# Why the UK startup ecosystem must embrace racially diverse talent

## Diversity and inclusion are a crucial part of innovation, technology, and the startup ecosystem. So why is investment, support and self-sustainability among minority-led startups in the UK still lagging?

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If you're looking for evidence to back up the benefits of diversity, there's no shortage of studies and reports. Employee-led innovation increases by 83% in organisations that are perceived to be committed to diversity. Cognitively diverse teams solve problems faster, according to Harvard Business Review.

Yet in the UK, diversity is seriously lagging. Just 5% of small-to-medium enterprises (SMEs) are led by someone from a minority ethnic group. Between 2009 and 2019, ethnic minority led startups received just 1.7% of venture capital investments: not surprising, given that it's estimated that fewer than 1% of people at the decision making level in VCs are black.

"If diversity was a brand new technology like machine learning or blockchain, it would be flying off the shelves," insists Mark Martin, teacher and founder of UK Black Tech, who campaigns for visibility and participation of black talent in UK tech.

> *“You wouldn’t need reports to convince people this was the right thing to do.”*

As the world takes account of how minority ethnic groups participate and are involved in society at all levels, the UK startup ecosystem has to take diversity and inclusion seriously. The impact of inaction, Mark believes, could be catastrophic.

## The business case for diversity

Company expenditure on diversity and inclusion in the UK is likely to be in the billions of pounds over the past several years. But a lack of impact—on the pay gap, on the investment gap, on recruitment—shows it’s failing. One significant factor behind this is fear.

“People are scared of the unknown,” Mark says. Companies fear that recruiting diversely might have a negative financial impact, or affect the organisation’s social standing, or even displace them from their own jobs, ignoring the clear productivity and innovation benefits.

Making the business case for diversity is very simple. “Diversity and inclusion should just be baked into everything we do. If you don’t bake it into innovation and technology, we’re heading down the road towards disaster, where you might harm, exclude or kill people in the future.”

He points to the A-Level results catastrophe, which was unfairly biased against inner city students and towards those from private schools; or the UK Met Police facial recognition software, trialled between 2016 and 2019, which disproportionately flagged up people of colour. Both examples of a lack of foresight that might have been avoided by diversity in building the technology.

One way to think about approaching diversity is to think of it like a blindspot. “What are the untapped opportunities or problems that customers have that may have been overlooked by others,” explained startup founder Deborah Choi, during the *‘Seat At The Table’* webinar co-hosted by Silicon Allee and London & Partners.

Deborah is also the co-organiser of Tech in Colour, a platform enabling community, access, and visibility for Black, Asian, Indigenous and Minority Ethnic female tech founders across Europe.

Accessing this blindspot is particularly important for innovating on challenges which directly impact minority ethnic groups. UK Black Tech led a campaign to innovate around responses to Sickle Cell Disease, which is particularly common among groups of African descent.

“It’s important that we have different people talking about the future of tech and innovation, because that’s what drives society,” Mark says.

# Increasing transparency and data visibility

You’d be hard to come by a company who doesn’t signal their commitment to diversity. The problem, Mark says, is that the majority of this is virtue signalling. Without transparency, there’s very little to verify the weight behind an organisation’s commitments.

Data visibility is a good way to highlight the status of diversity and inclusion, as well as identifying the different processes and challenges that minority ethnic founders face.

The Black Report, published this October, is ‘the first qualitative report on Black founders in the UK’. The report surveys 60 pre-seed black founders, gathering data on their backgrounds, their education, how they funded their businesses, their teams, and their investors.

Co-author of the report Andy Davis, an angel investor for Atomico and director of diversity-led accelerator Backstage Capital, writes in the introduction: “I always say, “level the playing field and we will dominate.” We’ve seen this happen in various sectors. Business is next.”

Data visibility can also be a good way to push companies to hold companies to account by increasing transparency about their current diversity.

Startup community YSYS (‘Your Startup, Your Story’) launched the Know Your Data campaign in September this year, encouraging the UK startup ecosystem to commit to collecting and publishing data on the diversity of their employees and investees, as well as a list of commitments that organisations can hold themselves accountable to.

# Unequal access to investment

What’s stark in the Black Report is the entirely different experience black-led startups face when it comes to seeking investment.

First, when it comes to the crucial friends and family funding round, which is often the first step for a startup to get off the ground. The report reveals that most black founders skip the friends and family round: 88% are self-funded, contributing an average of around £14K, while only 22% seek friends and family funding, at an average of £9.5K.

Additional funding is equally challenging. Only 23.3% receive private grants, and only 15% receive university grants. Angel investing is by far the most favoured source of funding, higher than VC funding.

10×10, founded by Black Report author Andy Davis, aims to bridge this gap between the two founders and VCs. It started just as an informal group of black founders, then came to encompass different areas such as angel investors, VCs, data, among others.

So how can we encourage VCs and angels to be more inclusive in their investment? Check Warner, a partner at Ada Ventures and co-founder of Diversity VC, outlines eight important steps.

Chief among these is 'focus on the pipeline', ensuring that you are principally focusing on diversifying your pool, and evaluating how you can increase that diversity. She also recommends other steps towards building transparency, including removing the need for a 'warm introduction' and publishing your investment criteria.

# A seat at the table, or a new table?

The expression 'a seat at the table' is literal when it comes to enhancing diversity in organisations. Creating a physical space on a decision making level—in VCs, in organisations, in startups—is a fundamental step.

Mark Martin believes this amounts to more than inclusion; this is participation. "You're engaged with the decision that the organisation is making, and how the organisation is being led."

Mark is open about the catastrophic implications of diversity not driving technology and innovation. But what he fears even more is a 'brain drain': an exodus of black talent from the UK to other countries where they'll be treated more fairly.

But for many, a seat at the table isn't really enough. The emphasis is about building their own table, built on the principles of diversity and inclusion, and which can compete equally. This already is, and will continue to be, a huge contributor to innovation and development in areas that are currently lacking in focus or underfunded.

*Read also*

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