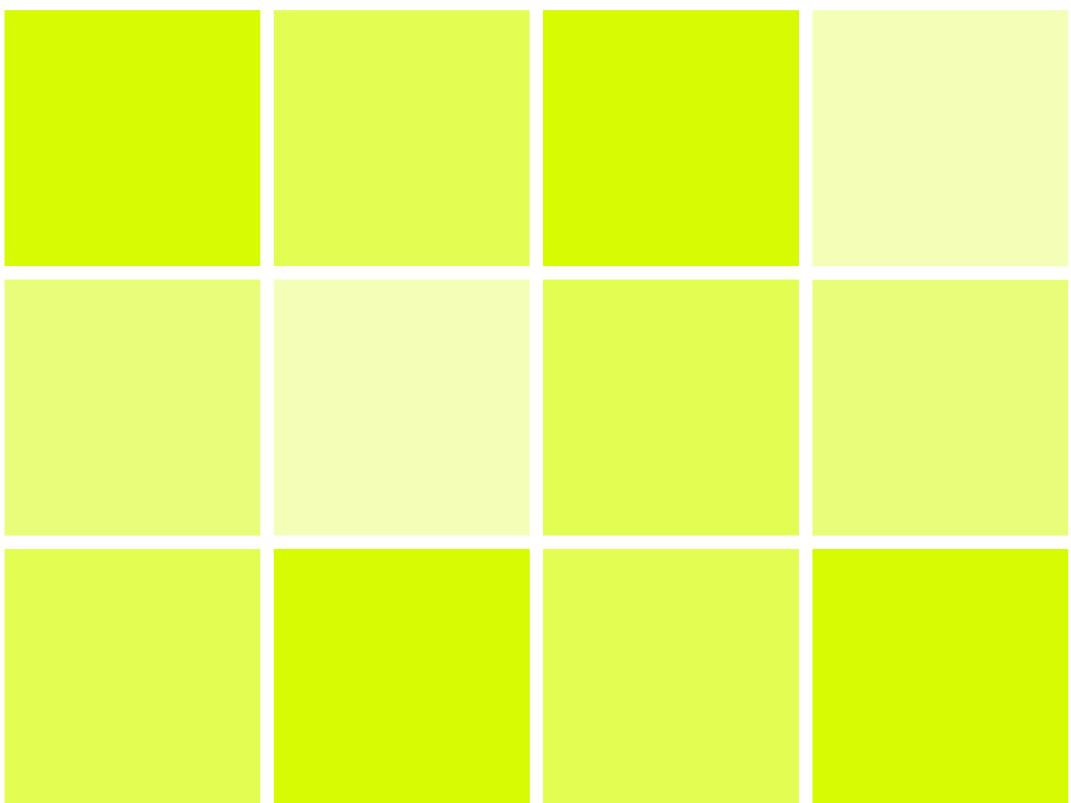
**Early
Fourties**
1 person

Most are leading an impact venture

**Impact
Venture**
10 people

**Not Impact
Venture**
2 people

All have myriad intersectional experiences

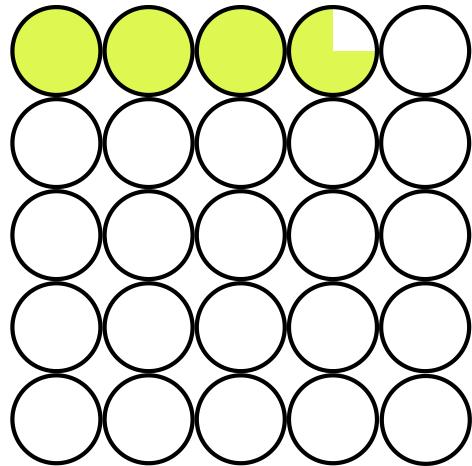


The Making of a Founder (On a Macro Level)

