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# Women in Venture Capital: Why So Few?

**Prepared for:** Claudia Iannazzo, Pereg Ventures

**Prepared by:** Columbia University, School of International and Public Affairs (SIPA)  
Aleena Ali, Sama Habib, Sunmoon Jang, Ying Miao, Liyang Xu

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**Advisor:** Adam Quinton

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# 1. Executive Summary

The Columbia University School of International and Public Affairs (SIPA) Spring Capstone workshop consists of a research project with Pereg Ventures, a venture capital firm headquartered in New York City that invests in marketing, advertising and analytic tech companies. The SIPA Capstone Team (hereafter referred to as the team) was asked to investigate and provide policy recommendations on “Why are there so few women working in the Venture Capital (VC) industry?”

Over the last decade the proportion of women partners categorized as key decision makers in United States VC firms has declined from 10% to 5-8%. Women representation in the S&P 500 Finance and insurance companies is roughly around 20% on average, 5-8% in the VC world is truly an extreme case<sup>1</sup>. The team tried to identify reasons for the decline by analyzing nine assumptions, including unconscious bias, male dominated work culture, education and fund raising. Because VC fuels the high growth companies of tomorrow, having a diverse set of decision makers is more advantageous for the VC industry, for instance, higher returns to investors, more inclusive culture and higher possibility to fund women entrepreneurs.

To further analyze the low representation of women in VC, the team researched the existing literature on the subject. From this *research*, the team developed nine key assumptions that it believed could explain the low representation of women in VC. From these nine assumptions, the team created field research questions to test the assumptions. Field research consisted of 54 interviews with men and women VCs. From the interviews, the team analyzed the assumptions and developed new findings that helped in devising the below set of recommendations.

To encourage VC industry professionals to recognize the value of hiring more women, the team makes the following recommendations:

- 1) Recognize the unconscious bias
- 2) Increase woman mentorship
- 3) Train women VCs on fund raising
- 4) Build a powerful and inclusive network
- 5) Create public awareness
- 6) Encourage job applications
- 7) Empower HR and adopt the HR mindset
- 8) Develop state-backed VC influences

As a result of this study, the team believes that more heterogeneous decision making groups would benefit the entire VC industry.

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<sup>1</sup> Women in S&P 500 Finance and Insurance. (2012). Retrieved May 11, 2016, from <http://www.catalyst.org/knowledge/women-sp-500-finance-and-insurance-0>

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## 2. Introduction & Key Questions

Venture capitalists (VC) are an integral part of the success of future goods and services Americans receive. By having the power to fund new ideas, venture capitalists influence America's imagination. The nation depends on them to deliver "winners", and indeed there have been numerous success stories. Just turn to Silicon Valley. Yet when we take a closer look at who these VCs are, we find that they are not representative of the nation, which begs the questions, has the industry been holding out on us?

According to the National Venture Capital Association/Dow Jones VentureSource, men comprise 89% of VC partners.<sup>2</sup> Specifically, white men make up 76% of total partners, with just 10% identified as Asian, 1% as African-American, and less than 1% as Latino.<sup>3</sup> This lack of diversity clearly extends to gender. However, if women drive 70-80% of consumer purchases, why is it that women only make up 5.7% of the decision makers in VC?<sup>4 5</sup> It would then make sense to argue, that a more diverse VC industry could encourage women entrepreneurs who are an untapped brain trust and will massively contribute to GDP, create wealth opportunities for women both as VCs and funded entrepreneurs and promote diversity that leads to more successful companies.

Moreover, the chances of getting funded are materially increased for women led businesses if they seek funding from women VCs. VC with women partners likely double the chance for women-led companies to get funded.<sup>6</sup> Additionally, tech startups with women executives achieve a 35% higher return on investment.<sup>7</sup> VCs would be wise to catch on to this diversity trend by actively recruiting more women to join their firms. A McKinsey & Company report suggests that companies with higher numbers of women at senior levels are also companies with better organizational and financial performance. Gender diverse leadership gives the companies competitive advantages that returns to the bottom line.<sup>8</sup> Lacking diversity, in particular women, VC firms perpetuate the cycle of unconscious bias in a setting of homogenous decision makers. Essentially, the significant lack of female representation, especially women partners in the industry, has reduced its ability to reach market potential, employ top talent, and as a result, limits industry growth. This paper will attempt to address why there are so few women in Venture Capital.

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<sup>2</sup> Why Are Venture Capitalists (76% White Men) Ignoring The Future? (2014, April 29). Retrieved May 11, 2016, from <http://www.forbes.com/sites/davidteten/2014/04/29/why-are-venture-capitalists-ignoring-the-future-the-emerging-domestic-economy/#5fa555102447>

<sup>3</sup> Same as above in 2.

<sup>4</sup> Leas, M., & Oberweis, J. (2015, June 03). Venture Capital's Next Venture? Women. Retrieved May 11, 2016, from <http://techcrunch.com/2015/06/03/venture-capital-next-venture/>

<sup>5</sup> Female startups face uphill struggle against overwhelmingly male-led Venture Capital firms. (2016, April 5). Retrieved May 11, 2016, from <http://www.alphr.com/startups/1003120/female-startups-face-uphill-struggle-against-overwhelmingly-male-led-venture>

<sup>6</sup> Gilpin, L. (n.d.). How venture capital must change: Gender equality as a business opportunity - TechRepublic. Retrieved May 11, 2016, from <http://www.techrepublic.com/article/how-venture-capital-must-change-gender-equality-as-a-business-opportunity/>

<sup>7</sup> Gompers, P. A., Mukharlyamov, V., Weisburst, E., & Xuan, Y. (n.d.). Gender Effects in Venture Capital. SSRN Electronic Journal SSRN Journal. doi:10.2139/ssrn.2445497

<sup>8</sup> McKinsey & Company, (2007) Desvaux, G., Devillard-Hoellinger, S., & Baumgarten, P. (n.d.). Women Matter: Gender Diversity, A Corporate Performance Driver.

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***“There is an enormous untapped investment opportunity for venture capitalists smart enough to look at the numbers and fund women entrepreneurs.” Dr. Candida Brush, the lead author of the Diana Report<sup>9</sup>***

A firm’s ability to embrace diversity allows it to optimize returns and profitability. In groups of homogenous decision makers, internal beliefs are not challenged and the status quo prevails, which contributes to a lack of innovation and thorough analysis of investment decisions.<sup>10</sup> In the case of VC, a homogenous group of male investors may lose potential profitable investments as a result of promoting one way of thinking and considering it to be the only *right* way to approach investment decisions. This phenomenon is explained in greater detail under the Unconscious Bias section of this report.

Studies have shown repeatedly that there is money to be made through diversity. For example, McKinsey’s research shows a high correlation between a firm’s financial performance and the number of women in senior level manager roles.<sup>11</sup> Moreover, the research suggests that women managers tend to balance the risk-taking style of their male colleagues, a trait especially important in protecting profits in bad times. As a result, diversity inclusive teams are better able to compete in the market, and therefore lead their companies to excel against competitors. Encouraging higher participation of women in the VC is a real opportunity to add value for the industry, which will allow for unique solutions, and from the increased revenues from untapped markets, an increase in returns to investors in the end.

For comparison, across hedge funds, VCs, private equity and mutual funds, the number of women managers and partners ranges 5-10%. As of 2015, less than 2% of hedge funds were run or owned by women, with the majority of those managing less than \$100 million of funds. Yet, hedge funds owned and run by women have annualized returns of an average of 59.43% from 2007 to 2015, compared with an average of 36.69% for the whole industry posted by the composite index, according to figures released in September by Chicago-based Hedge Fund Research Inc.<sup>12</sup> The lack of women is not unique to the VCs but is also observable across the financial sector.

## Key Questions

This report aims to expand on the discussion of diversity in the VC and answer the following questions:

1. *What* causes the low percentage of women in the VC?
2. *Why* is there a low percentage of women mean for the VC industry?
3. *How* can we provide policy recommendations to the VC industry to improve the situation?

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<sup>9</sup> Brush, C. (n.d.). WOMEN ENTREPRENEURS 2014: BRIDGING THE GENDER GAP IN VENTURE CAPITAL. September, 2014.

<sup>10</sup> Blank, C. (n.d.). How Can Groupthink Affect an Organization? Retrieved May 11, 2016, from <http://smallbusiness.chron.com/can-groupthink-affect-organization-26044.html>

<sup>11</sup> Same as above in 8.

<sup>12</sup> Hedge Fund Indices, Databases and Performance Reports | Hedge Fund Research. (n.d.). Retrieved May 11, 2016, from <https://www.hedgefundresearch.com/>

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### 3. Background

Venture Capital is a segment of private equity. It is a type of investment that focuses on emerging, generally risky, businesses whose entrepreneurial founders require early funding to develop prototypes, perform beta-testing and otherwise finance their dreams. In the U.S. in 2015, there was close to 5,000 deals, with a total investment of nearly \$60 billion<sup>13</sup>, marking a huge pool of resources to fund new ideas and changes.

