



# IMPACT OF COVID-19 ON BLACK AND ETHNIC MINORITY-LED BUSINESSES



**SURVEY RESULTS  
REPORT**  
MAY 2020

[www.extend.vc](http://www.extend.vc)  
[www.thisisysys.com](http://www.thisisysys.com)

# Executive Summary

The Covid-19 crisis has had a devastating impact not only on people’s lives but also on many parts of the UK economy. As the government has raced to deliver life support to businesses, the needs of one group of business owners have largely been overlooked: diverse founders and Black and ethnic minority entrepreneurs. Covid-19 is already having a disproportionate impact on ethnic minorities, who are over-represented in the death toll. While there is ongoing research into the reasons for this health discrepancy, we also need a better understanding of the implications of the pandemic for minority-led businesses.

Extend Ventures and Your Startup Your Story (YSYS), in collaboration with the community organisations CGV, 10x10, Kwanda, BYP, Colorintech and BGV, surveyed Black and ethnic minority founders to understand how they are surviving in this economic climate and whether the current government support meets their needs.

Limited data exists on this emerging entrepreneurial cohort, something that Extend Ventures in particular intends to change. Respondents to this survey shared details about the stages of their companies, estimated runway, their eligibility for government support, where they need the most help right now, and more.



# Key highlights



There is a nascent ecosystem of young, self-funded and seed stage startups at risk of being dramatically set back as the businesses sit out of reach of government support schemes.

- ✔ All of the respondents have fewer than 10 employees
- ✔ 68% of businesses were started within the last 5 years
- ✔ 92% of startup businesses are seed stage or earlier, with 39% seeking third party investment

These emerging businesses are financially resilient and have a low expectation of receiving government support

- ✔ 65% have more than 6 months runway, 47% have more than 12 months runway
- ✔ 48% did not access or expect to qualify for any government support scheme
- ✔ Only 2% of businesses are seeking state aid, with a further 32% seeking grants

Staff retention has been a strong focus through the crisis as businesses have worried about loss of income and clients

- ✔ One fifth of respondents said Covid-19 had impacted their client pipeline, 18% said their cash flow had suffered. 3% had furloughed employees but only one business had temporarily dismissed any employees
- ✔ 36% cited loss of income as their primary concern, 22% customer retention and 14% cessation of trading



By sharing these survey results, our goal is to drive greater visibility and awareness of the Black and ethnic minority led business startup ecosystem.

# Recommendations

**01** The government should drive and promote awareness of the emerging and growing Black and ethnic minority entrepreneurial ecosystem, as it did for the tech startup ecosystem in 2011 with the launch of Tech City.

Greater active engagement with the growing ecosystem of organisations and connection into the established infrastructure of partners and programmes created since Tech City's launch is needed.

**02** The government should request and publish reports on diversity access from ALL government supported business measures and programmes. You can only improve what you measure.

It is a great start to see that anonymised statistics on the diversity of those who receive funding from the Future Fund will be published.

**03** Promoting the Black and Ethnic minority ecosystem should be added as a policy priority for the **All Party Parliamentary Group for Entrepreneurship**.



# Recommendations

## 04 **Venture Capital firms should be encouraged to:**

- a. **Publish details about their investment process for greater transparency and openness**, following in the footsteps of Ada Ventures and Impact X.
  
- b. **Add scouting systems that proactively seek out diverse startups, following the lead of the likes of ADA Ventures and Backed VC.** This should be a particular focus for VC firms where the Government has influence through investment and co-investment, i.e through the Future Fund, the British Business Bank, participation in government programmes, or through benefits from investment schemes like SEIS and EIS.
  
- c. **Have open “office hours,” mirroring what is being done for female founders, e.g. Playfair Capital and Tech Nation.** This should enable more diverse founders to gain access, to be seen and to break through the closed networks that rely on who you know and not necessarily what you know.

## 05 **The government should encourage ethnically diverse representation on funding decision-making bodies and investment committees. A good first step would be broadening or replicating the Investing in Women Code to include other underrepresented founders.**

Like many other aspects of socio-economic life, access to capital can only be properly democratised and diversified if those making decisions reflect the communities that exist. This shifts the dynamic from well-meaning but ill-judged handouts to solutions-based support designed for the ecosystem that exists. As our survey shows, Black and ethnic minority businesses are resilient and very capable of pivoting when confronted by challenges. They need easy-to-access support designed for their circumstances.

# Introduction

**The last few years have seen a growing body of research on access to finance and relative performance of female founders, culminating in the [Rose Review](#). However, as yet there is still little data on ethnically diverse founders. The diversity picture is incomplete and you cannot impact what you do not measure.**

Anecdotal evidence suggests that Black and ethnic minority founders face challenges in accessing finance, a problem shared by female founders in the UK tech scene who face structural biases and receive disproportionately low levels of finance. We are aware that socio-economic circumstances are also a determinant.

