The untapped potential of women in business represents an immense economic opportunity: the global GDP would rise by as much as $5 trillion if women and men participated equally as entrepreneurs.1

A growing number of governments and financial services providers — including many in the Financial Alliance for Women (Alliance) network — have developed efforts to tap into this opportunity by supporting women-owned/led small and medium-sized enterprises (WSMEs). However, there are few examples of robust public and private sector collaborations to boost female entrepreneurship at the national level.

That was until September 2018, when the UK government commissioned Alison Rose, then-deputy CEO of NatWest Group, to lead a review into barriers to female entrepreneurship in the UK. The resulting report, “The Alison Rose Review of Female Entrepreneurship,” also known as the Rose Review, concluded that closing the entrepreneurship gender gap represented a £250 billion opportunity for the UK economy.

The report also identified eight practical steps stakeholders could take to help close the gap, the first of which was to promote greater transparency in funding for female entrepreneurs. This evolved into the Review’s flagship initiative — the Investing in Women Code — a voluntary pledge that commits financial services providers (FSPs) to providing the UK Treasury with data on their financing to WSMEs.

Since launching in March 2019, the Code has been signed by more than 100 FSPs, bringing transparency and accountability to financing for WSMEs and galvanizing the UK’s public and private financial services sectors to support female entrepreneurship.

What Is the Investing in Women Code?
The Code commits organizations that finance entrepreneurs in the UK to support female entrepreneurship by:

- Nominating a member of the senior leadership team to be responsible for supporting equality in access to finance;
- Increasing the transparency of financial services funding to women entrepreneurs by collecting and reporting data; and
- Adopting internal practices to support women entrepreneurs.

“There is an economic imperative for employers, investors and Government to work in partnership to ensure female entrepreneurs are not disenfranchised from the business community, and that all those with an ambition to start or grow a business receive targeted, innovative support.”

Alison Rose, CEO, NatWest Group

Rallying a National Ecosystem to Champion Female Entrepreneurship

The UK’s Investing in Women Code: Rallying a National Ecosystem to Champion Female Entrepreneurship

1
Getting Started

Despite its strong financial services sector and relative abundance of venture capital funding, the UK lags peer nations in terms of female entrepreneurship. At the time of the Rose Review, only 6 percent of UK women ran their own businesses compared to ~15 percent of women in Canada, ~11 percent in the US, and ~9 percent in Australia and the Netherlands.

In 2018, the government — led by female entrepreneurship advocate Prime Minister Theresa May and facing economic pressures in the wake of Brexit — was eager to reverse this trend.

To help lead the charge from the private sector, the government identified an ally in Alison Rose, CEO of NatWest, which had an active Women in Banking program since 2003. NatWest engaged McKinsey & Company to help with the research.

The team from NatWest and McKinsey set out to answer the following questions:

1. What is at stake for the UK economy by not having parity in entrepreneurship?
2. What is the current entrepreneurial landscape?
3. What are the key barriers holding women back? and,
4. What can we do about it?

"Today’s businesswomen face too many barriers to setting up and scaling their enterprises. This doesn’t just hold back women, but every single one of us.”

– Robert Jenrick
UK Exchequer Secretary to the Treasury, as stated at the launch of The Alison Rose Review for Female Entrepreneurship

Several principles of the Investing in Women Code model make it unique:

1. The strong collaboration between the public and private sectors;
2. The voluntary approach to reporting that works without strong regulatory intervention;
3. The role of trade associations as independent data aggregators;
4. The participation of different types of financiers, including angel, bank and venture; and
5. The data transparency into financing for WSMEs that happened as a result.

This case study highlights how the Code was developed and codifies lessons learned from the process. Our hope is that other countries can use these principles to build similar models that help close the $1.7 trillion financing gap for WSMEs worldwide.²

2x more men than women in the UK are entrepreneurs

<1% of UK venture funding goes to all-female teams
Doing the Research

To find answers, McKinsey and NatWest conducted qualitative interviews with 200 entrepreneurs, business leaders, investors, academics, entrepreneurship hubs and more, as well as a quantitative survey of more than 5,000 people, including male and female entrepreneurs, and men and women from every region in the UK.

The team conceptualized the entrepreneurial journey by stage — intention, start-up, sustain and scale — and quantified the leakage of women as they moved through the funnel using data from the Global Entrepreneurship Monitor. They found that fewer women than men express the intention to become entrepreneurs (9 percent of women vs. 14 percent of men), fewer go on to start businesses (65 percent of women vs. 78 percent of men), and those that do are less likely to scale them (13 percent of women vs. 29 percent of men).