**Table 1: Total U.S. Venture Capital Investment (1995-2015)**

Year	Amount Invested (\$bn)	Number of Deals
1995	8.0	1,897
1996	11.3	2,635
1997	15.1	3,232
1998	21.5	3,743
1999	54.9	5,605
2000	105.0	8,040
2001	40.9	4,595
2002	22.2	3,217
2003	19.7	3,038
2004	22.9	3,236
2005	23.2	3,300
2006	27.9	3,895
2007	32.1	4,230
2008	30.4	4,200
2009	20.3	3,172
2010	23.4	3,668
2011	29.9	4,040
2012	27.6	3,966
2013	30.1	4,251
2014	49.5	4,378
2015	59	4,567

*( Source: SIPA Capstone Team Analysis; pwc/NVCA )*

There are several stages to venture capital. The earliest stage is seed capital, which is often put up by angel investors, to help those entrepreneurs with a business concept - but nothing else – that seek funding to research and develop an idea. Early stage capital is next, when the business is in the startup phase. Most VCs enter the picture at this point. Expansion capital is the second or third stage of funding for growth of a company that is generating revenue. The final stage is the Initial public offering - listing shares of the venture on a stock exchange and selling some of them to public investors. At this stage, angel investors and venture capital funds will usually recoup some (or all) of the capital they have advanced, shifting some of the risk to the public investors.

More broadly, VC is a term used to describe financing provided to startups, early stage businesses as well as turnaround situations. However, the manner in which the financing is provided to a company

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<sup>13</sup> Historical trend data, Retrieved May 11, 2016, from <https://www.pwcmoneytree.com/HistoricTrends/CustomQueryHistoricTrend>; Source: PwC/NVCA MoneyTree™ Report

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is where the many variations on potential deal structures arise. The financing can be raised through debt, equity or a combination of the two (such as a convertible loan or a loan with stock options). We differentiate between Series A and B as follows. Stock of a company can be divided into different series, which will occur when there is more than one round of financing. For example, if preferred (Series A) shares were already issued, and the company does another round, it can call the new preferred shares Series B. Each Series can have different dividend, liquidation, voting and other rights.

At a foundational level, VC is as simple as a person or a fund with money that invests in a start-up to help provide that start-up with the necessary funds to grow the business. The goal is to fund a seed company and get strong financial returns. Giving the company seed money to get started (and later infusions of capital to allow it to grow), VCs purchase equity in companies with a product or structure that will allow them to revolutionize an industry - or create a new one.

In general cases, VC firms do not borrow money with the equity capital they raise, so there is little or no financial leverage inherent in VC<sup>14</sup>. Some of the main risks that VC investors underwrite are business risk and/or technology risk. The risks are either that the startup's idea falls flat upon execution or that the new technology does not work. Increasingly, private equity managers of all stripes generate returns through operational enhancement, i.e. actually improving the management of portfolio companies. These enhancements can range from sourcing better and cheaper raw materials to unlocking new markets for products. Successful VC funds also owe their success to a well-honed process. VC success is all about working with entrepreneurs.

Great VC investors use their business-building experience to spot not only brilliant concepts but also brilliant teams. They can recognize personality combinations that will bring a smart idea to market. VC funds have an opportunity to explore new markets before they even really exist. They can and do take chances on far-fetched ideas. They are in search of visionary concepts and revolutionary companies.

As for the geography of U.S. venture investment, Silicon Valley is still the world's biggest hub of entrepreneurial activity, but New York's Silicon Alley now boasts hundreds of start-ups, and Massachusetts is considered a biotech Mecca. In 2015, 1,773 California-based companies received \$33.7 billion in institutional VC, followed by New York (\$6.2 billion), Massachusetts (\$5.7 billion), Washington State (\$1.2 billion), Texas (\$1.1 billion), and Illinois (\$1.1 billion)<sup>15</sup>. And the city with the highest start-up density in the world is thousands of miles away from Silicon Valley: it is Tel Aviv, Israel.

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<sup>14</sup> Chapter 1: The Truth about Venture Capital | Artinvest. (n.d.). Retrieved May 11, 2016, from <https://artinvest.co/learn/chapter-1-the-truth-about-venture-capital/>

<sup>15</sup> Same as above in 13.

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## 4. Demographics

There are various studies that include demographic information on women in VC. Although they apply different standards and data sources, the percentage of women professionals in the VC is comparable. In 2015, The National Venture Capital Association (NVCA) estimated that there are 5,680 venture capital “professionals” across its set of 803 VC firms. However, since the NVCA’s “professionals” include individuals outside the strictly imposed due diligence and investment roles, the calculation of the correct female-to-male ratio of venture capitalists is not possible.<sup>16</sup>

The Babson study defines investment professionals only as those who are listed as “Partner, “General Partner,” or “Limited Partner”. Other research papers do not necessarily adopt the same methodology. For example, the Gompers report uses “female venture capitalists” to include every woman working in the VC regardless of position. According to the Babson study, the number of active VC firms (defined as those who had made an investment in the last three years) is 1,562.<sup>17</sup> This is significantly larger than the 803 venture capital firms in NVCA data.

***“After we published the Diana Report on VC we got over 1 billion media hits. However, only one VC firm reached out to us for advice.”***  
*- Phone Interview with Dr. Candida Brush (April 8, 2016)*

Moreover, not all women working at VCs are partners. There are non-investing roles and investing roles, and though the former is overwhelmingly female, the latter controls major investment decisions. In research done by The Social Capital Partnership, women make up 60% of non-investing roles at venture firms in the survey of 71 funds, but only 8% of the senior investment team.

According to the Page Mill Publishing on *Study of Females in Venture Capital Industry* in 2015, there are 403 female VCs in the U.S. Their definition of women in the VC are those who conducted investment due diligence and/or participated in investment decisions for their respective firms. The report omitted women who served in operational, financing, or investor-facing positions. Out of the NVCA estimates of 5,680 venture capital “professionals”, 403 women from the Page Mill study represent roughly 7%.

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<sup>16</sup> Venture Investment - NVCA. (n.d.). Retrieved May 11, 2016, from <http://nvca.org/research/venture-investment>

<sup>17</sup> Same as above in 9.



As shown in Table 2, there are slight differences between studies; however, for the consistency of this report, the team will use 5-8% as the level of women VC partners. Below is a summary of the four major and most recent reports on women in VC: Additional information on the Table 2 is in Appendix 4.

**Table 2: Women in the VC: Statistics and Definition on Leadership**

	Number of Women	% of Women	Published Year	Definition of Women Leadership
<b>Page Mill</b>	403	7%	2015	Women who served in operational, financing, or investor-facing positions were omitted
<b>Babson</b>	239	6%	2014	Those who were listed as “Partner, “General Partner,” or “Limited Partner” in 1,562 VC firms who had made investments in the last three years
<b>Gompers</b>	212	6%	2015	Female venture capitalists in all venture capital investments from 1975 to 2003
<b>The Social Capital Partnership</b>	41	8%	2015	Female members in senior investment teams in 71 funds
<b>PitchBook</b>	N/A	6%	2015	Investment decision makers at all U.S. VC firms that have raised at least \$100 million since 2009
<b>Forbes</b>	N/A	5%	2015	5 women out of 100 VC investors (The Midas List from the Forbes)
<b>Tech Crunch</b>	N/A	7%	2016	7% of partners at top 100 venture firms are women.

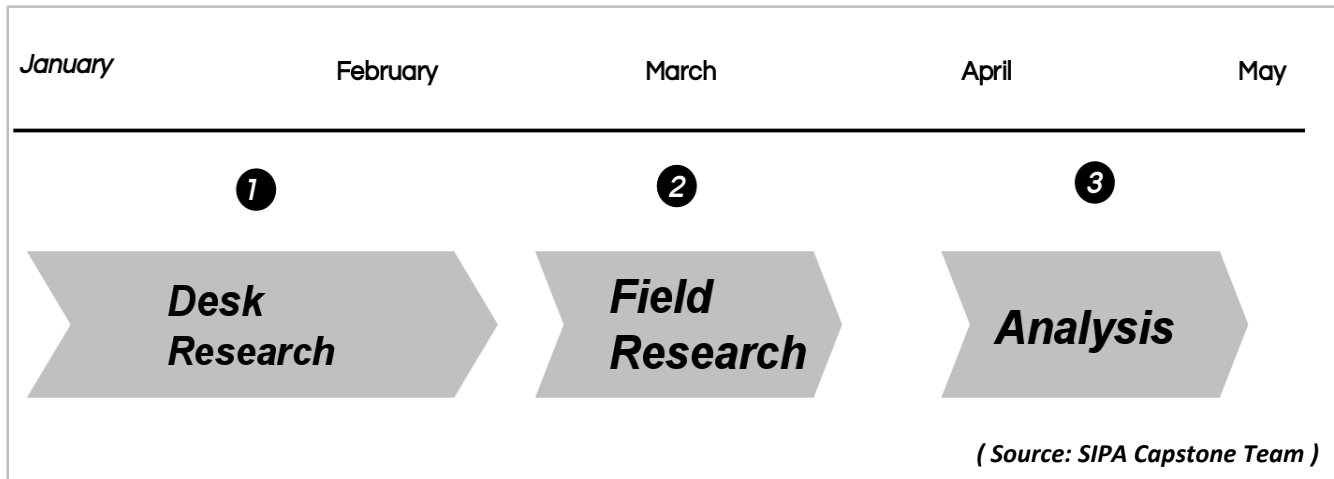
( Source: SIPA Capstone Team Analysis; various data sources )

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## 5. Methodology

The team completed the research in three phases.