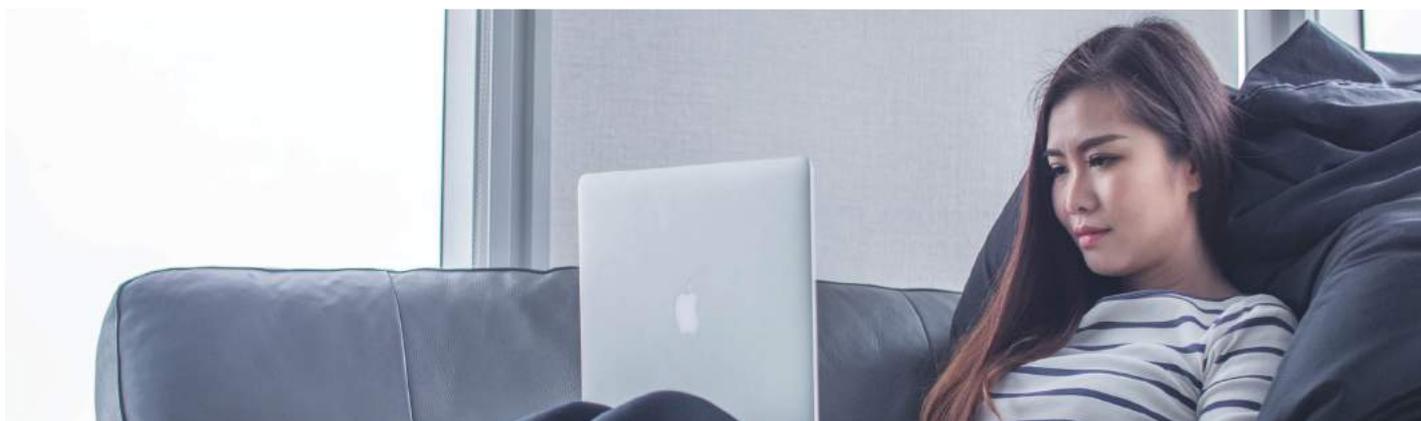
At the same time, there is a growing ecosystem of organisations that have emerged from the community to help and support diverse founders and startups at every stage of their journey, including Foundervine, YSYS, CGV, 10x10 to CGV, BGV, Ada Ventures, GoodSoil Ventures, and ImpactX.

Yet when the media covers stories on diversity in the startup community, such as the concern and backlash around the government’s launch of the Future Fund to support startups, you would be forgiven for thinking that diversity is only classified by gender.

Extend Ventures and Your Startup Your Story (YSYS) have come together, supported by CGV, 10x10, Kwanda, BYP, Colorintech and BGV to survey Black and ethnic minority-led businesses to ensure that their voice is heard, especially at a time when the community in the UK is disproportionately losing lives to the Covid-19 pandemic.

Our aim is to increase awareness of and gather more data on an exciting and growing young business cohort that could be at the vanguard of the country’s growth out of this crisis if adequately supported.

We encourage Black and ethnic minority founders to continue to share their experiences and challenges so we can keep track of their progress and continue to hold those in power to account. We also hope that the spirit of collaboration within the community continues to develop and that this survey will be the first collaborative initiative of many more to come.



# Case studies

## **MAC ALONGE**

*CEO, The Equal Group*

“Before Covid-19, we were growing at a steady pace, with a robust pipeline and near term plans for team expansion. We were in conversation with a few VCs about funding, although we were unsure as to whether we wanted to go ahead with the round at this time.

In the immediate aftermath, we saw a delay in several of our ‘in-flight’ projects, as well as the postponement of a number of new projects. We have also had to reconsider our pipeline and delay our plans for expansion.

As a B2B business, we rely on the security of other businesses to drive new projects. We would like to see a more robust plan in place from the government – a plan that acknowledges the differences between sectors, businesses and geographic locations.

The recent pandemic has exposed a more pressing need for organisations to be resilient. Research shows that diversity is a key driver of organisational resilience, with more diverse companies and teams being better equipped to anticipate, cope with and adapt to times of change and crisis.”

## **FLAVILLA FONGANG**

*Founder of 3 Colours Rule, a multi-award-winning creative agency*

“Before Covid-19, 3 Colours Rule was on the rise, new hires were made and more were in process.

The onset of the Coronavirus pandemic has forced me to postpone my exit from the role of MD of the company. Client acquisition has been delayed and I will need to review our hiring strategy so we can remain as flexible as possible.

