

Boosting Female Founders Initiative - Discussion Paper

The Boosting Female Founders Initiative

The Australian Government announced the Boosting Female Founders Initiative as part of the Women's Economic Security Statement¹ released in November 2018.

The Department of Industry, Innovation and Science is developing the Boosting Female Founders Initiative. The program will assist in removing barriers for women's economic participation in the workforce by providing access to finance for startups founded by women.

Early stage capital will be available for women engaging in innovative entrepreneurship to contribute towards building their startups. The program will support startups that are geared for growth with high potential to launch, scale and expand into domestic and global markets. The program will also target women experiencing a range of barriers to business growth and success.

Key elements of the program include:

- \$18 million (\$6 million per annum) of grants available over three years from 1 July 2020.
- Grants available on a co-contribution basis to invest in early stage startups with female founders.
- Funding awarded through merit-based, competitive processes.
- Applications assessed against specific program criteria and eligibility requirements.
- Targeted funding for female founders experiencing greater disadvantages, including:
 - A lack of connectedness to the startup ecosystem due to the concentration of startup activity in capital cities (e.g. regional, remote or rural).
 - A form of exclusion or disadvantage making it difficult to raise initial seed capital (e.g. Indigenous founders).
- Grants awarded by a panel of startup ecosystem leaders.
- Administered through the Australian Government's Business Grants Hub by the Department of Industry, Innovation and Science.

¹ <https://www.pmc.gov.au/sites/default/files/publications/womens-economic-security-statement-2018.pdf>

Businesses eligible for funding will be:

- Engaging in innovative entrepreneurship – businesses with features including: high degrees of innovation; job creation (creates jobs as they grow); wealth creation (directly for founders, employees and investors, and indirectly for the economy); and positive societal impacts.
- Startups – innovative, adaptive, early-stage and scalable businesses, with global potential.
- Female-founded – women²-led and with at least 50 per cent of the business owned by women.

Why target female founded startups?

Women face higher barriers to success

The Government acknowledges that startups founded by women encounter higher barriers to success than their male-only counterparts. Female entrepreneurs can struggle to access the capital, networks and resources they need to take their businesses to the next level.³

Some of the barriers experienced by women include:

- Limited or no funding opportunities – accessing capital can be very difficult and often women only raise half the capital compared to startups founded by men.⁴ Even when finance is available to women, the terms offered on credit can be less favourable.⁵
- Less capital – women often start a businesses with less capital,⁶ which has ramifications for business growth and scalability.

² The term women (including girls for minors) encompasses cisgender (personal gender identity corresponds with sex assigned at birth), transgender, non-binary and intersex persons who identify as women (girls).

³ https://i.dell.com/sites/csdocuments/CorpComm_Docs/en/Dell-WE-Cities-2019-Executive-Summary.pdf

⁴ https://minerva-access.unimelb.edu.au/bitstream/handle/11343/145370/FINAL%20WIGB_MLB_Uni_Report_2015.pdf?sequence=5

⁵ <https://www.biz2credit.com/research-reports/women-owned-business-study-2017>

⁶ http://wadeinstitute.org.au/wp-content/uploads/2019/04/Women_and_Entrepreneurship%20report_small.pdf

- The absence of support and professional networks (e.g. business coaches, mentors and role models) – in general, women lack the same strength in professional networks as men⁷, which makes it harder when starting a business.
- Lack of visibility – women are less likely to know someone who is an entrepreneur and therefore are less likely to become one themselves.⁸
- Unconscious gender bias – some investors prefer entrepreneurial pitches presented by men even when the content is the same⁹ and pose different questions to women.¹⁰

Female founded startups perform well

Research indicates startups founded and co-founded by women perform better over time, generating 10 per cent more in cumulative revenue over a five-year period, than their male counterparts.¹¹ Similarly, in terms of how effectively companies turn a dollar of investment into a dollar of revenue, startups founded and co-founded by women are significantly better financial investments: for every dollar of funding, these startups generated 78 cents, while male-founded startups generated less than half that—just 31 cents.¹² Although the number of women founders or co-founders is low, they typically achieve a higher rate of return, demonstrating the value of investing in diversity.¹³