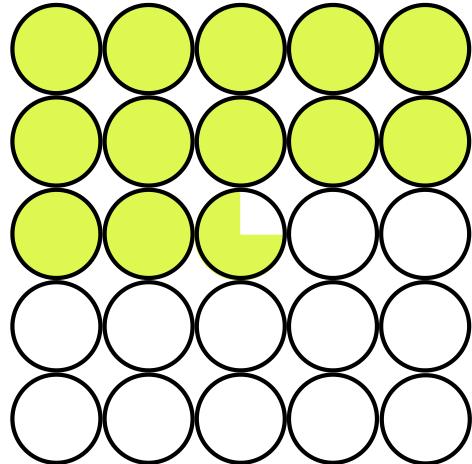
While women make up 51% of the population in Europe, only 15% of European startup founders are female.⁸ The rate of entrepreneurial activity among European women stands at less than half of the global average.⁹ One of the reasons is welfare systems that support workers with unemployment and family care demands. However, women who do build ventures are more likely to lead impact-driven businesses.

**only
15%**

**of startup
founders are
female**



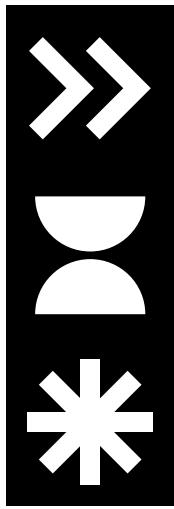
**even though
women are 51% of
the European
population**



Women lead 38% of social ventures in the world, more than twice as many as in conventional businesses.^{10, 11} Although women barely represent 15% of startup founders in Europe, 86% of social enterprises have one female director and 27% have a director who comes from an ethnic minority group.¹² In the US, women account for 49% of social entrepreneurs as compared to 39% of “traditional” entrepreneurs.¹³ A similar trend can be seen among other underrepresented groups like Black and Latinx founders, who not only create businesses that solve pressing problems in their community but also significantly contribute to economic development.¹⁴ In eight European countries, minority businesses had a combined turnover of €570 billion and employed nearly 3 million people.¹⁵

In Europe, women entrepreneurs are more highly educated than men in most countries and tend to be younger.¹⁶ According to the GEM 2021/2022 Women’s Entrepreneurship Report, women between the age of 18-34 have the highest participation rates in entrepreneurship worldwide. Similar to the founders that we interviewed for this report, “the number of female entrepreneurs who are university graduates is almost twice the world average.” Meanwhile, 22% of startup founders in Germany come from a migration background, 59% among them being first-generation migrants – a demographic that has higher university graduation rates (91%) than the national average of 85%, according to the Migrant Founder Monitor.¹⁷ Two-thirds of first-generation migrant founders completed their university studies in Germany.¹⁸

Research shows that underrepresented founders are making significant contributions to bettering our society and planet through their economic contributions and impact-driven businesses.¹⁹ Due to their strong entrepreneurial mindset, higher risk tolerance, resilience, and education level, the impact of underrepresented founders is expected to be particularly powerful in driving economic growth and innovation in countries where entrepreneurial activity is lower than the global average, including Germany.^{20, 21} Supporting these founders does more than level the playing field – it’s a rising tide that lifts all boats.



05.

Behind

The

Report

Three women, Alina Bassi, Stephanie von Behr, and Deborah Choi – were tired of the status quo in the ecosystem and wanted to challenge the way things were done. When it came to who got access to exclusive networking events with all “the right people,” the ways enviable keynote speaking opportunities were circulated, decided, and compensated; how homogeneous those who held check writing power appeared; how very few women who were not white got funded, supported, and seen. They found each other and launched a community that became what Founderland is today: a non-profit organisation based in Germany that is focused on building a new inclusive, intersectional standard for entrepreneurs. Their work supports women of colour founders navigating the entrepreneurial ecosystem by levelling the playing field: providing them with a safe community, inspiring events, educational resources, funding opportunities, corporate perks, and access to networks to build their ventures.