Flexibility, business tactics and a review of the crisis strategy are crucial to maintain resilience. I think the government should provide further support via grants that give SMEs access to experts who support the building of business resilience.”

# Case studies

## **DIONNE LEWIS-REID**

*Lewis-Reid Ltd, Learning and Development Consultant*

"I was on track to have my busiest year ever, before Covid hit, so in terms of my income projection and business turnover I'm going to take a massive downturn. Luckily I had savings and money in the business that has meant that this time hasn't been as stressful for me as it may have been for others.

In this time I have created some online training courses specifically aimed at changing people's mindset and helping them prepare for life during and after Covid, so this has kept me busy and maintains an income at this time, although nowhere near the pre-Covid amount. I know I will need to diversify again to maintain my income going forward into 2021.

As I said, my business was doing well but I think the Government could put more measures in place to support businesses with a range of different interventions. I am anticipating an extension to be made for Corporation Tax payments and a cessation of IR35 would also help me."

## **KHALIA ISMAIN**

*Founder of Jamii*

"Prior to the pandemic, our primary focus was "how can we connect customers to our partnered businesses as much as possible?" Most of our partners are e-commerce businesses and so for us, this meant organising a series of marketplaces to bring them into physical spaces and remove the impersonality of online shopping. As a predominantly digital brand ourselves, these types of events have always translated to greater sales, brand awareness and customer connection and so the plan was to double-down on this as much as we could during 2020, leveraging our community of partners to the benefit of everyone. A healthy portion of our growth was being driven by them.

Lockdown and social distancing has meant a complete 180 degree turn in strategy, as events we were planning to hold and attend have been cancelled or postponed indefinitely. While this will likely dampen some of our growth efforts over the year, the switch in focus to online shopping has meant that website usage has dramatically risen and there's a big opportunity for us to position ourselves as a digital shopping destination. We had already begun investing in website improvements and we'll continue this at a much faster pace over the next few months, driven by our determination to make shopping at community-owned brands as simple and instinctive as any other.

# Case studies

One positive aspect of the situation is that, in being forced to shop online, consumers are seemingly becoming more adventurous and conscious with their shopping choices - we've seen an uptick in sales and cardholder usage over the past few weeks. Afro hair care brands in particular - an area that is often overlooked by the mainstream retailers that remained open - have seen increases in demand.

Furthermore, bigger companies have slashed their marketing budgets due to the economic challenges that COVID-19 has posed, which has led to much lower competition for things like Facebook ads - allowing smaller brands like ours to become more visible. Ultimately, I predict that we'll continue to grow over the year - albeit not in the ways we were expecting. Our focus is providing the support required by our partners to ensure that they survive and thrive - through website developments, increased marketing efforts, digital events and resources.

For us, the most important thing is communication. Despite the announcement of government-backed loans, it quickly became clear that banks weren't inclined or able to disperse them at the speed necessary, which caused a lot of uncertainty for the businesses that we work with. It's positive that the government is committed to helping small businesses survive but it's imperative that all the dots are joined up in their schemes to ensure they're successful.

It's clear that the world will not be the same again post COVID-19 - one change we're anticipating is a continued swing towards conscious consumerism and supporting the small businesses that are the crux of our communities.”



## Comments from Extend Ventures and Your Startup, Your Story (YSYS)

### **ERIKA BRODNOCK**

*Founder, Extend Ventures*

“As the Coronavirus pandemic threatens lives across the globe, a common theme is emerging - Black and ethnic minority communities are being disproportionately affected. Current research is centred around the fatal health inequalities laid bare by the pandemic. However, systemic change can and will only emerge through the thorough examination of all contributing factors.

Structural inequalities in the UK exist beyond health. Economic inequalities are imposing increased burdens on ethnic minorities, who are already less likely than their white counterparts to recover in terms of both health and finances. These inequalities are being exacerbated by many of the support measures introduced to combat the effects of Covid-19.

All the Black and ethnic minority-owned businesses older than 9 years featured in this report, have established, grown and supported themselves without external institutional investment or Government support. For too long, minority entrepreneurs have remained unsupported and have needed to ‘fend for themselves’. We need to ensure this isn’t going to be the same for newer businesses. However, the immediate signs aren’t good as we see that a growing number of these companies are ineligible for existing support packages and risk failing as a direct result.”

### **DEBORAH OKENLA**

*Founder and CEO of Your Startup, Your Story (YSYS)*

“The launch of financial government schemes shows there is a commitment to support startups through this period. However with 48% of the BAME-led startups not applying for or using the schemes, more needs to be done to provide accessible guidelines, especially for first time applicants, to level the playing field.