The team then went back to the interviews and survey results to pinpoint what was holding women back. At every stage of the funnel, access to funding was the biggest challenge, followed by balancing business and personal commitments.

“Looking at barriers across the full entrepreneurial journey (from intention to scaling) allowed us to identify the most significant challenges women faced at each stage, given these vary over time.”

– Paul Jenkins
Senior Partner, McKinsey & Company

Engage interviewees as early allies. Many of the interviewees from initial conversations would stay connected to the project as thought partners and early champions of the Code.
Finding Solutions

Next, the team sought out potential solutions to these key barriers. They looked to policies and practices that other countries had adopted to increase their numbers of female entrepreneurs and analyzed potential interventions based on a set of criteria: the size of the barrier itself, the relevance of the proposed solution to the barrier and the projected impact of the proposed solution.

Then, they refined the potential solutions by workshopping them with key stakeholders from banks, investors, trade associations and global experts such as the Alliance. Finally, they **recommended eight initiatives that they laid out in the Rose Review:**

1. Promote greater transparency in UK funding allocation through a new Investing in Female Entrepreneurs Code
2. Launch new investment vehicles to increase funding going to female entrepreneurs
3. Encourage UK-based institutional and private investors to further support and invest in female entrepreneurs
4. Review existing and create new banking products aimed at entrepreneurs with primary care responsibilities
5. Improve access to expertise by expanding the entrepreneur- and banker-in-residence programs
6. Expand existing mentorship and networking opportunities
7. Accelerate development and rollout of entrepreneurship-related courses to schools and colleges
8. Create a digital first-stop shop for entrepreneurs

“The recommendations of the Rose Review were based on research, workshops and conversations with many parties. That created a shared commitment and sense of momentum.”

— Francis Evans
Head of Business Finance, Dept. for Business, Energy & Industry Strategy

**Leverage best practice solutions.** The report’s recommendations drew on best practices from the public and private sectors, like Canada’s Women Entrepreneurship Hub (which became recommendation No. 8) and NatWest’s family friendly banking products (which evolved into recommendation No. 4).
Creating a Call to Action

The Rose Review was published on International Women’s Day 2019 and served as a call to action that would draw awareness to the gender disparity in entrepreneurship, show the size of the opportunity and call on stakeholders to act. To make the report’s findings more digestible, they released a condensed infographic headlining the key findings alongside the 100+ page report.

The report was publicized by government and private sector leaders. Theresa May hosted a launch event for female entrepreneurs at Downing Street, and Alison Rose spoke with national media outlets about the key findings.

Simultaneously, the government published an official response to the findings in which it set the goal to increase the number of female entrepreneurs by 50 percent by 2030. Together, the launch and media campaign were a tremendous success, with the headline number of a £250 billion opportunity for the UK economy, driving momentum around the issue.

“I am committed to real change in this area, starting with our action today to encourage more companies to look at the gender split of who they choose to invest in.”

– Former Prime Minister Theresa May, as stated at the Rose Review launch event at Downing Street

Maximize the impact of your research.
The publicity surrounding the Rose Review report raised public awareness and galvanized private sector leaders into action.
Designing the Code

NatWest and McKinsey sought to capitalize on the buzz surrounding the Rose Review by coalescing the UK government and market players around a path forward.

The team began focusing on data transparency to stimulate funding because it had worked before on a separate but related issue: the gender pay gap. In recent years, companies had begun reporting their gender pay gap publicly, drawing attention to the issue and holding them accountable for fixing it.

The Investing in Women Code also had a precedent in the Women in Finance Charter, a 2016 initiative set up by HM Treasury to increase gender-diverse leadership in the UK’s financial services sector. The concept of adopting a similar pledge that committed FSPs to sharing data on financing for WSMEs appealed because it would galvanize the private sector to track — and ultimately increase — funding for female entrepreneurs.

Before announcing the Code, Alison Rose contacted the CEOs of four major UK banks to gain their organizations’ buy-in as founding signatories, communicating that this was an opportunity to grow their businesses and the country’s economy.

Public buy-in to the Code from key industry players strengthened the momentum and substance behind it. Seeing that sector leaders had already committed also encouraged more FSPs to sign on.

“The Investing in Women Code] represents a determination to tackle the barriers that are still faced daily by female entrepreneurs and ensures a great business idea has the chance to succeed.”