### Exhibit 1: Research in Three Phases



In the first phase, the team conducted research on the VC industry to discover existing literature on the status of women in VC. This phase provided the team with possible assumptions as to why there are so few women in the VC. The team identified themes that could make the VC space a particularly unattractive industry for women. The team created the following list of challenges women face in VC:

- A) Fund raising
- B) Unconscious bias
- C) Male-dominated work culture
- D) Legal issues
- E) Lack of role models/women mentors
- F) Lack of human resources policies
- G) Work and life balance
- H) Personality Traits
- I) Education
- J) Few women founders

In phase two, field research, the team conducted interviews with an extensive list of Venture Capitalists. Along with the project advisor and client, the team developed questionnaires for men and women working in VC. The interview, composed of roughly 30 quantitative and qualitative questions, not only tested the assumptions, but also asked open-ended questions to explore participants' points of view. The demographics of the participants are shown in Table 3, as the designed sampling criteria aimed to include representatives from across position, region and type of firm.

In total, the team conducted 54 interviews, 41 of which were with women and 13 with men. Given that there are only 403 women in the U.S. VC industry, the team was able to capture roughly 10% of the true population mean of the industry, derived as a simple random sample approach.

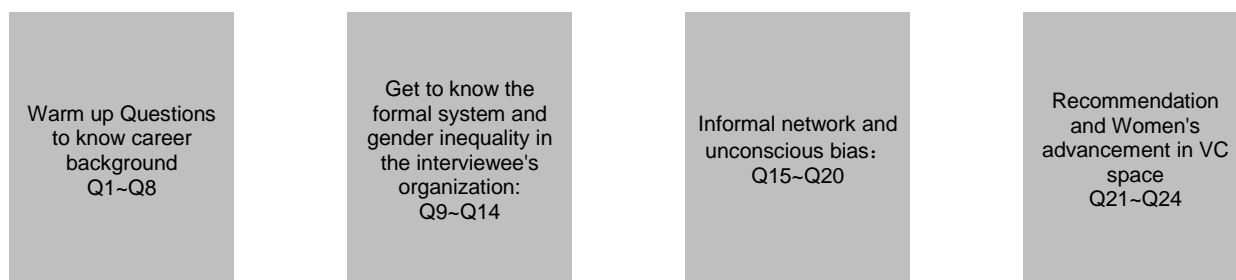
**Table 3: Sample of the VC Interview**

<b>Interviews by Gender</b>	Female 41, Male 13 Total: 54
<b>Investing Characteristics (Women Only)</b>	Investing Team 38 Non-investing Team 3 Total: 41
<b>Titles and Positions (Women Only)</b>	Founders and Partners 20 Associate, Senior Associate, Principle and VP 15 Analyst 4 HR and relationship manager 2 Total: 41
<b>Regions (Women Only)</b>	East Coast 34 West Coast 5 China 2 Total: 41
<b>Types of VC Firms (Women Only)</b>	Institutional 32 Corporate 6 Accelerator and Family Office 3 Total: 41

*( Source: SIPA Capstone Team )*

However, the total number of respondents in each figure in 1 – 10 in the body of this report varies and does not match the total number of interviewees shown in Table 3. Because they either rejected to answer to certain questions or answered not in Yes or No as the question asked.

**Exhibit 2: Interview Questionnaires**



*( Source: SIPA Capstone Team )*

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## 6. Challenges of Women in VC

In this section, the team explores the nine assumptions and explains key findings from the interviews.

### A) Fund Raising

There are two types of VC: Corporate and institutional. Corporate venture capital, defined by the Business Dictionary as the "practice where a large firm takes an equity stake in a small but innovative or specialist firm, to which it may also provide management and marketing expertise; the objective is to gain a specific competitive advantage"<sup>18</sup>. It is the investment of corporate funds directly in external startup companies.<sup>19</sup>

Institutional venture capital represents managed funds from \$5M to \$1B under management to invest in companies with high growth potential. This capital comes from limited partners, the fund's investors, and is managed by general partners who run the fund and make investment decisions. A small percentage of the institutional VC firms raise the bulk of the total venture capital<sup>20</sup>.

Institutional VCs can either start their own fund or join an established one. The significant source of fund includes personal wealth and raised capital. Proceeds from the sale of start-ups is also a common way for VCs who were previously entrepreneurs to raise investment capital. The team made some assumptions and tested them through research and interviews. Assumptions include: Few women enter VC because they are not comfortable raising funds.

***"If I show a strong track record and I do believe what I'm doing, I'd be comfortable to ask friends and family to invest in my fund. I've never asked so far, however, I will be comfortable if I have a track record and can generate more returns."***  
*Interview from an Associate Female VC*

To test this assumption, the team asked women in VC companies who held senior positions, "How comfortable are you asking your friends and family to invest in your fund?" Four out of 29 women interviewees and 4 out of 11 male interviewees who answered the question said yes to the question if personal wealth was helpful to enter the VC. Figure 1 shows that 35% of women said they were comfortable asking and 46% were not. Meanwhile, 44% of the men surveyed replied they were comfortable asking for funds.

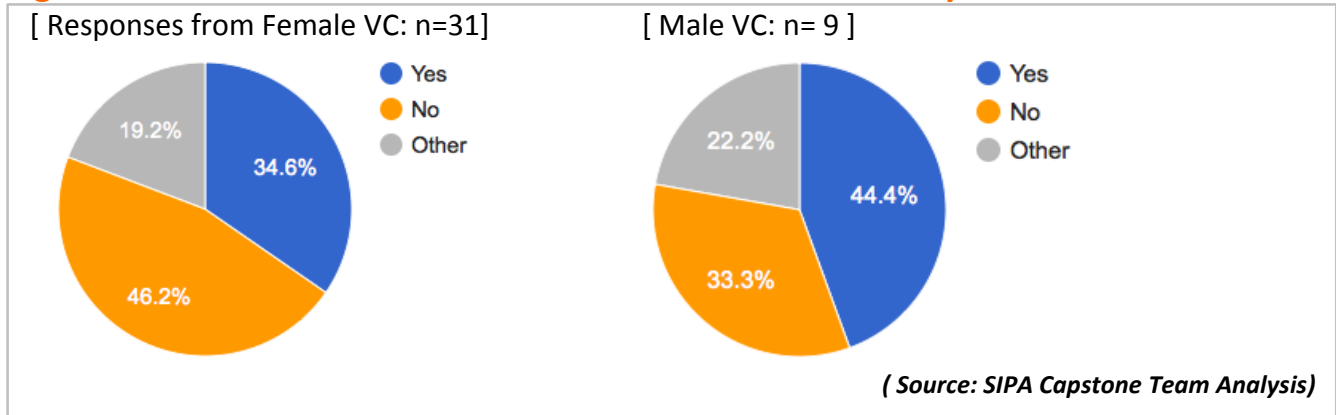
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<sup>18</sup> What is corporate venturing? definition and meaning. (n.d.). Retrieved May 11, 2016, from <http://www.businessdictionary.com/definition/corporate-venturing.html>

<sup>19</sup> "Making Sense of Corporate Venture Capital." HBS Working Knowledge. 25 Mar. 2002.

