

The Way We Answer Affects What We Fundraise

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Pitches, Questions, and Gender. The funding Bias Puzzle.

In the high-stakes world of startup pitches, two distinct types of questions often arise. For instance, an entrepreneur might be asked, "How do you plan to dominate your market?" This question, emphasizing promotion, encourages the exploration of an entrepreneur's ambitions, achievements, and growth potential. On the other hand, the question might be, "What strategies do you have in place to manage competition risks?" This question highlights security, responsibility, and potential losses. Consequently, we refer to it as a preventive question.

Often applied unconsciously, these questioning styles can subtly impact decision-making, perpetuating gender bias in startup funding. Recent research, including a study by Kanze et al.¹, reveals that female entrepreneurs frequently encounter more preventive questions, diverting their focus toward risk mitigation instead of growth opportunities. This subtle

yet impactful bias can unknowingly decrease their chances of securing funding.

The ripple effects of these biases not only affect individual businesses but also impede the broader economic growth of society by limiting the full potential of women-led enterprises. To disrupt this cycle, it is crucial for investors and founders to consciously recognize these biases and actively work towards leveling the playing field. This is how we can redefine our questioning styles, ensuring a balanced and unbiased approach that gives all entrepreneurs an equal opportunity to shine.

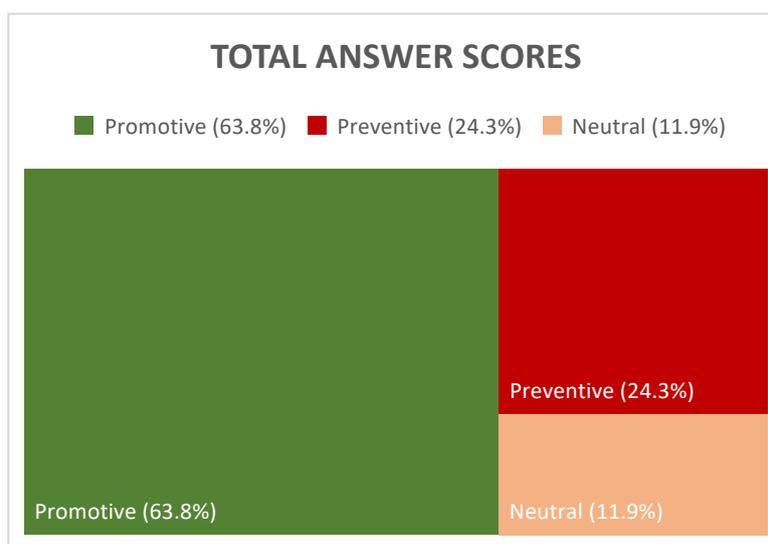


Figure 1 – Total Answer Scores

Unveiling the Entrepreneurial Mindset of Switzerland's Female Founders: A Survey.

To gain a better understanding of the entrepreneurial landscape in Switzerland, we conducted a survey specifically targeting female founders. Our single-choice questionnaire subtly incorporated promotional and preventive responses, allowing us to uncover any underlying biases in their answers and determine their inclinations toward risk aversion or growth.

The initial findings painted a hopeful picture. The respondents demonstrated an average of about 64% promotional

¹ Kanze, D., Huang, L., Conley, M. A., & Higgins, E. T. (2018). We ask men to win and women not to lose: Closing the gender gap in startup funding. *Academy of Management Journal*, 61(2), 586-614.

responses - not an outright victory but a significant stride towards progress (Figure 1). However, the respondents still answered to more than every third question in a preventive or neutral manner.

Some founders were able to respond positively to 9 out of

10 questions, while others took a more reserved approach and answered 6 out of 10 questions in a cautious manner. Notably, there was a clear inclination towards optimistic thinking in specific areas such as monetization plans and five-year forecasts (Figure 2). It was remarkable that every single founder tackled the monetization question with a growth-oriented perspective, achieving a perfect 100% score. Similarly, around 70% of them adopted ambitious, revenue-focused strategies for their five-year forecasts. However, our survey also highlighted areas of concern.

When discussing significant milestones, only one in four respondents maintained a growth-oriented mindset, focusing on scaling their business. The majority shifted towards a problem-solving narrative, prioritizing caution over envisioning high returns. These

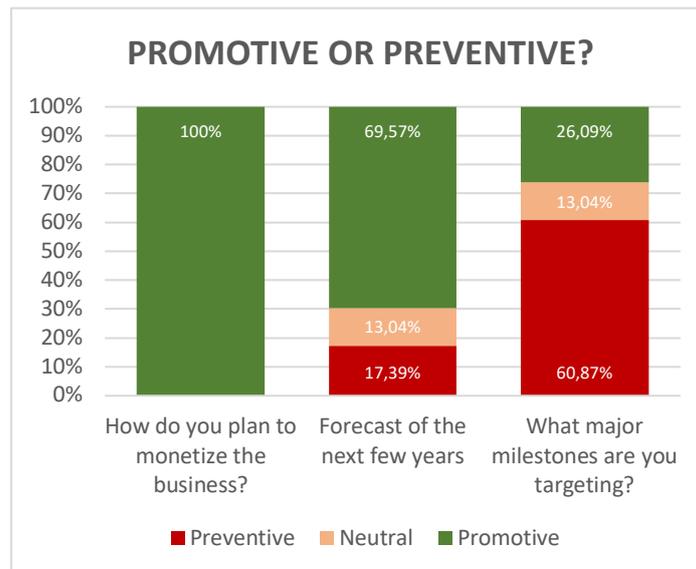


Figure 2 - Responds to example Questions

various stages of the startup journey (Figure 3). In the pre-seed stage, founders respond in a preventive manner in over 31% of cases. This rate slightly decreases to 25% during the seed stage. Intriguingly, the percentage drops sharply to about 8% when founders transition into the early stage. By the time they reach the growth phase, the percentage of preventive responses rebounds to about 17%. This oscillating pattern suggests that founders are most cautious during the pre-seed and seed stages, become less so in the early stage, and regain some level of caution as they

