

Visibility of Innovative Female Founders in Germany

Andrea Ruppert, Martina Voigt and Veronika Kneip

Frankfurt University of Applied Sciences, Institute for Mixed Leadership, Frankfurt, Germany

ruppert@fb3.fra-uas.de

sokosch@fb3.fra-uas.de

veronika.kneip@fb3.fra-uas.de

Abstract: The current state of research in Germany shows that women are significantly underrepresented in innovative start-ups. The important potential of female founders for the innovation culture in Germany is thus not being exploited. The visibility of innovative female founders has an impact on their success, as it facilitates their access to capital, networks and markets. In addition, visible role models can motivate young women to contribute their own innovative potential to a start-up. This work-in-progress paper provides insight into the conception and the methodical approach within the project "Visibility of Innovative Female Founders in Germany" which examines the mechanisms and structures that influence the visibility of innovative female founders. On the one hand, the activity/passivity of female founders with regard to public visibility is investigated. On the other hand, the project examines selection mechanisms of media professionals as well as venture capitalists and identifies the success factors for the public visibility of (female and male) start-up founders in high-tech companies. By comparing the results of these two sub-surveys, best practices will be identified and measures to improve the visibility of innovative female founders will be developed.

Keywords: Entrepreneurship, Innovative Women Founders, Importance of visibility for success, Role models

1. Objective of the Project

The project presented here investigates innovative female founders in high-tech companies. This includes companies that develop product or process innovations, carry out innovation projects, or invest in research and development activities (Berger et al. 2019, p. 8). Female founders are currently not very visible to the public, but they have significant potential for the innovation culture in Germany. This potential needs to be exploited by supporting female founders to promote their success and encouraging young women by providing visible role models to take advantage of their career opportunities as founders of start-ups.

2. State of Knowledge

The current state of research in Germany shows that women are significantly underrepresented in innovative start-ups. Between 2016 and 2021, the share of start-ups in which women were involved increased from 13.9 to 20.3 % (German Start-up Monitor 2022, p. 7) but remains at a low level. In comparison, the general share of company formations with women involved was at 42 % (Metzger 2022, p. 4).

The reasons for this underrepresentation are manifold. The few publications and studies that specifically address the causes of the underrepresentation of women in start-ups cite a lack of role models and the lack of visibility of female founders in addition to reasons based on stereotypical role models, such as differences in business models, risk aversion and self-underestimation (Malmström et al. 2017, p. 851 f.; Klaus & von der Bey 2019, p. 16).

There are also clear differences in the mind set between men and women. Female start-up founders are characterised by a strong orientation towards predefined requirements, which is reflected in a good professional education but little experience in dealing with failures and setbacks. This is shown by the fact that they are less likely to found again in case of failure (Hirschfeld et al. 2020, p. 25).

Whether role models contribute to increasing motivation for founding and thus the share of females has not yet been specifically investigated for innovative start-ups. Role models in general can have positive or negative effects for female founders. The decisive factor for a positive effect is that the potential female founders can identify with the respective role models and share their values (Steffen & Ebert 2016, p. 156 f.). This is also proven by a study on female business angels, which concludes that more female role models among business angels lead to an increase in the number of both female business angels and female founders (Wuttig & Weber 2020, p. 9).

Networks and cooperation are also success factors for start-ups both in terms of financing and market establishment. Here, again, there are clear gender-specific differences. Female start-up teams cooperate less often with established companies (Hirschfeld et al. 2020, p. 48 ff.). They also use regional networks less often, although their positive benefits are rated higher by them than by male founders (Hirschfeld et. al 2019, p. 45 f.).

In addition, gender-specific differences exist both in the offer and in the use of coaching and advisory services (Elven et al. 2008, p. 16 ff.).

Furthermore, female start-up founders are at a disadvantage when it comes to fundraising, especially venture capital. All-female start-ups have an 18 % lower chance of successful funding and a 25 % lower chance of finding a main investor in the first phase of founding. In the second phase of start-up financing, the chances deteriorate to 40 %, and in the third round, the chance of receiving outside capital is even 90 % lower. The effective size of the investment is also lower by a third on average for all investments in female-led start-ups (Blazekovic 2019), as they are rated lower on average by investors. This is partially based on differences in the industries or business models, especially the lower presence in digital and internet-based business ideas (Burel 2020, p. 48 f.; Hirschfeld et al. 2019, p. 35 ff.; Blazekovic 2019). However, the lower ratings are largely based on traditional role models that attribute lower economic, innovation and leadership skills to women (Malmström et al. 2017, p. 851 ff.). It is assumed that these disadvantages in raising capital deter innovative female start-up founders in particular.