In July 2021, **CoAct**, a project funded by the European Union’s Horizon 2020 research and innovation programme, held an open call for European Civil Society Initiatives to conduct Citizen Social Science (CSS) Research. Founderland was selected in the Gender Equality & Sustainable Cities and Communities category and provided with additional mentorship from faculty at the University of Applied Sciences Potsdam (FHP).

In line with the Citizen Social Science methodology, three women of colour founders from Founderland’s community were selected as co-researchers, which meant that they actively took on the role of researchers by conducting both primary and secondary research. Find out more about the team, their motivations, and the research methodology below:

Founderland Team



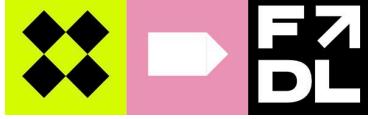
Alina Bassi

Co-Founder



Deborah Choi

Co-Founder



Stephanie von Behr

Co-Founder



Janine Vanessa Heinrich

Academic Researcher

Project Lead



Dannerys Peralta

Project Coordinator

Werkstudent

Co-Researcher Team



Hayli Chwang

Co-Researcher



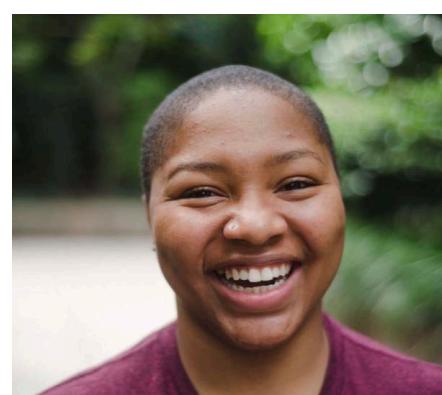
Julie Sane-Pezet

Co-Researcher



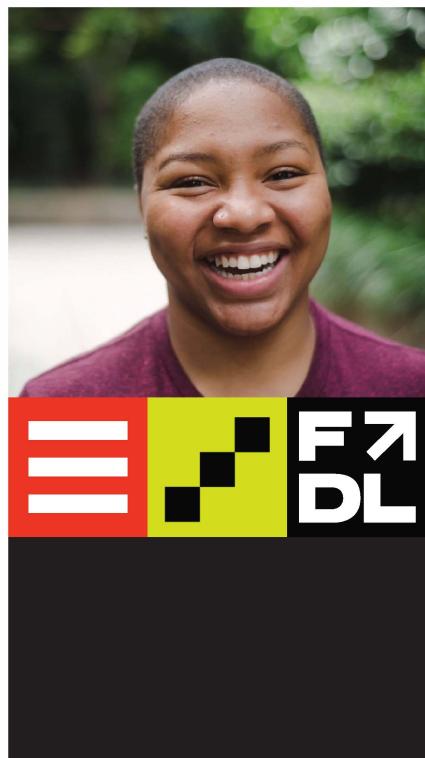
Nina Del Marr

Co-Researcher



Lex Gillon

Co-Researcher



Digital Report Team



Jon Amar

Product Lead



Victor Isidoro

Developer

Methodology

CoAct Research Cycle



For this research, we used both the Citizen Social Science methodology and qualitative research approach to gather and interpret data.

What is the Citizen Social Science Methodology?

The Citizen Social Science (CSS) Methodology is a form of participatory social research that directly involves selected communities in the research process. It aims to provide citizen groups with an equal seat at the table by actively involving them in the research process, from conception through concrete actions.

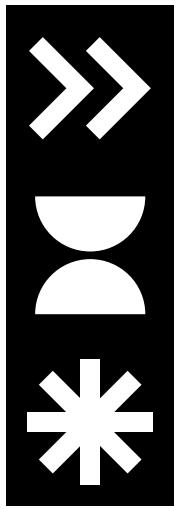
In alignment with CSS methodology, three women of colour founders based in Germany joined the project as co-researchers. In their roles, they supported the research design, conducted both primary and secondary research, and evaluated the data to create actionable recommendations.