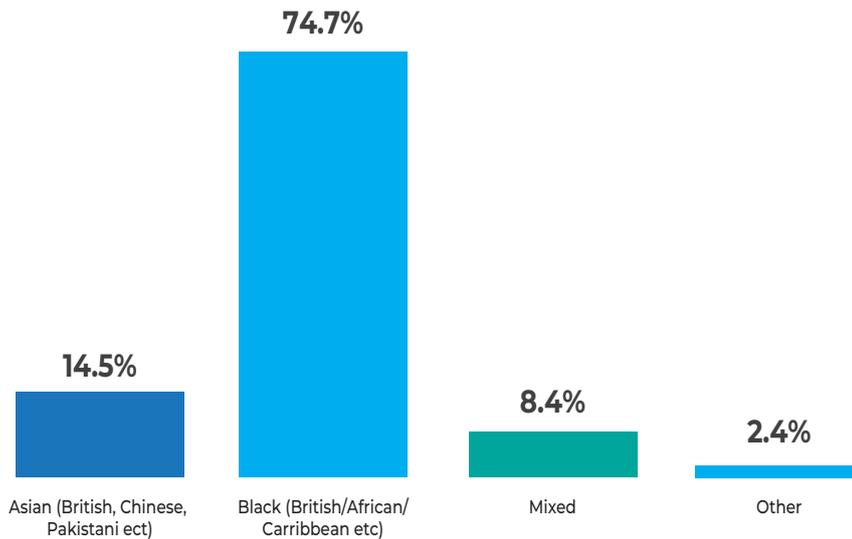
It’s important that during one of the toughest times in recent history, the government does not ignore the voices of BAME-led startups. It’s only by capturing and understanding how BAME-led startups have been impacted by COVID-19, that we will be able to design effective solutions which strengthen the economy, and ensure all founders have the resources to survive this uncertain period. However, capturing and monitoring this data needs to be intentional and not an afterthought.”

# Extend Ventures and YSYS survey results

## Impact of Covid-19 on Black and Ethnic Minority led businesses

84 founders answered a series of questions, 40 for an Extend Ventures survey and 44 for one distributed by YSYS. Where the questions were on the same topic, the results were combined. Where separate, we have indicated this specifically in the survey question.

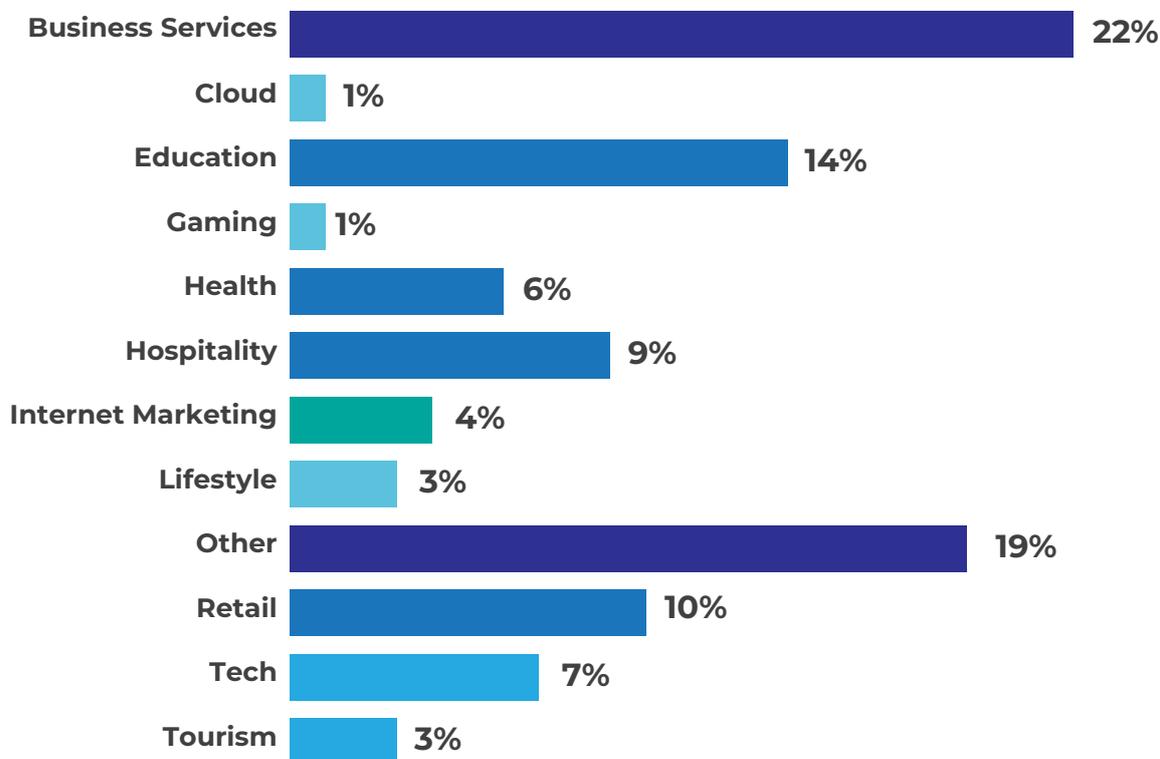
### How do you describe your ethnic origin?