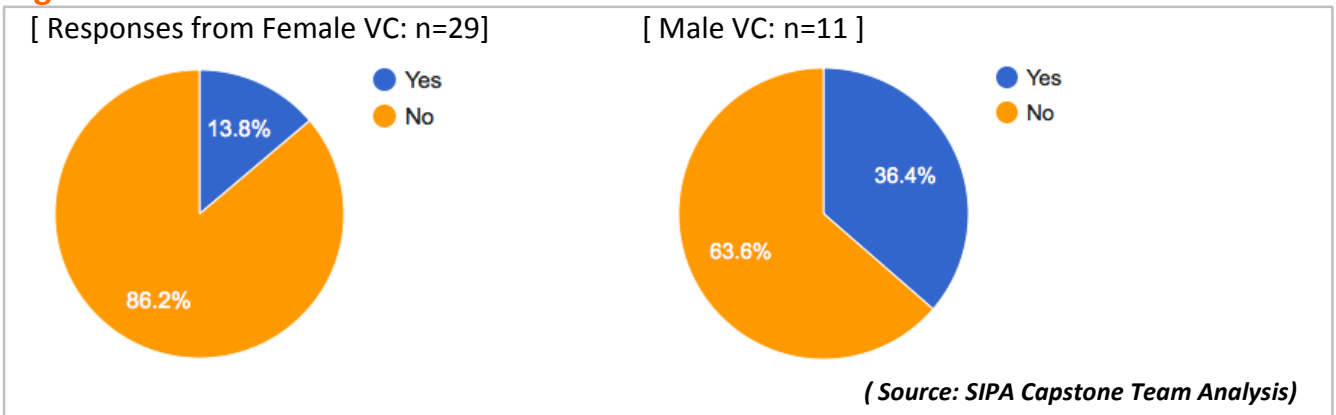
<sup>20</sup> Waite, Rita. "Not The Same: Understanding Corporate Venture Capital Versus Institutional VCs." CB Insights Blog. 05 Feb. 2016.

**Figure 1: Comfortable to Raise Funds from Friends and Family**



Among those who feel uncomfortable raising funds, some brought personal wealth into their funds, which either came from start-up proceeds or accumulated savings. Most interviewees who responded to these questions are VCs who hold senior positions. In other words, they have the ability to or are comfortable with raising funds. VCs do not necessarily have to bring personal wealth to VC industry, but they need to be able to raise money. It is a myth of the VC industry that "you need to bring personal wealth to become a VC." Interviewees who answered other includes corporate VCs and VCs who would not ask close friends and families their investments until they have a proven track record of success.

**Figure 2: Personal Wealth Contribution**



Lacking channels to raise funds and lacking networking or skills may be problems. Thus, women need to learn how to raise money. Mentoring programs or formal courses to teach women how to raise funds would help women enter the VC industry and help enable juniors become seniors.

## B) Unconscious Bias

Gender is the first thing noticed, coded, and categorized during social interaction. Thus, we should expect a bottlenecking of cognitive bias toward one gender or another. For the purpose of this report, the team used the definitions of unconscious bias explained in Table 3.

Certain scenarios can activate unconscious attitudes and beliefs. For example, many of our interviewees responded that some entrepreneurs feel that a male venture capitalists might be able to connect them better with customers and other key contacts. Thus during meetings with VCs, entrepreneurs may focus their eye contact and attention on the male in the room instead of the woman, who may in fact, be more senior than her male colleague.

**Table 4: Types of Unconscious Bias<sup>21,22</sup>**

Type	Definition	Example
<b>Homophily</b>	Love of the same - the tendency to associate with people like us.	"Tom is likely to be great for the role; he went to the same university I did."
<b>In-group vs. Out-group</b>	People who share our particular qualities are included in the "In" group = US. Those who do not share the same qualities form the 'Out' group = THEM. We treat those "In" more favorably than those "Out".	Mark plays golf with Fred, the CEO. Mark is awarded the most prestigious accounts has the opportunity to present to the board. Dave cannot play golf and while he is at the same managerial level as Mark, he does not get offered the same opportunity.
<b>Stereotype</b>	Oversimplified opinions that do not account for individual differences.	"Gen Y employees are demanding and feel entitled to promotions without working for them."
<b>Confirmation</b>	The tendency to search for or interpret information and behaviors in a way that confirms what we already believe.	"Jack has only been here for six months and he already wants a pay raise. I told you all Gen Y employees are entitled."

*( Source: SIPA Capstone Team Analysis)*

<sup>21</sup> Gilovich, T., & Savitsky, K. (n.d.). Like Goes with Like: The Role of Representativeness in Erroneous and Pseudo-Scientific Beliefs. *Heuristics and Biases The Psychology of Intuitive Judgment*, 617-624.

<sup>22</sup> Tversky, A., & Kahneman, D. (n.d.). Judgment under uncertainty: Heuristics and biases. *Judgment under Uncertainty Heuristics and Biases*, 3-20

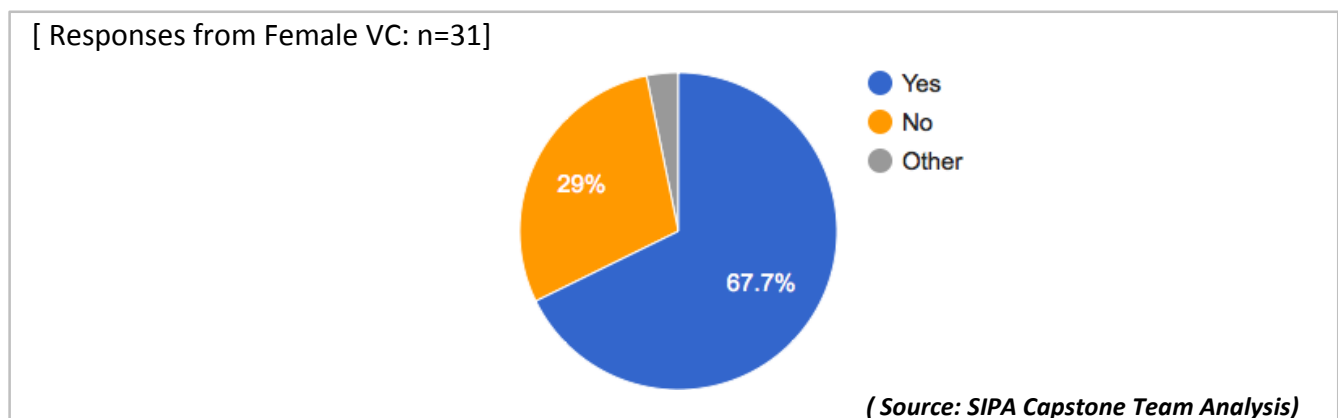
Other empirical evidence supports the existence of these biases. In one combined Harvard, Wharton and MIT study, identical pitch videos were narrated by men and women, and investors chose the male-narrated videos 68% of the time.<sup>23</sup>

Early stage investors operate and make decisions with rather limited evidence and a high degree of uncertainty. It would be virtually impossible for them to operate without these heuristics (more commonly called intuition or pattern-matching) and the resulting cognitive biases. Representativeness (i.e. how similar the stimulus is to standard stored in memory) and availability (how easily one can recall a similar example) are the most commonly used heuristics. The more uncertainty and the less evidence available in a given situation, the more those involved are forced to rely on heuristics to govern an intuitive decision. These heuristics increase cognitive bias. Coupled with a homogenous set of decision makers, the likelihood of unconscious bias groupthink in VC is evident in its gender imbalanced industry.

***“A lot of young women are steered away from subjects like math and science, and it is down to the biases people have. The industry has a bias against women in certain jobs and women have their own biases too.”***  
*Interview from a Senior Female VC*

When asked, “Do you feel your boss recognizes your contribution in meetings as they do for your male colleagues at the same level?” 29% of women feel that their male bosses do not recognize their contributions as they do for their male colleagues as seen in Figure 3.

**Figure 3: Recognition of Contribution at Meetings**



<sup>23</sup> Johnson, W. (2015, November 25). I'm a Female Author, So Why Did I Want a Man to Narrate My Audiobook? Retrieved May 11, 2016, from <https://hbr.org/2015/11/im-a-female-author-so-why-did-i-want-a-man-to-narrate-my-audiobook>

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## Key findings on unconscious bias

- 47% of the women believe that it is hard to find a job in VC or to get promoted because they are female. This shows that women have their own biases and will need to step outside their own gender framework. This includes not internalizing situations at work and focus on performance.
- 17% of women attend male centered events such as poker nights and gaming rooms. This points to the fact that women feel secluded in common VC informal networking opportunities. Women who do socialize with their male colleagues after work hours usually do so via dinner or drinks, which is more inclusive.
- 41% of women stated that they experience difficulties communicating with male colleagues. One female interviewee explained that, “men want me to talk to them like them” which relates to the unconscious bias theory of homophily mentioned in Table 4.
- 49% of the women felt that the entrepreneurs did not treat them in the same way as their male colleagues. This refers to the in-group unconscious bias theory stated in Table 4. Most of our interviewees elude to the fact that it takes time for them get adjusted to the cultural norms in the firm, especially if a male entrepreneur has an alpha personality, or has a hard time making simple eye contact with everyone on the funding panel. It is also interesting that female entrepreneurs expect and try to connect better with female VC partners, hoping that their products and services will be understood better by the females.
- 19% of women felt they had to be careful rebutting/refuting a comment from a male colleague as oppose to a female colleague.
- 21% of women said that in meetings, note taking was assumed to be their primary task.