— Santander on Santanderbreakthrough.co.uk website

Begin with buy-in from industry leaders. Early support from top management at leading FSPs helped ensure the Code would hit the ground running when it launched.

The Women in Finance Charter

HM Treasury created this initiative in 2016 to encourage gender-diverse leadership in the financial sector by asking FSPs to commit to:

1. Having one member of the senior executive team be responsible and accountable for gender diversity and inclusion;
2. Setting internal targets for gender diversity in senior management;
3. Publishing progress annually against these targets publicly; and
4. Ensuring the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.
“We were deeply committed to the findings of the Rose Review and the need for a new Code to increase access to finance for women entrepreneurs. This meant not only helping pull the Code together, but also encouraging the angel investing community to sign up.”

– Jenny Tooth
CEO, UK Business Angels Association

Getting Signatories

HM Treasury and the Department for Business, Energy and Industry Strategy (BEIS) motivated FSPs to sign on to the Code by publicly supporting the initiative and assuaging any concerns they had. This included assuring FSPs’ leadership that they could work jointly with other FSPs without risking perceived collusion issues.

Trade associations also played a crucial role. These included UK Finance, the UK’s leading trade association for banks; the British Business Bank (BBB), a government-owned development bank dedicated to supporting financing for SMEs; the UK Venture Capital Association (UKVCA), which represents venture capital firms; and the UK Business Angels Association (UKBAA), which represents the angel investment community.

As trusted, independent intermediaries between government stakeholders and institutions in their sub-sectors, they helped bring many new signatories on board.

FSPs were invited to sign onto the Code using an online form. Soon after they signed it, the chief executive received a letter co-signed by Alison Rose and the UK government asking for the leader’s help in executing on the Code commitments.

Communications Materials used by HM Treasury to Encourage FSPs to Sign On

Only 1 in 3 entrepreneurs are women

The Investing in Women Code will improve women’s access to the tools, resources and finance needed to build a business.
Implementing the Code

A group of key stakeholders from HM Treasury, UK Finance and NatWest coordinated implementation of the Code, and ongoing conversations with leadership from the founding signatories — including Lloyds, Barclays, Santander, Metrobank and more — shaped it as well.

Data leads from participating institutions were invited to join the Data Task Force, which would work collaboratively to define what KPIs signatories could feasibly provide.

BEIS participated in the Task Force meetings as a show of governmental support and neutrality, assuring signatories that the data would not be used to compare between competitors but rather to create a baseline for progress in the sector.

The trade associations also played an active role working with FSPs from their respective sub-sectors to determine what data could be feasibly provided.

Together, the Task Force reached consensus on two key elements of the data reporting and collection process: definitions and KPIs.

Defining Women-owned/led Businesses:
Because there was not yet a standard definition used by all banks in the UK — as is the case in most countries — the banks agreed on their own uniform definition to use for reporting. They looked for indicators that would be nuanced enough to bring deep learnings while being feasible for most banks to track.

Definitions Used for the Code:

**All-female-led business:**
- Sole proprietorships in which the owner identifies as female, LLC’s in which all of the directors identify as female, and partnerships in which all partners identify as female.
- For venture capital firms and angel investors, this includes businesses in which the founders identify as female.

**Mixed gender-led business:**
- LLC’s with any combination of female/male directors and partnerships with any combination of female/male partners.
- For venture capital firms and angel investors, this includes teams with any combination of female and male founders.

*Signatories also reported on all-male-led businesses*

KPIs Reported out on Per Sub-sector
Disaggregated by all-female-owned/led, mixed-gender, and all-male-owned/led businesses and teams

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Investment Manager and VC Funds</th>
<th>Angel Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td># business customers by ownership structure</td>
<td># pitch decks received</td>
<td># proposals received</td>
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<tr>
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<td>Amount of funding requested</td>
<td>Amount of funding requested</td>
</tr>
<tr>
<td># finance applications by credit product type</td>
<td># proposals considered by the investment committee</td>
<td># proposals considered for investment</td>
</tr>
<tr>
<td>Value of finance applications by credit product type</td>
<td># grants approved by the investment committee</td>
<td># investments made</td>
</tr>
<tr>
<td>Value of finance outstanding (draw-down amounts)</td>
<td>Amount of funding requested</td>
<td>Amount of each investment</td>
</tr>
<tr>
<td></td>
<td>Amount of funding granted (where applicable)</td>
<td>Amount of any known co-investment and follow-on investment</td>
</tr>
</tbody>
</table>
Once signatories had reached consensus on these key inputs, BEIS and the trade associations supported them throughout the reporting process, recognizing the challenges in collecting the data and allowing for some flexibility on KPIs and reporting periods. They also created the Investing in Women Code Supporting Guidance document to help signatories follow through on their commitments. The Guidance document outlined all relevant information for providing data (Commitment No. 2) as well as recommended best practices for adopting internal practices support female entrepreneurs (Commitment No. 3): recommendations such as diversifying investment committees and providing coaching for entrepreneurs.