### Identified gender split of founder respondents to the survey

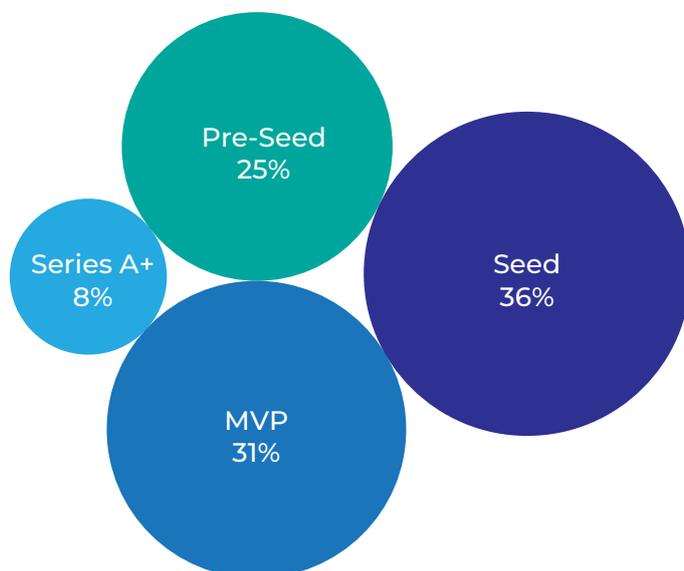


### In which sector does your business belong



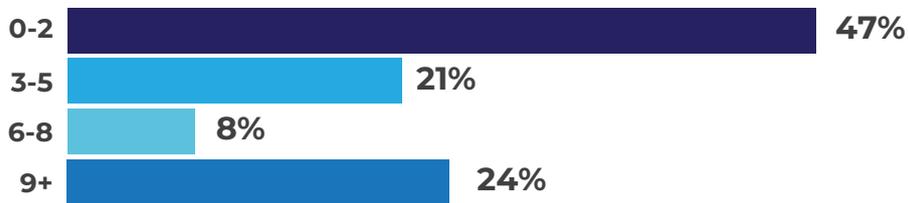
### What stage is your company?

(YSYS only survey)