Additionally, due to the significant lack of data on women of colour founders, especially in Germany, this report took a qualitative research ap-

proach for the researchers to gain an understanding of the problems and perspectives of this under-researched demographic. It also allowed us to develop concepts and theories for future research. To get a holistic understanding of the current state of entrepreneurship for women of colour founders in Europe, the researchers gathered data through both primary sources like interviews and secondary sources such as academic journals and periodicals.

By utilising the CSS methodology and qualitative research approach, we were able to:

- Foster trust between the interviewee and interviewer, since they share a similar background and experience
- Amplify the voices of those whose views are historically excluded
- Provide rich descriptive data and insights into complex phenomena



06. **Appendices**

Glossary

- **Intersectionality:** Describes how systems of inequality based on gender, race, ethnicity, sexual orientation, gender identity, disability, class, and other forms of discrimination “intersect” to create unique experiences of oppression and privilege.
- **Women of Colour:** Women who experience the effects and processes of racialisation, class, and gender domination as well as other sources of inequality, particularly hierarchies of legal status (Bassel and Emejulu 2017). This includes, but is not limited to, women founders who hold ethnic backgrounds or heritage in Africa, the Caribbean, South & Central America, South & Southeast Asia, and the Middle East [1,2](#)
- **BAME:** Abbreviation for Black, Asian, and Minority Ethnic. This term is more common in the UK as it refers to the two largest ethnic minority groups in the country [3](#)
- **BIPOC:** Abbreviation for Black, Indigenous, People of Colour. This term is more common in the US as it refers to the two groups of ethnic minorities in the country that faced the greatest discrimination and longest history of oppression [3](#)
- **Impact Investing:** an investment strategy that aims to create a beneficial social and environmental impact in addition to financial gains [4](#)
- **Social Entrepreneurship:** the process of identifying social, environmental, and cultural problems and creating solutions through the development, implementation, and funding of entrepreneurial projects. These endeavours can be taken by individuals, groups, startups, or corporations [5,6](#)
- **Funding Stages:** Also known as funding rounds are a means of getting financial capital in order to finance a startup's costs of operations, such as personnel and marketing. Startups typically go through multiple stages depending on their needs during their lifecycle, which are as follows: [7,8,9](#)
 - **Pre-seed:** Typically the first round of institutional funding that a startup raises from dedicated venture capital funds, angel investors, and/or accelerators/incubators. Generally, this round allows the founding team to find product-market fit, hire early employees, and test various go-to-market strategies
 - **Seed:** One of the early funding stages. Typically, capital is raised from institutional investors such as dedicated venture capital funds, angel investors, and/or accelerators/incubators. The founding team will use this capital to further develop their product, go-to-market strategy, operations, and team. A startup in this stage has little to no revenue

- **Series Funding:** After demonstrating a viable business model, product-market fit, and a strong strategy with growth potential, startups are able to go into series funding, which starts with Series A, followed by Series B, Series C, etc. During this round, investors expect to see steady traction and for the capital raised to be used to increase revenue
- **Exit:** The point where founders and/or investors leave the startup
- **Accelerator:** Programs focused on speeding up the growth of an existing company that has a minimum viable product
- **Incubator:** Programs focused on helping startups in the product development stage
- **Venture Capital (VC):** a form of private equity and type of financing that investors provide to startups that they believe have long-term growth potential. The idea is to invest in a company until it reaches a sufficient size and credibility for investors to eventually exit (e.g., sale of company or IPO) ^{10, 11}
- **Business Angel/ Angel Investor:** A private individual, often with a high net worth and business experience, who directly invests capital into a startup in exchange for ownership equity or convertible debt ^{12, 13}
- **Bootstrapping:** A situation in which an entrepreneur starts a company with little capital, relying on money other than outside investment, such as using their personal finances or the operating revenue to fund the company
- **Traction:** The progress and momentum of a startup company, which can be measured in metrics such as user growth, sales, etc. ^{14, 15}
- **Valuation:** An estimation of the worth of a startup



Refer to the online version for all sources



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