



ANGEL CAPITAL ASSOCIATION

Diversity and Inclusion Resource Guide



ACA has prepared this Diversity and Inclusion Resource Guide to help members grow group membership by attracting a more diverse set of angel investors. Research shows organizations that focus on inclusion attract new deal flow, make better returns and make better decisions. ACA will continue to develop additional resources to benefit our members.

Objectives:

- Attract qualified diverse investors to angel investing
- Provide tools to help our member groups attract and retain more diverse members*

*Initial diversity focus on gender, ethnicity/race and age

The Facts:

- Diversity within companies improves business results
- Diversity among investments improves investor's returns
- Only a small portion of accredited investors become angel investors
- More angels are needed
- Women, minorities and younger investors are under-represented as angels

The Challenge:

There are four major challenges that must be overcome to increase representation of women and minorities in early stage angel investing:

- Awareness: Angel investing as a viable alternative investment
- Education: What is angel investing, how do I do it, etc.?
- Risk Tolerance: How to manage these higher risk investments
- Respect: Will my participation be welcomed and valued?

Implementation Challenges, Implications and Actions

Barriers/Challenges	Implications/Indicated Actions
Awareness	
<ul style="list-style-type: none"> Many women and minorities are simply not aware of early stage investing as an alternative asset class to consider They may not know any angels and/or are less likely to see relatable angel role models 	<ul style="list-style-type: none"> Building awareness of early stage investing as an interesting alternative asset class (high risk/ high potential rewards) is a first step in generating interest Deliberate outreach to under-represented groups while showcasing successful relevant role models is critical Highlight women, young people and minorities in promotional materials
Education	
<ul style="list-style-type: none"> Angel investing has a unique language and process all its own. All new angels need to build knowledge and confidence Having fewer role models increases the hesitancy of women and minorities Many people have false assumptions about the amount of investment needed to participate in angel investing 	<ul style="list-style-type: none"> Create multiple user-friendly events to educate all potential angels Provide information about ways to invest, building on basic business skills Provide diverse learning options—webinars, in-person training, mentoring, checklists will help eliminate the mystique Showcase current women and minority investors to provide a more welcoming environment and real-world role models
Risk Tolerance	
<ul style="list-style-type: none"> Need to directly address investment levels required for angels investments to mitigate impression that high initial buy-ins are needed Women tend to have lower financial risk tolerance than men Women and minorities may be hesitant to take on the high risk nature of Angel investing 	<ul style="list-style-type: none"> Investing via diversified funds with relatively low minimums (e.g. \$10,000/year) along with experienced angels can mitigate risk Creative “starter funds” (with educational components) have shown promise in attracting women, minorities and younger angels
Respect	
<ul style="list-style-type: none"> Many women and minorities have experienced lack of respect in their professional careers, and they are tired of fighting to establish their competency, credibility and voice Many are hesitant to join established non-diverse groups they fear may not respect their views or share their values 	<ul style="list-style-type: none"> Create a welcoming supportive and inclusive environment For established groups using current members to reach out to others will help overcome “not for people like me” Offer information on implicit bias to all members Active outreach to potential women and minorities who already have other relationships with members works well Consider inviting participation in Angel activities such as screening, mentoring and coaching to build relationships before requiring membership Focus on investments where female and minority investors have shared values can enhance interest (e.g. impact investing or supporting under-represented entrepreneurs)



Examples of Inclusion by ACA Members

Many ACA member groups are addressing these issues in a variety of ways. Here is a sample of recent activities designed to address many of the challenges outlined here:

Diversified Angels Groups

- In Cincinnati—**Queen City Angels (QCA)** established a D&I Committee which focuses on improving gender, ethnic and age diversity among investors as well as encouraging increased investment in diverse entrepreneurs. In partnership with Cintrifuse, they helped to support and promote “Venturesome Woman”, a regional early stage education event designed and delivered by women for women. Another key initiative launched in late 2016 was Ascent Angels - a “starter tier” within QCA. Ascent leverages a shared membership model that lowers the initial investment requirement and incorporates educational events specifically focused on new investors. Ascent had 40% female members and the hope is to encourage Ascent participants to graduate to full membership.
- In the Research Triangle Park area of North Carolina, six local angel groups (**RTP Capital, Triangle Angel Partners, Investors’ Circle** and others) worked with the Council for Entrepreneurial Development (CED) to launch an outreach educational program for accredited women investors led by existing women angels. The program results in new members for several of the groups and triggered additional one on one outreach.
- In San Diego, the **Tech Coast Angels (TCA)** presented an evening educational event with specific focus on women angels. Marketing materials including photos and detailed bios of women involved to provide relatable, aspirational role models. The event targeted a range of attendees such as: a) community members curious about angel investing; b) aspiring angel investors; c) startup founders; d) business owners; e) current and new investors; f) business and MBA students. Community response was very favorable with over 100 attendees (standing room only), leading to new members for TCA, as well as new sources of interesting deal flow.