**Collecting and Reporting the Data**

The trade associations collected the required KPIs from FSPs and created sub-sector reports with data-driven insights, illustrative examples, and best practices from select signatories. These reports were then aggregated by BEIS and HM Treasury and broadcast in the public-facing Investing in Women Code Annual Progress Report 2021, which included nuanced findings from each type of financier, such as:

- **Bank Lending**: Loan approval rates were consistent across male-led and female-led businesses; however, just 15 percent of loan applications came from women-led businesses, and these tended to be for smaller loans amounts.

- **Venture Capital Funding**: All-female teams accounted for only 10 percent of investment pitches. Founder teams who had a “warm” introduction to a VC firm were 7 times more likely to be funded, regardless of founder team gender.

- **Angel Investment**: While all-female teams represented only 16 percent of the pipeline, more of them reached the next stage of investment (a 47 percent success rate) than their all-male counterparts (a 32 percent success rate).

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“*The collaboration between banks was absolutely critical to making organizations comfortable with sharing the data.*”

— Julie Baker  
Head of Enterprise and Climate Engagement and Partnerships, NatWest Group

“What gets measured gets done. By signing the Code, FSPs are making a public commitment to support WSMEs through transparent data collection.”

— Jennifer Tankard  
Principal, Invoice Finance and Commercial Finance, UK Finance

**Ensure that the signatories are on board with the metrics they’ll be accountable for.** Involving FSPs in developing the data template ensured that they’d follow through on their commitment to provide the data.
## The Code’s Key Stakeholders and Their Roles

<table>
<thead>
<tr>
<th>Role in launching the Code</th>
<th>Role in implementing the Code</th>
<th>Role in the Code’s success</th>
</tr>
</thead>
</table>
| **The UK Government (BEIS, HM Treasury)** | **Initiated research** into the UK entrepreneurial landscape for women (Rose Review)  
**Publicized** the Rose Review findings and the Code itself | **Participated in Data Taskforce** to mitigate FIs’ concerns around data  
**Created and distributed guidance document** for signatories  
**Codified learnings** in the annual progress report | **Incentivized market players** to act by signaling strong support  
**Signified impartiality**, helping to enable cooperation between competitor firms |
| **The public sector anchor** | | |
| **NatWest Group** | **Engaged global experts**, including the Alliance and McKinsey  
**Co-led the Rose Review research** that led to the Code and other initiatives  
**Leveraged Alison Rose’s influence** to get more industry buy-in | **Provided guidance** to other signatory banks on how to track sex-disaggregated data  
**Helped lead the definition process** for determining the what would be included as women-owned/led businesses  
**Made big funding commitments** to female entrepreneurship, including an initial £1 billion to follow by an addition £1 billion the next year | **Brought critical private sector perspective** to the Rose Review research and the Code  
**Demonstrated leadership** with its own Women in Business program since 2003  
**Shared best practices** based on years collecting sex-disaggregated data |
| **The private sector anchor** | | |
| **Trade Associations (UK Finance for banking; BBB and UKVCA for venture funds; UKBAA for angel investors)** | **Lent expertise on the research** for the Rose Review  
**Endorsed the Code** in the Rose Review report  
**Spread the word** to bring in more types of signatories | **Created and distribute guidance document** in partnership with HM Treasury  
**Collected feedback** from signatories on data template and  
**Distributed the data templates** and helped FIs work through challenges filling it out  
**Collected data** from FIs  
**Aggregated and analyzed data** and added case studies for context; sent data to HM Treasury | **Brought players on board** from across the entrepreneurial funnel  
**Helped work through sub-sector specific issues** with collecting and sharing data  
**Collected, analyzed, and told a story about each sub-sector** for the annual progress report |
| **The trusted, independent intermediaries** | | |
| **Signatories (100+ banks, VCs and angel investors)** | **Signed onto the Code** and nominated staff members to manage the imitative internally | **Worked collaboratively to determine KPIs** that would be reported on  
**Provided rounds of feedback on the data template** before it was finalized  
**Tracked and provided sex-disaggregated financing data** to trade associations on short timelines  
**Provided contextual data** to the trade associations such as more information on the type of women-owned businesses they serve | **Signed onto the Code and committed to sharing their data** while working through process of determining KPIs  
**Worked collaboratively with competitors** to share best practices and reach consensus on definitions and KPIs  
**Devoted time and resources to follow through on Code commitments** despite the COVID-19 crisis  
**Provided sex-disaggregated financing data** in order to strengthen private-sector funding for female entrepreneurs |
| **The collaborators and data contributors** | | |
The Next Step: Applying the Principles Behind the Code in other Countries