Women are underrepresented in the ecosystem

Female founders are underrepresented in the Australian startup ecosystem. The proportion of startups with at least one woman founder decreased from a high of 25.4 per cent

⁷ http://wadeinstitute.org.au/wp-content/uploads/2019/04/Women_and_Entrepreneurship%20report_small.pdf

⁸ http://wadeinstitute.org.au/wp-content/uploads/2019/04/Women_and_Entrepreneurship%20report_small.pdf

⁹ http://wadeinstitute.org.au/wp-content/uploads/2019/04/Women_and_Entrepreneurship%20report_small.pdf

¹⁰ <https://hbr.org/2017/06/male-and-female-entrepreneurs-get-asked-different-questions-by-vcs-and-it-affects-how-much-funding-they-get>

¹¹ <https://www.bcg.com/en-au/publications/2018/why-women-owned-startups-are-better-bet.aspx>

¹² <https://www.bcg.com/en-au/publications/2018/why-women-owned-startups-are-better-bet.aspx>

¹³ <https://home.kpmg/uk/en/home/media/press-releases/2019/05/female-founded-fintechs-outperform-industry-average.html>. Full report: [uk-fintech-focus-2019 - KPMG](#)

in 2017 to 22.3 per cent in 2018.¹⁴ A KPMG High Growth Ventures report found 72 per cent of male-led startups don't have any female board members, while 62 per cent of Australian startups have no women board members.¹⁵

By providing government funding through this Initiative, the gender diversity of founders will increase, which will strengthen the performance of Australia's startup and innovation ecosystems over the longer term.

Alignment with the Australian Government's agenda

The Boosting Female Founders Initiative is part of the Australian Government's Women's Economic Security Statement released on 20 November 2018. The Statement highlights the need to empower women to control their financial lives.

Through the Women's Economic Security Statement, the Government will fund \$151.4 million of practical measures over five years to 2022-23 to assist female entrepreneurs achieve their goals. The Statement provides real opportunities for women to obtain financial security and build the foundations for economic independence.

This program also aligns with recommendations in Innovation and Science Australia's *Australia 2030: Prosperity through Innovation* report¹⁶ and complements existing initiatives under the National Innovation and Science Agenda, supporting female entrepreneurship and greater gender diversity in the STEM workforce.¹⁷

What do we want to achieve?

We want to stimulate new investment and drive growth in the startup sector by co-funding women-led startups.

The benefits of providing funding and support to female-founded startups include:

- Stimulating private sector investments into innovative women-led startups geared for growth.
- Helping female entrepreneurs overcome the disadvantages faced in getting access to finance and support to grow their startups.

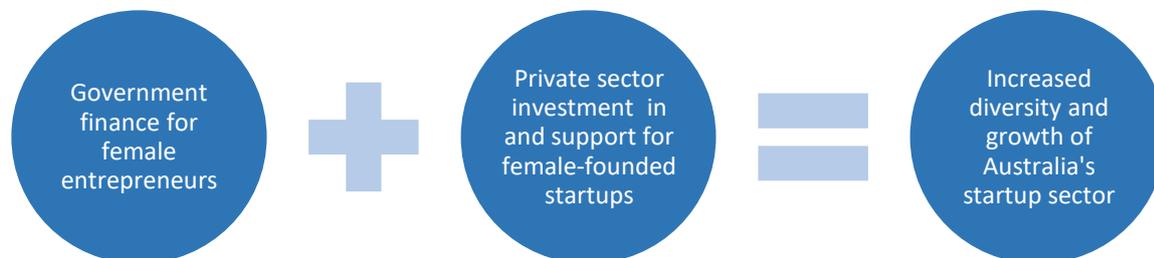
¹⁴ <https://www.afr.com/technology/annual-startup-muster-shows-falling-startup-numbers-and-fewer-women-founders-20181019-h16vgx>

¹⁵ <https://www.smh.com.au/business/small-business/push-for-women-board-members-and-investors-in-startups-20190319-p515ch.html>

¹⁶ <https://www.industry.gov.au/data-and-publications/australia-2030-prosperity-through-innovation>

¹⁷ <https://www.industry.gov.au/strategies-for-the-future/boosting-innovation-and-science>

- Enabling female founders to scale-up, expand into global markets and become self-sufficient.
- Boosting the economy through increasing the diversity of startup founders.