It is hard to define whether the bias is more on the women or the men side but it definitely exists and needs to be addressed at an industry level.

***“The fundamental problem, especially in Silicon Valley, is that it loves to think it’s a meritocracy, which is bull. It’s not. It’s a mirror-crazy.”***

*Adam Quinton, SIPA Capstone Advisor & CEO of Lucas Point Ventures*

In conclusion, we acknowledge this hypothesis to be true. Homophily, stereotype, “in-group” and confirmation biases all prevail in the VC space and were captured in our interview findings. Many women nodded in recognition of the Elephant in the Valley study that indicated glass ceiling and sexist attitudes female executives in Silicon Valley endured, such as the shocking fact that 60% have experienced some form of harassment.<sup>24</sup>

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<sup>24</sup> Elephant in the Valley. (n.d.). Retrieved May 11, 2016, from <http://elephantinthevalley.com/>

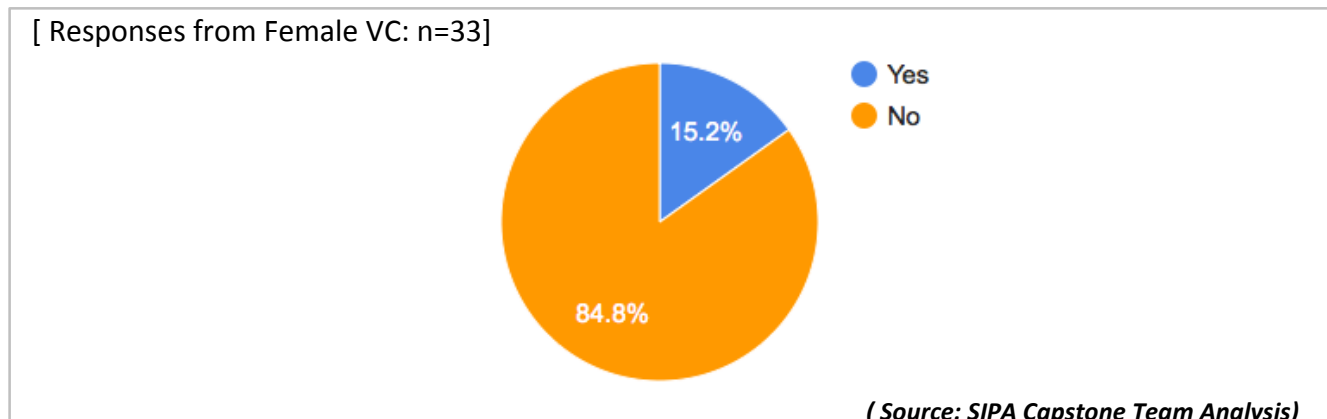


## C) Male-dominated Work Culture

Women in S&P 500 Finance indicated that only 20% of board seats are occupied by women.<sup>25</sup> In the case of Venture Capital, the number is significantly lower. As previously discussed, VC women partners hold only 5-8%, as reviewed in the demographics. Considering this, the team questioned if the male dominated work environment would be a concern for women to join the VC. The VC work culture is predominantly described as direct, fast-paced and highly competitive in nature.

*“Generally, women were quite skewed into certain roles. In the investment team, I was the only female analyst when I joined my first VC firm.” Interview from an Associate Female VC*

**Figure 4: Male Dominated Work Culture**



To test this, we asked whether the male-dominated culture in the VC was a concern for women when they joined their respective firms. Figure 4 shows that 85% of women did not care about the culture, while 15% were concerned. Considering that women joined VC either from careers that were already male-dominated, or directly from undergraduates, they did not let the culture become a barrier for their choice to enter VC, despite knowing that it is male-dominated. Had they factored this into their decision, they would not have had many options left. Although most women initially did not foresee a male-dominated culture as an issue in joining VC, they said that after two years, the issue became more prevalent.

*“Out of 153 applicants, I might be the only woman who applied for the open position.”*  
*Interview from a Principal Female VC*

<sup>25</sup> Women in Canadian, US, and Global Financial Services. (2012). Retrieved May 11, 2016, from <http://www.catalyst.org/knowledge/women-canadian-us-and-global-financial-services>

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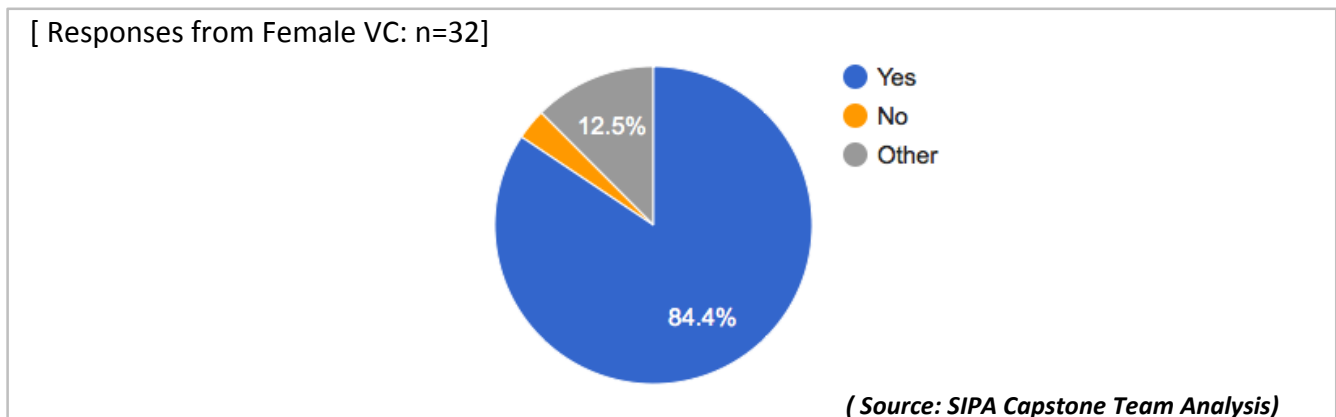
## D) Legal Issues

The team wanted to explore the effects of legal rights on women’s decision to enter, stay or leave the VC industry. Our assumption was that law precedents, such as Ellen Pao’s case, negatively affected women either entering or staying in VC. The case, which showed a senior woman in VC suing her company for discrimination and not winning, may have discouraged other senior women from pursuing their own concerns regarding gender discrimination. Not only did Ms. Pao lose on all counts of a high-profile sexual discrimination case earlier this year, but Judge Harold Kahn officially ordered her to pay more than a quarter of a million dollars in court costs to the VC firm, Kleiner Perkins Caufield & Byers.

Many believed that the case, while it not successful for Pao, would spark a wave of women expressing their own gender concerns in VC. However, it has been more like a small ripple. In addition, the team believed that given the small and intimate work environment VCs operate in, women do not feel comfortable pursuing a legal option as it could damage their reputation, negatively affect their work and/or be perceived as a weakness.

*“There is more downside than upside.  
Even if you win, you will never get a job in the industry again.”  
Interview from a Principal Female VC*

**Figure 5: Reluctance of Legal Action in case of discrimination**



The team’s assumption was that women tend to sue their companies for gender discrimination at far lower rates than they actually experience it. Since access to lawsuit information is not publicly available, the team only asked a question pertaining to legal assistance accessibility for both men and women in VC during the interviews.

The team interviewed three attorneys to gain their perspective on this issue. All three are in the field of employment law. One female lawyer located in Silicon Valley provided her perspective on how it

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felt to be on the defending side of Ellen Pao's case. This report summarizes the perspectives of all lawyers interviewed by the team. As mentioned above, the team cannot quote the exact number of lawsuits filed by women in the VC or even quantify how that trend has developed from 1999 to 2014 because of missing data. The team can discuss the nature of the lawsuits. There was a difference in opinion amongst the lawyers. However, broadly speaking, the compensation-related lawsuits tend to outweigh gender discrimination lawsuits for the entire financial services industry. Next in line are termination cases, which occur only after the employee is no longer related to a firm. But generally speaking, our interviews clarified that the nature of lawsuits has no correlation with the amount of women in the VC. According to our interviews, these cases have always existed and will continue to exist in less visible ways.

Workplace issues vary from employee compensation to equal employment issues, gender discrimination, failure to promote, industry discrimination and sexual harassment. The lawyers also did not have a clear response on if the VC industry has enough protection rights for women. This is an interesting variable to consider, because if these cases (those filed) are not public information, then the industry indirectly endorses "what happens behind doors will most likely stay behind doors" ideology. Partners at VC firms do not come under employment law, so a senior woman in the VC industry cannot do much relative to junior female counterparts. It is because of the legal policies that women are at a disadvantage. Women cannot leave the firms at senior ranks and do not have a platform to file for other legal matters since they are no longer capped as an "employee" due to their partner status at the firm.