Although there are a large number of specific calls for proposals and funding measures aimed specifically at female founders, these do not usually cover the financial needs of innovative start-ups in particular. Innovative female founders are dependent on investments from venture capitalists (business angels, venture capital or private equity companies), whose financing decisions are based, among other criteria, on the visibility of the founders, as this is not only decisive for their own opinion, but also for successful market development. Thus, significant gender-specific differences can be identified with regard to financing: 25.7 % of male but only 7.7 % of female start-ups were funded by business angels. The situation is even worse for venture capital with 17.6 % funding for male and only 1.6 % funding for female start-ups (Hirschfeld 2020, p. 41).

In addition to the "gender bias" described above and the resulting different standards by which the start-up projects are measured, women are hindered by their different communication behaviour, their lower tendency to present themselves and their lack of networks (Hirschfeld, 2020, p. 40 and p. 49). Based on the study by Malmström et al. (2017, p. 855), a target group-oriented presentation and visibility with the aim of breaking through the existing gender-typical stereotypes could lead to significant improvements in access to venture capital and thus also to an increase in the numbers of female founders.

3. Research Design

The central research objectives are to uncover the mechanisms and structures that influence the visibility of innovative female founders and, based on this, to develop measures to improve the visibility of this target group.

To this end, the following research questions will need to be answered:

What hinders and what promotes the visibility of innovative female founders?

- How do media professionals inform themselves and make their decision who to report on and how?
- How do investors become aware of start-ups that are interesting to them and which media do they use to obtain information?
- What importance do (female and male) founders attach to visibility and what effort do they make to be visible?
- What do (female and male) founders do with regard to their visibility in public and/or towards relevant stakeholders (e.g. investors)?
- What significance do gender-typical role models have in this context?

Which measures are suitable to increase the visibility of female founders?

- What are best practices of female start-up founders?
- What are best practices of male founders that can be adopted?
- What other measures are suitable for increasing the visibility of female start-up founders?

The complexity of the research questions requires a mix of methods.

The first survey of the project serves to explore the research field. One aim is to gain initial insights into which media selection mechanisms are effective and which sources of information media professionals use and, according to which criteria they decide, who to report on and who to offer a platform to. Since access to venture capital plays a key role in the success of female entrepreneurs, the second aim is to investigate how investors become aware of start-ups that are of interest for them. Interview guidelines will be used for the discussions with these experts.

The second survey focuses on the analysis of 30 innovative start-ups. These have to meet the following criteria: The foundation took place within the previous seven years, and the companies must be based on an innovative technology or an innovative business model and strive for significant employee and/or revenue growth (Bundesverband Deutsche Startups 2022, p. 11). The cases are distributed as follows: 10 start-ups founded either by a single woman or an exclusively female team, 10 start-ups founded by single men or exclusively male teams, and 10 start-ups founded by a mixed-gender team. These samples should be as similar as possible in terms of key parameters such as industries, number of employees, etc. Socio-economic characteristics of the founders (e.g. age, educational background) which could have an influence on visibility should also be controlled for.

The analysis of the 30 cases describes the perspective of the founders, which is collected through intensive interviews. The focus is on the importance attached to visibility and the effort made to achieve it. In addition, questions on biography and the importance of role models are taken into account. An interview guide is also used here to collect the data. In the last phase of the research project, the findings from the collected empirical material will be used to derive best practices for expanding visibility and to develop guidelines for action.

4. Benefits of the Project

Targeted visibility with respect to investors, promoters and customers can help start-up founders effectively address challenges in sales/customer acquisition, product development, capital raising, and cash flow/liquidity management. Accordingly, barriers to entry for potential female start-up founders could be lowered. Better visibility with regard to investors, promoters and customers can thus contribute overall to increase the proportion of innovative female founders and the success rate of innovative female start-ups. At the same time, better visibility makes it possible to increase the acceptance of women as (potential) start-up founders in business and society. Furthermore, our approach promotes innovative female founders to become visible as role models to potential female founders and to increase their start-up motivation.

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