

VC needs a Renaissance that puts diversity at the centre of the new world

The companies that venture capital has catalysed define our present: Apple, Amazon, Microsoft, Google, Alibaba and Facebook. Companies like them will define our future. Yet, the industry that supports them is stuck in the Middle Ages.

There's a problem with the current venture model when it comes to developing human capital. The firms responsible for sourcing, identifying, investing in and supporting the best-performing companies typically spend a mere fraction on their own learning and development, compared to the companies they fuel. When it comes to talent, for instance, training is still done through the apprenticeship system—a slow and costly form of education.

Why is an industry that has catalysed 60% of the world's ten largest companies still medieval in how it thinks about human capital? This practice isn't doing anything to change the perception of the industry from those outside it. To use a venture-favoured word, it needs to be disrupted.

It's time for a VC Renaissance: to transition out of the Middle Ages into modernity, to invest in a new generation—not just of companies, but people. We are launching the Newton Venture Program to do just that.

A new way to train

Newton is the result of a partnership between London Business School and LocalGlobe and Latitude funds, with backing from Research England, part of UKRI. Newton's two courses are a new type of industry-wide training programme suitable for those embarking on a career in VC or seeking to accelerate when they are mid-career. It will be the first programme of its kind to span investors across the sector, whether they are working in accelerators, university tech transfer offices, or in VC and LP firms.

Built from first principles around customer discovery and how top-performing firms practice, Newton pairs practitioner expertise with academic rigour to create a world-leading educational package for the next generation of venture investors.

Newton courses will bring together a mixture of venture practitioners and experts in entrepreneurship, finance, strategy and organisational behaviour from Europe, Israel and Africa, who can distill lessons learned across the macro landscapes.

Putting diversity at the core

In designing the programme, we took a hard look at ourselves and venture capital right now and realised that no attempt to upskill or reset this industry could ignore a very obvious problem. Right now, venture capital does not reflect our community, ultimately the people it serves.

We urgently need to increase the diversity of people going into this sector. Currently less than 8% of investors and business angels in Europe are women. Women make up less than 7% of fintech company founders, according to a new report from Deloitte and any change in that situation is slow. In 2019 women made up 30% of venture capital personnel, up from 27% in 2017 according to DiversityVC, but they are still thinly represented at the higher levels of the industry.

That is why Newton will ensure that at least 50% of the cohort are women. As well, Newton wants to ensure at least 50% of the cohort come from black and minority backgrounds. It is part of our explicit mission to increase the number of black and minority investors in the ecosystem and to develop them so they have equal access to thrive in the VC Renaissance.

How diversity boosts innovation

This isn't about signalling: diverse teams perform better and make more money. A 2018 study by the Boston Consulting Group found that diverse leadership teams lead to more and better innovation and improved financial performance. We join others in the industry that are also focused on improving the diversity of venture - FutureVC and Included VC - who run internship programmes for those who don't have typical VC backgrounds. But Newton is the only programme that is trying to achieve this through increasing access to the practice of venture at all levels of the industry through blending practitioner expertise and academic rigour.

Unlike mathematical integration in calculus, when it comes to venture, we believe the whole is greater than the sum of its parts. If Sir Isaac Newton were alive today, and had lived in today's networked economy, his Principia Mathematica would be incomplete without a nod to MetCalfe's law—and the enormous role that networks play as a compound exponential multiplier.

Over the next 10 years, the UK's innovation economy has huge opportunities - with more unicorns than any other nation in Europe, and startups being formed across the country attracting record levels of venture capital from foreign and domestic investors. We have all the ingredients to make the UK a true global centre of excellence for innovation. Newton is excited to play its part in bringing together practising investor and academic expertise to help this network flourish.

Lisa Shu is Entrepreneur in residence, LocalGlobe

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