Help us design the program

We want to hear from stakeholders in the startup and innovation ecosystem to inform the design of the Boosting Female Founders Initiative. We encourage you to provide answers to our discussion questions and any additional feedback to support program design.

Program criteria

We are seeking suggestions for criteria to target the Government's investment into startups led by women. The Government understands the barriers faced by female entrepreneurs and will target startups experiencing disadvantages. Your answers to the below questions will help us to design eligibility and assessment criteria that account for startups experiencing barriers to accessing capital.

Discussion questions

- 1. What is the key challenge experienced by women when establishing and growing a startup?**
- 2. What additional challenges or barriers are faced by startups led by women?**
- 3. How can the program support startups led by women to leverage co-contributions from investors to maximise the benefits of the program?**
- 4. How can we ensure additionality in the program (e.g. funding businesses that would not have otherwise started, grown or attracted funding from other sources)?**
- 5. What other complementary support could the Government provide to female founders?**
- 6. Is there anything else the department should consider in developing the program?**

Detailed design

We are seeking to your views to determine the program's detailed design to get the best outcomes for startups founded by women. Your answers to the questions below will be considered and incorporated into the program's grant guidelines.

Discussion questions

7. What should the department consider when determining:

Eligibility

- a) target startup lifecycle stage (e.g. pre-seed, seed, minimal viable product)**
- b) characteristics of a business (e.g. age, revenue, expenditure, assets, employees)**

Grant funding

- c) optimal grant size (e.g. \$25,000 to \$250,000)**
- d) optimal grant duration**
- e) the appropriate ratio for co-contributions (e.g. matched funding)**
- f) what type of co-contribution is appropriate (e.g. equity, loan finance, loan notes)**
- g) the timing for grant milestone payments**

Activity

- h) focus funding areas (e.g. sector, location, demographic)**

Outcomes and evaluation

- i) the key indicators of success.**

We welcome your views

Please provide your views to inform how the program is designed, including to determine the eligibility and assessment criteria.

You can provide your input by making a submission through the Department of Industry, Innovation and Science's Consultation Hub: <https://consult.industry.gov.au/science-commercialisation/bff-design>.

If you are interested in being part of a focus group in your state or territory please send your expression of interest to BFF@industry.gov.au.

Other Australian Government support for startups

ACCESS TO MARKETS	
Landing Pads initiative	https://www.austrade.gov.au/landingpads https://www.business.gov.au/assistance/landing-pads
Export Market Development Grants	https://www.austrade.gov.au/australian/export/export-grants
ACCESS TO FINANCE	
Accelerating Commercialisation	https://www.business.gov.au/assistance/entrepreneurs-programme/accelerating-commercialisation
Business Research and Innovation Initiative	https://www.industry.gov.au/funding-and-incentives/business-and-startups/business-research-and-innovation-initiative
R&D Tax Incentive	https://www.business.gov.au/assistance/research-and-development-tax-incentive
Tax Incentives for Early Stage Investors	https://www.ato.gov.au/Business/Tax-incentives-for-innovation/In-detail/Tax-incentives-for-early-stage-investors/
Early Stage Venture Capital Limited Partnerships	https://www.business.gov.au/assistance/venture-capital/early-stage-venture-capital-limited-partnership
Venture Capital Limited Partnerships	https://www.business.gov.au/assistance/venture-capital/venture-capital-limited-partnerships
Employee Share Scheme	https://www.ato.gov.au/General/Employee-share-schemes/
Biomedical Translation Fund	https://www.business.gov.au/assistance/venture-capital/biomedical-translation-fund
CSIRO Innovation Fund	https://mseq.vc/
Women in STEM and Entrepreneurship Grants Program (WISE Grants)	https://www.business.gov.au/assistance/women-in-stem-and-entrepreneurship
ACCESS TO TALENT	
Incubator Support Initiative	https://www.business.gov.au/assistance/entrepreneurs-programme/incubator-support-new-and-existing-incubators
CSIRO ON Accelerator	http://www.oninnovation.com.au/
Global Talent – Employer Sponsored (GTES)	https://immi.homeaffairs.gov.au/visas/working-in-australia/visas-for-innovation/global-talent-scheme