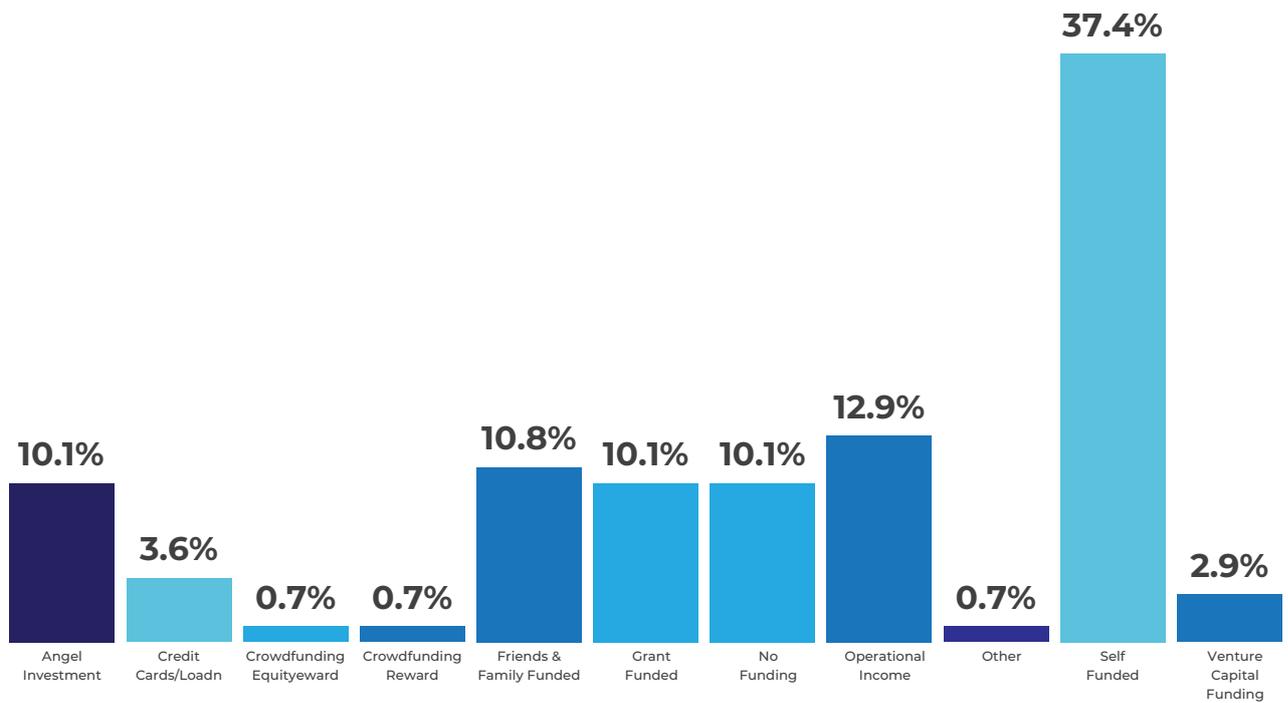


### How long has your business been in operation? (Years)

(Extend Ventures only survey)



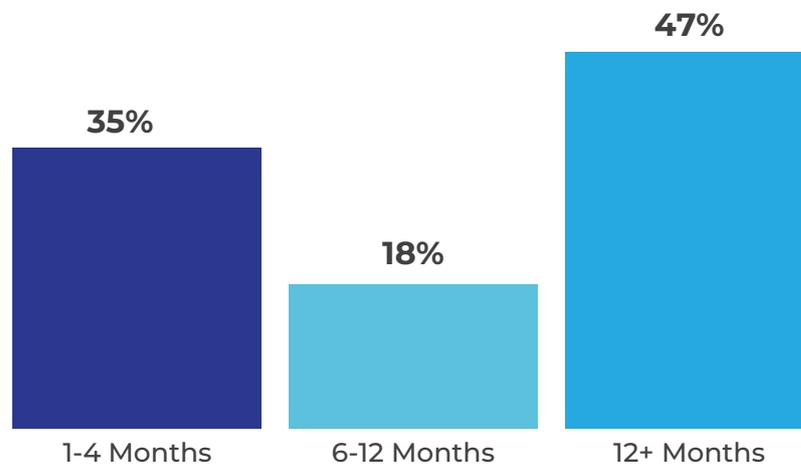
### How is your business funded?



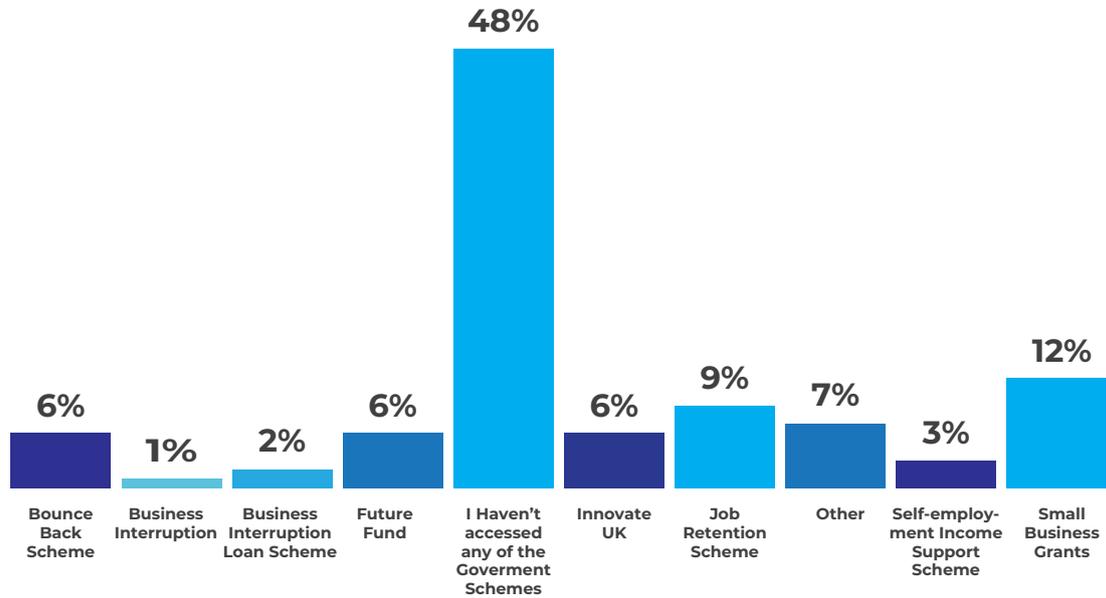
### What are your main business concerns? (Extend Ventures only survey)