Based on the success of the Rose Review and Investing in Women Code, the UK is poised to capitalize on the potential £250 billion of new value that closing its entrepreneurship gender gap can provide; and the signatory FSPs are well-positioned to tap into that growth opportunity. There are several principles from the Code that other countries can effectively apply so that they too can realize the full economic potential of their female entrepreneurs.

Public/private partnership is essential. Each side plays a necessary role: The government catalyzes, lends impartiality, and incentivizes. The private sector brings know-how and delivery. An anchor player, like NatWest in the UK, may also help with resources and coalition building.

Trusted, independent organizations have a key role to play. In the UK, the trade associations were the glue that held the Code together by bringing their trust, experience and deep networks to the table and ensuring that the process was tailored to the needs of different types of financiers.

Government mandates are not the (only) answer. As the UK case shows, it is possible to encourage widespread market action on women’s financial inclusion without using a “stick” approach. Doing so is only possible when the right people with the right expertise buy into the initiative.

A collaborative process is as important as the final product. Getting input from stakeholders throughout the process was key to building an ecosystem of female entrepreneurship champions, which is arguably as important as the Code itself.

If other countries can effectively apply these principles to make similar initiatives happen in their own contexts, the sky’s the limit for women entrepreneurs — and their families, communities and economies — around the globe.

The Code’s Key Achievements

The Code is a work in progress that will continue evolving and improving as it gains more signatories and integrates learnings from prior years. Yet, even in its first year, it has achieved groundbreaking successes.

Regular Reporting on Financing for Female Entrepreneurs
Through the Code, the UK’s financial sector has established an ecosystem-wide data collection system with data from 100 signatories and counting — one built by and for the market.

Valuable, Action-Oriented Learnings
The Code’s annual report gives crucial insight into financing patterns for female entrepreneurs that will strengthen government and private sector efforts to support female entrepreneurs.

An Engaged Ecosystem
The collaborative process of developing and implementing the Code coalesced a national ecosystem across the public and private sectors, including diverse types of financiers, to support female entrepreneurship.
The Financial Alliance for Women thanks Francis Evans from the Department for Business, Energy and Industry Strategy (BEIS); Mya Zaver from the British Business Bank (BBB); Jennifer Tankard from UK Finance; Roderick Beer and Jenny Tooth of the UK Business Angels Association (UKBAA); Laila Page, Julie Baker and Yvonne Greeves of NatWest; and representatives from McKinsey & Company, including Paul Jenkins, Kei Yamaguchi, Pierre-Matthieu Gompertz, Megha Kansal, Zvetelina Stantcheva, and Liga Zvirgzdina for their generous participation and willingness to share their experiences.

About the Financial Alliance for Women

We’re the leading members’ network of financial organizations dedicated to championing the female economy — the world’s largest, fastest-growing market, and yet one that remains untapped. As a unique network with members from over 135 countries, we share the ambition of unlocking the full value of the female economy.

Everything we do is based on a win-win approach where financial organizations grow their businesses by accelerating women’s financial power. From creating real and digital platforms where members can learn from each other’s on-the-ground experiences, to publishing our own proprietary data and research, to advocating for global policy change — we inspire and equip our members to design and refine women-centered products, services and strategies that will bring about a new paradigm for women’s financial experiences.

Endnotes:
1 BCG, “Want to Boost the Global Economy by $5 Trillion? Support Women as Entrepreneurs,” 2019
2 IFC, “MSME Financing Gap,” 2017
4 Santander Breakthrough, “Female Entrepreneurs,” 2021
5 RBS Business Hub, “The Alison Rose Review of Female Entrepreneurship,” 2021