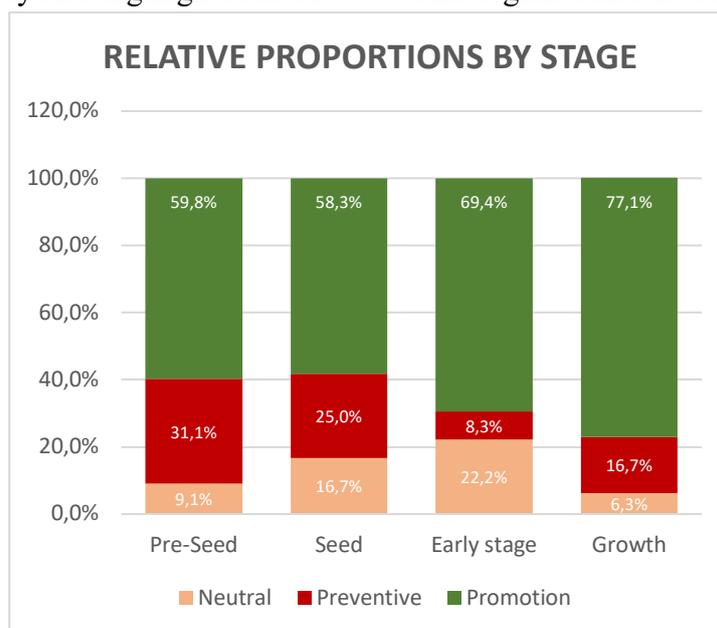


Figure 3 - Relative Proportions of Neutral, Preventive & Promotive Responses by Startup Stage

findings emphasize the complex journey that women entrepreneurs in Switzerland navigate, balancing growth aspirations with a prudent approach.

Further Analysis indicates a fluctuating trend in founders' mindset as they move through

the growth phase

However, due to the small number of participants, the above-mentioned statement is not more than a speculative but also an interesting finding, which deserves to be investigated in depth further. Our study serves as a crucial step in understanding

this landscape and promoting more gender-sensitive policies and practices. These results should not merely reflect the current state of affairs but rather catalyze change.

Turning the Tables: How Entrepreneurs Can Reframe Preventive Questions.

Entrepreneurs often encounter preventive questions such as: "How will you manage the risks and competition?" Another question might be, "What strategies do you have to minimize losses?" Or "What's your backup plan if the anticipated revenue source fails?"

A more promotional reframing of the questions above might be: (i) "What strategies will you employ to leverage your unique advantages and achieve success?" (ii) "What are your strategies to maximize growth and profitability?" (iii) "What's your backup plan if the anticipated revenue source fails?" The founder should always seek to answer a preventive question in a promotive way. For the example questions above appropriate answer can be: (i) "Our unique value proposition and deep understanding of our customers position us to secure a significant market share." (ii) "We have a strategic roadmap in place to scale our business, capitalizing on high demand and operational efficiency." (iii) "We've identified multiple potential revenue streams, providing our business model with flexibility and resilience."

By reframing the questions in a more positive way, founders can help to create an environment that is less biased towards gender and more supportive of their entrepreneurial spirit. This shift in approach will also help to counter the potential for adverse selection due to gender bias when seeking venture capital. Entrepreneurs must be conscious of how they respond to the questions raised by investors.

FE+MALE Think Tank: Championing Gender Diversity and Battling Funding Bias in Entrepreneurship.

At the FE+MALE Think Tank, we recognize Gender Diversity as more than just an equity issue—it's a powerful catalyst for innovation. Data consistently show that startups with gender-diverse founding teams deliver superior returns and outshine their peers. Yet, an alarming 7.2% of venture capital funding reaches female founders—a clear imbalance fueled by unconscious bias in investor questioning.

To confront this glaring challenge, the FE+MALE Think Tank, supported by the Gebert RUF Stiftung, proudly presents **The Beat Funding Bias Initiative (BFBI)**. BFBI is more than just a project; it's a movement aimed at:

- Encouraging investors to cultivate an unbiased approach in their questioning, ensuring equitable assessment of all entrepreneurs.
- Equipping female entrepreneurs with the vital tools and skills to strategically navigate the investment process strategically, thus increasing their likelihood of securing much-needed capital.

The BFBI framework offers a means for introspection and self-evaluation, assisting teams and organizations to pinpoint gender equity gaps and unlock opportunities for growth. It serves as a beacon for fostering cultural change and capitalizing on the power of diverse branding.

Join us in this endeavor. Step into a world where innovation knows no gender, and every dream has an equal chance of becoming a reality. Learn more about the FE+MALE-Think-Tank at bfbi.fe-male-think-tank.com.

The project is supported by the Gebert RUF Stiftung.