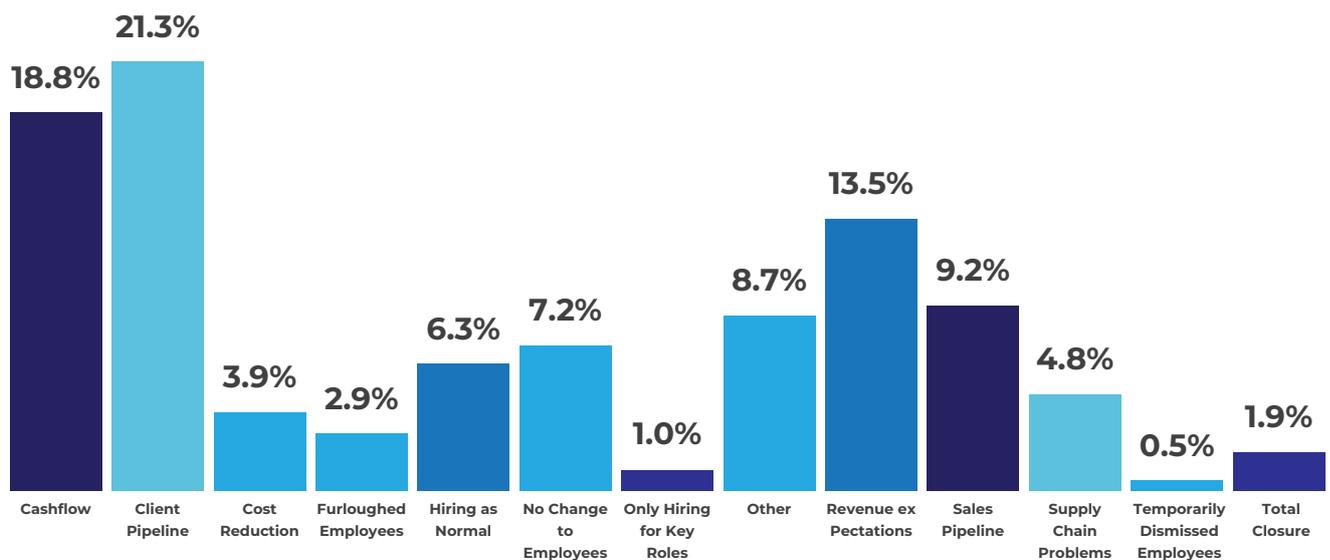
### How long can your company continue if the current situation remains the same? (Extend Ventures only survey)



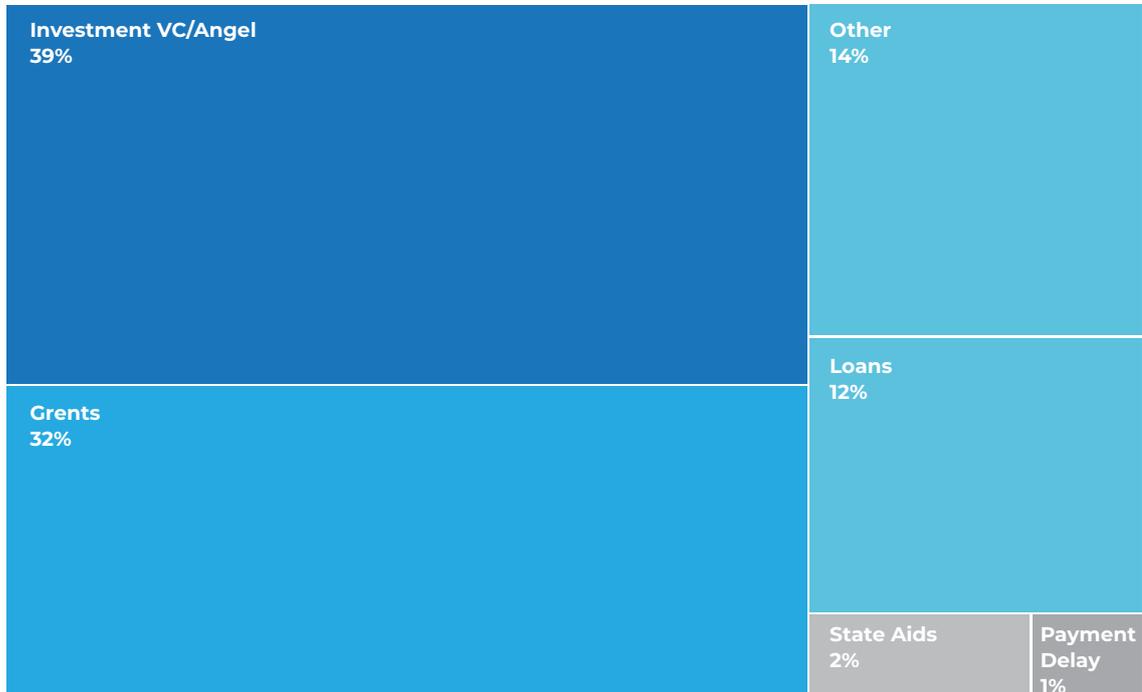
### Have you accessed any government schemes or will any benefit you?