Broadly speaking, the gender-based lawsuits operate in other financial services areas in the same manner. Simply because women are a minority in VC in comparison to private equity does not mean that it is a VC-specific problem, as one lawyer noted.

Other platforms where women can raise their concerns are state level departments; such as the US Department of Labor and the State Employment Commission. Unfortunately, because they are administrative agencies, they are not considered seriously in the legal industry. Other ways to file legal concerns prior to any major lawsuit filings are options of mediation, or third party arbitration but this can only occur if both parties tend to participate. Plus the mediation is costly, as pointed out by one of the lawyer interviewees. Although the nature of mediation is more private than a public lawsuit, it offers its own barriers of cost and mutual consent as consent is rare, and an easier solution is to terminate such an employee, as noted by one of our interviewee).

In conclusion and based on our interviews, given current VC practices, there is an unstructured and unofficial legal framework in the industry that requires improvement in terms of checks and balances. Moreover, limited legal support explains why a significant number of women observe gender discrimination in the work place but decide to either remain quiet or move to a different firm, causing the number of women in VC to continue to decrease.

## E) Lack of Role Models/Women Mentors

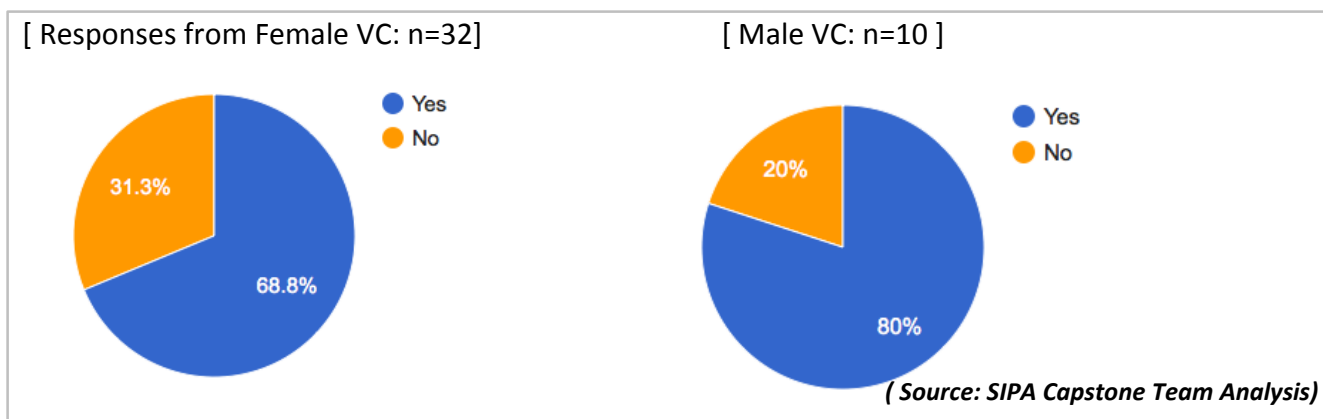
Mentoring is one of the oldest forms of influence and knowledge sharing. A mentor is an individual, usually older and more experienced, who helps and guides another's development. This guidance is provided without the expectation of personal or monetary gain on the mentor's part. More and more businesses are embracing the concept of mentoring as a professional development tool<sup>26</sup>. Through mentoring, organizations are seeing dramatic improvements in efficiency, productivity and also the passing of institutional knowledge and leadership skills from one generation to the next. Mentoring is important for in venture capital, as there are many different career paths in the industry and the path is uncertain.

When asked, "Is there any formal or informal mentorship in your organization?" as Figure 6 shows, 69% of female respondents said yes. Of those who said yes, 65% described their mentorship as formal. This means that the small majority of women in VC do have some type of mentorship whether formal or informal. Although it would seem that a lack of mentorship does not have a strong effect on a woman's decision to enter VC because as the data show, women do have mentors, compared to men, but the numbers are drastically smaller. For example, when men in VC were asked the same question, 80% said yes to have formal or informal mentorship. With 80% of males describing their mentorship as formal mentorship. This leads us to conclude that a lack of mentorship is at least a factor in a woman's decision to either not enter or leave the industry.

***"Rarely does a male mentor tell a female mentee "you are wrong," because of being afraid to hurt her feelings. He offers little criticism. But I want to be told the truth to grow faster!"***  
*Interview from a Female VC Founding Partner*

Based on our interviews, many men VCs have better chances to find a mentor. Some men actively seek mentors informally. They form friendships, and they are direct in asking questions.

**Figure 6: Formal or Informal Mentorship in Organization**



<sup>26</sup> Hunt, David Marshall, and Carol Michael. "Mentorship: A career training and development tool." *Academy of management Review* 8, no. 3 (1983): 475-485.

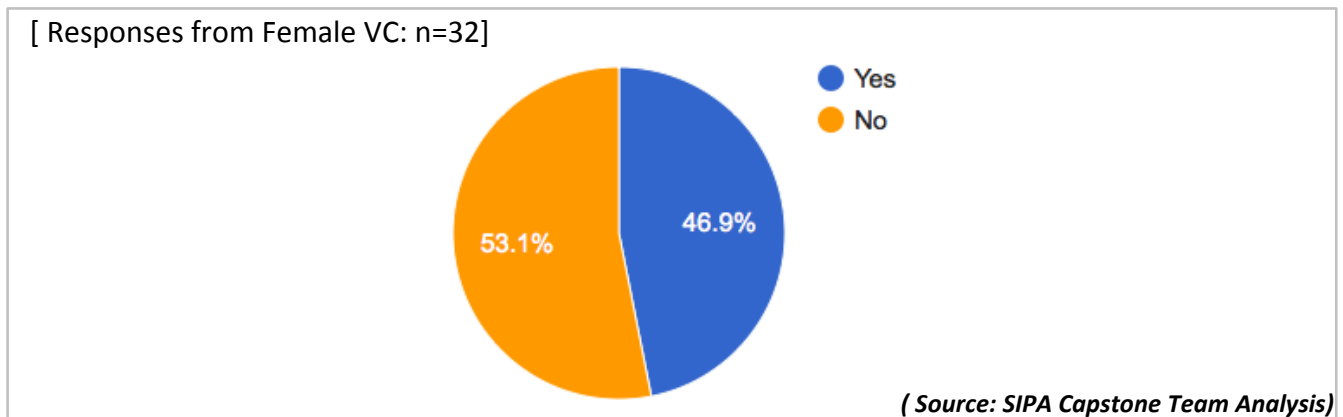
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## F) Lack of Human Resources Policies

According to the Department of Labor, Women’s Bureau, male-dominated industries hire 25% or fewer women<sup>27</sup>. Those industries are likely not to provide more opportunities for women, as a result, to excel their careers, women are experiencing relatively more difficulties than their male colleagues. This explains male-dominated industries in general; however, VC is no exception with its low representation of women. Even if it was not an issue when junior women joined VCs, as they develop careers, it becomes an issue. So, having human resources policies to promote diversity is critical to enable women to excel in VC.

As Figure 7 shows, 53% of VC firms do not have a human resources (HR) team in house. Due to the lack of an HR department, CFO and partners make decisions on talent recruiting and management. Without established HR teams, the firms rarely promote policies regarding diversity and gender. Often, the HR process in small institutional VC firms is not transparent. However, in general, corporate VC HR process is more transparent mainly due to the sharing of administrative functions with the holding company.