Targeted Groups

- **Rising Tide -> Next Impact Fund Wave + Rising Tide 2 Europe + Portfolia Sector Funds = Holistic Approaches to Create More Female Angel Investors**

In 2015-2016, Alicia Robb designed an approach to narrow the gender gap in angel investing by providing women with a unique learning opportunity to build a diversified portfolio of investments (with a relatively low initial investment), receive mentoring by experienced female angel investors and have access to comprehensive education & training program around angel investing. This design was implemented in two Rising Tide Pilot Funds: a US program in partnership with Portfolia (Trish Costello), a Europe program in partnership with Go-Beyond Investing (Brigitte Baumann) and the European Business Angel Network (Candace Johnson). ACA also partnered on the education and training piece, which was supported by the Kauffman Foundation (training materials are available via the ACA website). Overall the two pilot funds brought together nearly 200 women from 25 countries and 24 US states. Following these successful pilots, several additional efforts have been formed:

- a) Next Wave US Impact Fund (Alicia Robb) - Expands on the success of the RT pilot design with additional impact investing lens to focus on companies with triple bottom-line benefits for people, planet and prosperity. Companies must demonstrate positive social and/or environmental impact. Investment Committee and LP’s work together on screening, reviewing pitches and due diligence. www.nextwaveimpact.com
 - b) Rising Tide 2 Europe with Go Beyond Investing (Brigitte Baumann) - Additional cohort of female investors following the Rising Tide Model and expanding reach.
 - c) Portfolia Sector Funds (Trish Costello) - Creation of sector funds with focus on female investors: Portfolia Consumer Fund and/or Portfolia Enterprise Fund with models similar to Rising Tide.
- **Pipeline Angels** target women of color to change the face of angel investing and creating capital for women and non-binary femme social entrepreneurs.
 - **Golden Seeds and Astia Angels** are examples of other funds targeted at attracting women investors and supporting women entrepreneurs. **Please see additional resources on following page.**

Additional Resources

We also invite you to share your experience with us to build this resource guide.

ACA Members

- **Angel Investing is Not as Risky as You Think** www.rockiesventureclub.org/front-page/angel-investing-not-risky-think/
- **Golden Seeds**—One of the nation's most active early-stage investment firms, Golden Seeds is focused on the vibrant opportunities of women-led businesses. www.goldenseeds.com/
- **Pipeline Angels** is changing the face of angel investing and creating capital for women and non-binary femme social entrepreneurs. www.pipelineangels.com/
- **Rockies Venture Club**—angel group in Colorado with Women's Investor Network www.rockiesventureclub.org/win/
- **Sofia Fund**—Investing in Exceptional Women-Led Businesses www.sofiafund.com/

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- **The American Angel**—a report on angel investor demographics, including differences and similarities between male and female investors www.theamericanangel.org/
- **The Emergence Of Millennial Angels**—www.forbes.com/sites/mariannehudson/2015/09/17/the-emergence-of-millennial-angels/#20cae6e063af
- **Inclusiveness: An Interesting Way To Improve Angel Results**—www.forbes.com/sites/mariannehudson/2015/08/28/inclusiveness-an-interesting-way-to-improve-angel-results/#51cc3328572e
- **Women Angels: Tapping Into A Serious Investment Source**—www.forbes.com/sites/mariannehudson/2014/10/08/women-angels-tapping-into-a-serious-investment-source/#21dc24745422

Other Helpful Resources

- **20 Innovators Shaping Atlanta's Black Start-up Community** www.huffingtonpost.com/entry/15-innovators-shaping-atlantas-black-startup-community_us_5850d394e4b0b662c2fddec8
- **Black Tech Nation** is a social good organization out of Pittsburgh, PA which focuses on bridging the gap between black American “techies” and America's mainstream tech community. blacktechnation.com/
- **The Diana Project**—Women Entrepreneurship and Venture Capital www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf/
- **Forbes**—The Key to Diversity in Tech? www.forbes.com/sites/matthunckler/2017/06/02/the-key-to-diversity-in-tech-diverse-investors-says-new-york-based-social-impact-vc/#15ba7c137990
- **Morehouse College** to increase pool of minority angel investors <http://www.blackenterprise.com/morehouse-college-to-increase-pool-angel-investors/>
- **The Startup Diversity and Inclusion Pledge** medium.com/startup-diversity-and-inclusion-pledge/the-startup-diversity-and-inclusion-pledge-88822517d49
- Smart angel investment and board involvement can support diversity, says **#startupfest panel** betakit.com/smart-angel-investment-and-board-involvement-can-support-diversity-says-startupfest-panel/