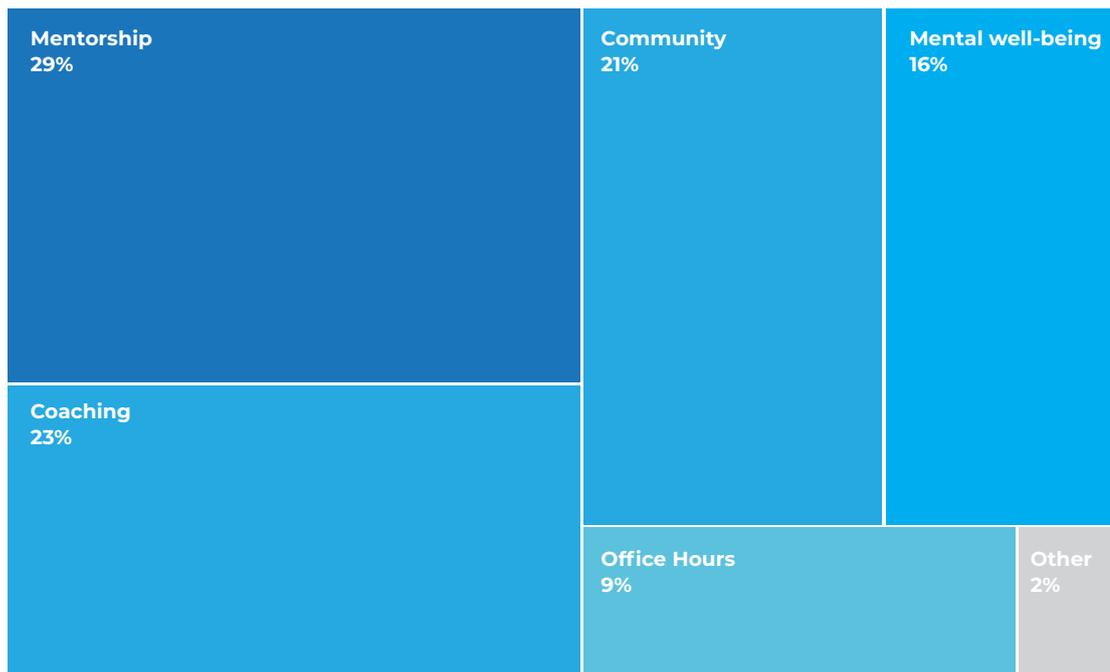
### How has Covid-19 impacted your business?



### What kind of financing are you looking for?



### What kind of non-financial support does your company need? (YSYS only survey)





## Conclusion

There is an emerging and exciting cohort of young small businesses led by Black and ethnic minority founders that needs to be nurtured. The companies have been built in a prudent and resilient fashion, non-expectant of state aid. As we emerge from this crisis, we cannot afford to take our eye off these businesses or allow them to be penalised for prioritising sustainable survival over debt-laden risk.

As a consequence of the report, Extend Ventures, YSYS and their partners will place greater emphasis on working together to support entrepreneurs in areas such as mentoring, coaching and mental well-being.

The community needs a voice to ensure inclusion in all growth support measures for the economic benefit of us all.



## About Extend Ventures

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[Extend Ventures](#) is a group of individuals brought together by entrepreneur Erika Brodnock to democratise access to finance. Extend Ventures aims to map out, bring together and promote awareness of the disparate groups that make up the nascent diverse founder ecosystem. Through research to highlight and quantify the structural challenges that prevent Black and ethnic minority founders from gaining equal access to venture finance, Extend Ventures hopes to bring about positive change.

Next year, Extend Ventures will be launching the results of a study into the returns to ethnically diverse founders. Data from [Kauffman Fellows](#) (2020) asserts that ethnically diverse startup founders in the US have been found to return 30% more capital to their investors at exit. The purpose of the Extend Ventures research is to build on these findings to establish if UK founders who are diverse by way of ethnicity and non-elite educational background also present a heavily under-tapped and under-financed economic opportunity.

## About YSYS

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Your Startup, Your Story (YSYS) designs and delivers entrepreneurial and employment programmes to support diverse talent to launch startups, develop new skills and kickstart their careers. With each of their programmes, FoundersDoor and TalentDoor, they partner with organisations committed to hiring and investing in diverse talent. Since 2017, YSYS has provided over 10,000 individuals with opportunities in tech across the UK, and has worked with companies such as Google, LinkedIn, Niantic and the Financial Times.

Recently, YSYS launched [#YSYS2023](#), a mission to connect 100,000 diverse individuals to opportunities in tech by 2023. [Read more here](#)