**Figure 7: Existence of Human Resources Department in firms**



***“VC is like a two-year slot job. Without fundamental strategy changes, it’s hard to change the lack of transparency and the promotion bottleneck.”***

*Interview from a Female VC Partner*

Even in the case of corporate VC that has an HR team and relatively rigorous hiring process, only a few women apply for open positions. This means that the talent pool and/or pipeline to hire more

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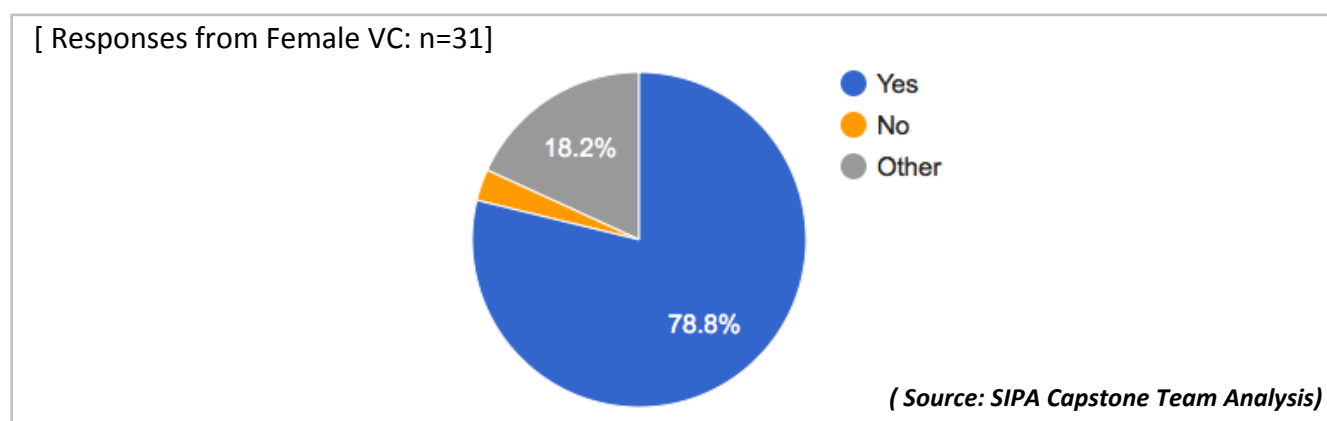
<sup>27</sup> Women's Bureau (WB) - Nontraditional Occupations for Women in 2008. (n.d.). Retrieved May 11, 2016, from <https://www.dol.gov/wb/factsheets/nontra2008.htm#.UJvbO9ePzWI>

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women becomes very narrow at the top. When VC firms want to hire more women, the limited number of female applicants should be an issue. Presumably, there is no such aspect as an established career path especially in a smaller VC firm. Successful VCs come from various backgrounds such as journalism, top management consulting or law firms, and history majors. Firms should develop a creative strategy to find women inside or outside VC networks. Even without an HR team, it should be critical to recognize the function of HR.

***“Whenever I post a job, we get a lot more men than women that apply. On average, 70% of applicants are men.”***  
*Interview from an Associate Female VC*

**Figure 8: Fairness of Hiring Process**



As shown in Figure 8 when asked, “Was the hiring process for your organization fair?” 79% of interviewees thought the hiring process of their firms fair to women. Also, most interviewees did not have critical problems with promotions, performance review, or compensation. However, the process of review is by nature ad-hoc in VC, and the promotion process is not transparent and subjective.

***“At my previous firm, there were five partners, so to get promoted to partner, you had to leave the company and come back as a partner.”***  
*Interview from a Partner Female VC*

Even if HR team is in house, it may not be a silver bullet solution. Because the HR person has less authority over the HR decision than their partner or equivalent decision makers. Instead, the team uncovered from the interviews that having a HR process and policy in place should be helpful to build awareness of VC as a promising career, increase the pipeline for recruiting and evaluate the performance fairly. Thus, even though there is no HR team or person in house, having the HR policy should be taken more seriously.

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## G) Work and Life Balance

According to the Elephant in the Valley<sup>28</sup> survey, 75% of women were asked about family life, marital status and children in interviews. Of these, 40% felt the need to speak less about their family to be taken more seriously. Of those who took maternity leave, 52% shortened their leave because they thought it would hurt their career. So, there should be opposite pressure on women in the sector to concentrate more on work to compete with those preconceptions. While pay was important to women in finance, there were clear differences between genders on what is valued in an employer. Among female respondents, 65% expected manageable working hours compared to 47% of men, and 50% of women wanted flexible working options compared to just 34% of male respondents.

Stewart D. Friedman, founding director of the Wharton Work/Life Integration Project, researched the work and life balance topic in the lens of work and life integration or harmony, which focused on professionals who developed the skills to integrate their life and work successfully. In his new book, *Leading the Life You Want*, Friedman profiles six people who embody these necessary skills to integrate work and life in terms of being real, being whole, and being innovative.<sup>29</sup> One of them was the Chief Operation Officer of Facebook, Sheryl Sandberg who also redefined the work and life balance to be a leader as “work and life integration.” Friedman emphasized “The Critical Steps to Integrating Work and Life” in his interview with Jeffrey Klein, executive director of the Wharton Leadership Program;

*“We really have to be focusing the conversation on what I refer to as four-way wins: things that you can do that are within your control that enable you to create value in some way and demonstrably improve results not just at work, not just for yourself, not just for your community, not just for your family, but for all four.”*

With those lessons from the desk research, initially, the team assumed that the perceived work and life balance would be worse than in any other sector, including marketing, consulting, law, and accounting firms, as well as Fortune 500 companies. However, as shown in Figure 9, when asked, “Compared to your previous job, is your work-life balance better in a VC?” 67% of women interviewed answered that they are satisfied with the work-life balance, and most of 15% who answered other indicated that the equation of work and life balance in VC should be measured differently.

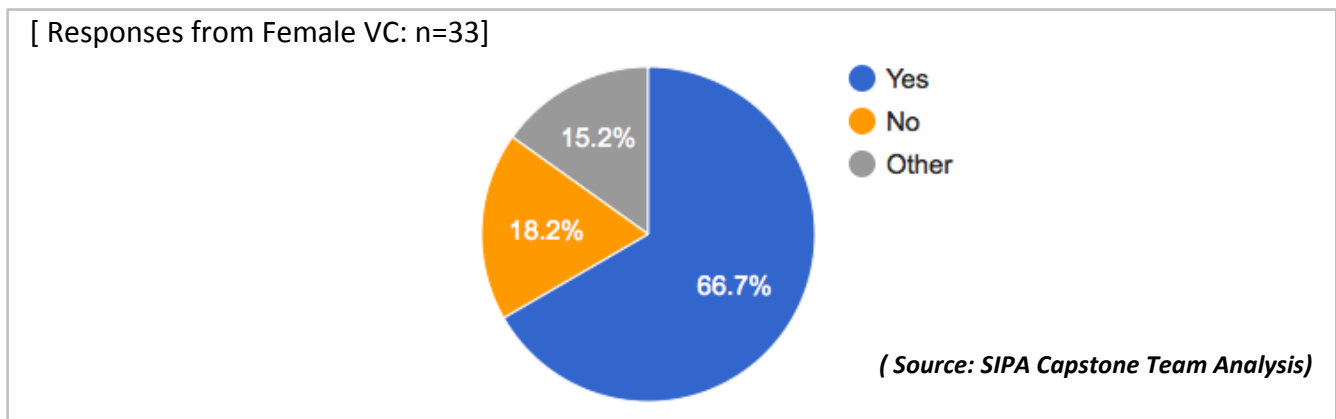
Indeed, the concept of “work and life integration” was mentioned multiple times during the interviews. In terms of the previous jobs (except for tech companies or Fortune 500 companies), more than 62% of women VCs came from client-facing jobs such as management consulting, law firms or media agencies. So, they are relatively satisfied with the current work conditions that they can control their schedules on their own. Also, over the years, they found their own way to manage work and life, for instance, living near the office is helpful for them to be able to react to emergent issues from both work and family. Also, developing the work relationships into life relationships such as close friends was an interesting perspective.

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<sup>28</sup> Same as above in 24.

<sup>29</sup> The Critical Steps to Integrating Work and Life. (n.d.). Retrieved May 11, 2016, from <http://knowledge.wharton.upenn.edu/article/integrating-work-life/>

## Figure 9: Work Life Balance Perception



***“If you are able to manage 24/7 wisely, there is always more that you can do! And, you can see what's going to pay off.”***  
*Interview from a Principal Female VC*

In conclusion, women VCs admitted having to work harder than in their previous positions, but provided a different perspective: 1) control of time; 2) ownership of business: setting goals and responsibilities on deal flow; and 3) job satisfaction. Most were satisfied with their current work and life balance. The most common reactions were “self-directed and/or flexibility.”

