



## Ideas for smart and inclusive investment decisions

Female entrepreneurs are systematically conquering the world's entrepreneurship scene and have recently developed into the fastest growing founder group in the world (Birkner, Ettl, Welter, & Ebbers, 2018). With innovative solutions, they do not only follow their male counterparts but increasingly adventure into new areas of entrepreneurship.

These female-led startups provide highly promising but oftentimes uncommon investment opportunities, which require investors to think out of the box. The emergence of femtech, which has become an umbrella term for innovative, technology-driven products and services tailored towards female needs, has shown how much the male dominated community of investors struggle to recognize the potential of catering women's needs. Female entrepreneurs indeed must fight particularly hard to access the venture capital. Studies show that female founders have a considerably lower chance to acquire investment capital than their male colleagues do.

While female founders lack adequate financing to grow their business, investors are missing great investment opportunities:



**Female funders may grow 'under the radar' of the established investment scene and thereby offer interesting investment opportunities for alternative investments.**



**Female-led startups may provide unique opportunities for investors, who want to contribute to a more sustainable development<sup>1</sup>.**



**Female-led startups may offer high-impact opportunities with a long-term vision because female founders tend to grow slower and more locally ventures but with significantly higher survival rates<sup>2</sup>.**



**Female-led startups provide an opportunity to move beyond gender stereotypes and turn a male industry into a more equal and diverse community.**







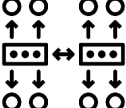
Unconscious or implicit bias influences our decisions every day without us realizing it. They help us to make decisions quickly: they are shortcuts based on our history, our background, our upbringing and our experiences. Yet, unconscious bias is also a big issue because it strongly influences mentoring and investment decisions. The most sensitive phase to gender biases in the venture capital investment process is the pitching. Regardless of a pitch's content, male entrepreneurs' pitches are rated more favorably than female founder pitches!<sup>3</sup>

1 Berger, E. S. C., & Kuckertz, A. (2016). Female entrepreneurship in startup ecosystems worldwide. *Journal of Business Research*, 69(11), 5163–5168. <https://doi.org/10.1016/j.jbusres.2016.04.098>

<sup>2</sup> OECD/European Commission. (2017). Policy brief on women's entrepreneurship. Luxembourg.

<sup>3</sup> Kanze, D., & Huang, L., & Conley, M. A., & Higgins, E. T. (2017). Male and Female Entrepreneurs Get Asked Different Questions by VCs — and It Affects How Much Funding They Get. *Harvard Business Review*. Online: <https://hbr.org/2017/06/male-and-female-entrepreneurs-get-asked-different-questions-by-vcs-and-it-affects-how-much-funding-they-get> (Last accessed: 10. 07. 2020)

# How to deal effectively with unconscious bias in investment decisions

 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Learn more about unconscious bias!</b> What are the most common ways that bias shows up? Read more on different types of bias that influence investment decisions on our blog!</p>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Get to know YOUR biases!</b> What is your personal bias?</p> <ol style="list-style-type: none"> <li>(1) Take the <a href="#">Implicit Association Test</a> to get a sense of how unconscious bias may influence your behavior.</li> <li>(2) Identify situations in which your unconscious bias affects your behavior. These situations may be trivial at first sight, i.e. you bake cookies when you are babysitting your niece but play basketball with your nephew.</li> <li>(3) Look out for positive bias, they may look harmless but may still be restrictive!</li> </ol>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Blind yourself!</b> Blinding has proven to be very effective in improving the judgment by eliminating common bias such as stereotypes.</p> <ol style="list-style-type: none"> <li>(1) Cover up names and pictures when looking at a new slide deck</li> <li>(2) Develop new and innovative ways of having “blind” pitches</li> </ol>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Join forces!</b> An important strategy to overcome your bias is to join forces with others when making important decisions:</p> <ol style="list-style-type: none"> <li>(1) Formulate panels of <b>different</b> kinds of people for pitch presentations and negotiations.</li> <li>(2) Seek advice and take an outside view.</li> </ol>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Create processes!</b> Reduce the power of bias by developing processes, structures and checklists:</p> <ol style="list-style-type: none"> <li>(1) Make a list of key criteria to vet entrepreneurial pitches.</li> <li>(2) Develop a standardized interviewing technique for entrepreneurs relying on past behavior. This is more accurate than open questions and facilitates recommendation.</li> <li>(3) Track and measure the types of people you mentor and invest, etc., and use the data to make adjustments if biases may be getting in the way</li> </ol>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Act against your intuition!</b> You can't really know if your intuition helps you make good and fair choices if you've never put it to the test. Be open to discuss and consider themes that are unfamiliar and even uncomfortable to you.</p>
 <p><small>Created by iStockphoto from Shutterstock</small></p>	<p><b>Use algorithms smartly!</b> Algorithms allow you to predetermine the emphasis you put on certain information and thereby equalize your judgment BUT algorithms carry the same biases as their developers do...</p>