## H) Personality Traits of Women

According to BlackRock and Bank of America Merrill Lynch, financial characteristics common to women are described as instinct to save, feeling insecure about money, being nervous about the future and willingness to get the market returns. In the BlackRock survey, 52% of women describe their financial outlook as "frustrated or pessimistic" based on market volatility and economic uncertainty. On the other hand, 43% of men said the same answers. The same survey found that 22% of women are willing to take on higher risk for a bigger return, which is smaller than 34% of men<sup>31</sup>. Karrie Van Belle, managing director at BlackRock Canada said “We are seeing more and more women categorize themselves as savers versus investors and they're sitting on the sidelines in cash.”<sup>32</sup>

<sup>31</sup> 5 Traits of Women Investors. Wealth Blog. (n.d.). Retrieved May 11, 2016, from <http://www.bankrate.com/financing/wealth/5-traits-of-women-investors/>

<sup>32</sup> Wong, C. (2016). Women's Lack Of Investing Confidence Means Men Save Nearly Twice As Much: Report. Retrieved May 11, 2016, from [http://www.huffingtonpost.ca/2016/03/07/lack-of-confidence-keeping-women-from-investing-instead-they-hold-onto-cash\\_n\\_9397142.html](http://www.huffingtonpost.ca/2016/03/07/lack-of-confidence-keeping-women-from-investing-instead-they-hold-onto-cash_n_9397142.html)



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***“Female VCs are more responsible for the money and good at carrying out. Female VCs are good at recognizing a good entrepreneur especially at the early stage. Females are sensitive and have good instincts.”***

*Interview from a Principal Female VC*

### **Strengths: Empathy, relational, community building, and consumer understanding**

Women being stereotyped as risk averse may be one of the reasons that led the funds owned by women to have better performance throughout the financial crisis. The idea of gender-stereotyping may be controversial, and it is indeed hard to generalize the spectrum of personality, primarily because it also depends on background, not gender. However, during the interviews, the most mentioned words about women’s traits were relational, empathetic and good listener. Those should offer better matches to VC. Because VC is truly a relationship business. It is important to have the human side of investment. With those traits, women are more helpful to investigate the real issues and problems by having richer dialogue with diverse voices, which makes better outcomes of investment decision making and outcomes for companies with their different perspectives.

***“They are usually community builders”***

***“The dominant internet consumers are women, who make 85% of buying decisions, so it's incredibly valuable to have women on the team.”***

*Interview from a Female Partner VC*

### **Weaknesses: Lack of confidence and/or lasting power**

Men are relatively outspoken. So women's ideas sometimes are not brought to the table, even though both project the similar idea within the context. They have to put additional efforts to make a stronger point at any given situation. They often seem not very confident or too cautious about their ideas or opinions. They have to feel more comfortable with asking direct questions. They are not asking promotions even. According to Her Success, women are also shy from crediting their success to themselves. They conclude that their results were based on luck or help from someone else. This could be an admirable trait to have in the collaborative work environment, it also deflates confidence and allows others to make comments that imply women don’t know how or can’t invest<sup>34</sup>.

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<sup>34</sup> Women & Investing: Your Weaknesses are your Strengths. (2015). Retrieved May 11, 2016, from <http://www.hersuccess.ca/women-investing-your-weaknesses-are-your-strengths/>

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***“Women are easily burned out. They need more staying power to get their hands dirty.”***

*Interview from an Associate Male VC*

In conclusion, the personalities of women would be helpful to succeed as a VC, if women become more confident. Especially the traits to build the community inside and outside the VC are certainly the most sought after qualification to become a better VC. Rather than magnifying the weaknesses of women, promoting the strengths as a women VC will position women better in VC industry.

## **I) Education**

For a VC outsider, education and background for VC work seems to be the most obvious reason for women not entering the industry. However, VC is not something one can major in and instead has been associated with technical skills gained from engineering and computer science majors— fields that historically have been male dominated. This leads some to believe that women do not naturally gravitate toward the field as a result of their lack of relevant educational background. This is consistent with the fact that high school boys outnumber girls by more than 4 to 1 among computer science test-takers.<sup>35</sup>

***“Education to get VC to understand where the values are located is critical. Lack of women in VC is a structural issue starting from education.”***

*Interview from a Partner Female VC*

However, the Page Mill study found that among the degrees of female VCs, the leading majors are:<sup>36</sup>

- Economics (15%)
- Engineering (13%)
- Business (12%)
- Biological Sciences (8%)

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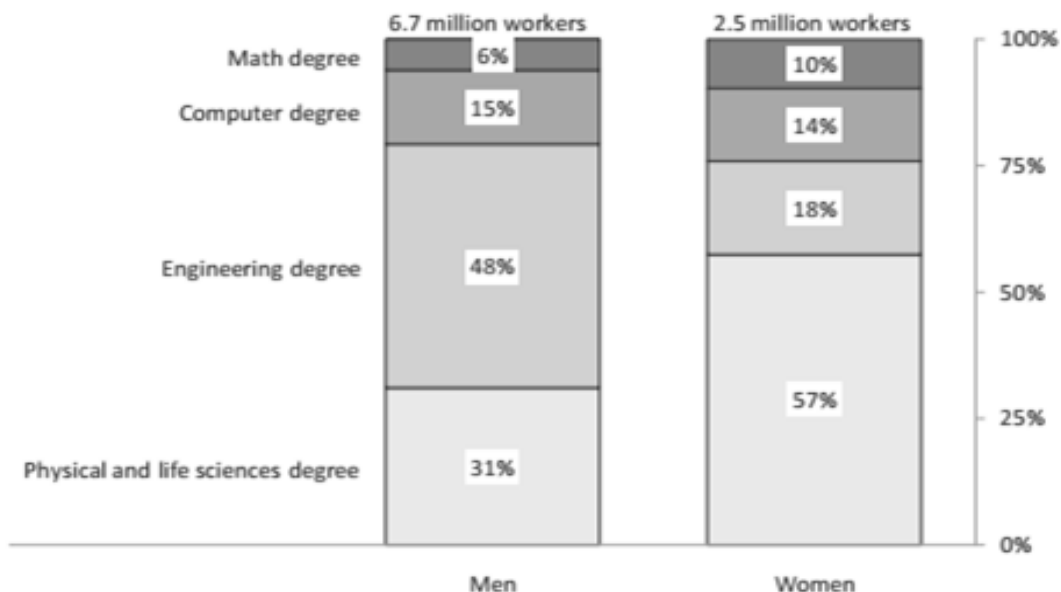
<sup>35</sup> Kurtzleben, D. (n.d.). AP Test Shows Wide Gender Gap in Computer Science, Physics. Retrieved January 14, 2014, from <http://www.us-news.com/news/blogs/data-mine/2014/01/14/ap-test-shows-wide-gender-gap-in-computer-science-physics>

<sup>36</sup> Study of Females in the Venture Capital (VC) Industry, Page Mill Publishing Inc. 20 August 2015. P 25

*“To elevate opportunities in VC, educating women in the space to encourage them to see VC as a viable career path is a starting point.”*  
*Interview from an Associate Female VC*

Female VCs with a computer science background accounted for a mere 0.037%.<sup>37</sup> Statistics from the U.S. Department of Commerce show the variance in engineering degrees between the sexes is that men account for 48% and women 18%.<sup>38</sup> There is no uniform path to enter VC, and as the research shows, women's lack of engineering backgrounds is not a plausible reason as to why there are so few women in VC. This is echoed by the fact that only 41% of VCs have operations backgrounds.<sup>39</sup> Although men and women have seemingly comparable percentages in computer science, men at 15% and women 14%, when multiplied by the amount of workers by gender in the field, we find that men in computer science number 100.5 million employees and women only 35 million,<sup>40</sup> as in Exhibit 3.

### Exhibit 3: College educated workers with a STEM degree by Gender, 2009



Source: ESA calculations from American Community Survey public-use microdata.  
 Note: Estimates are for employed persons age 25 and over. The shares for men and women do not add up to 100% due to rounding.

To further test the role of education and background, the team asked the following questions:  
 “What led you to Venture Capital?”  
 “Do you feel your previous job experiences were helpful in VC?” and  
 “Did your undergraduate studies prepare you for entering and succeeding in VC?”

<sup>37</sup> Same as above in 36.

<sup>38</sup> Beede, D. N., Julian, T. A., Langdon, D., Mckittrick, G., Khan, B., & Doms, M. E. (n.d.). Women in STEM: A Gender Gap to Innovation. SSRN Electronic Journal SSRN Journal.

<sup>39</sup> Kerby, R. (2016, February 10). Who Is VC? Retrieved May 11, 2016, from <http://techcrunch.com/2016/02/10/who-is-a-vc/>

<sup>40</sup> Same as above in 38.

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Of senior leadership positions, women found social skills and interpersonal skills to be more advantageous than traditional technical skills. One participant described VC as ultimately “a sales job.” Essentially, the census is that although it is not required, it does not hurt to be financially literate and have more technical insight into computer science, engineering or operations.

As one interviewee said, “it’s very helpful to have an operating background. If you haven’t lived it, it’s really hard to evaluate portfolios. For example, you’re on the investment team and you’re evaluating deals all day long, it’s really helpful to have worked at a company, because it gives you so much context on how successful this business will be. We want to help them be successful, so it gives you more credibility when you work with these entrepreneurs. It shows them you’ve been in their shoes, you can empathize with them, and so you need that experience to have that credibility.”

***“Background is important, but it is not necessarily an engineering. I’m investing in education, so my knowledge about U.S. education system is much more helpful.” Interview from a Principal Female VC***

Despite a lack of women in computer science, and engineers in the field, a technical education background does not play a core role in the low rate of women in VC. While we recognize that most woman in VC are recruited from the United States’ top Ivy League institutions, their majors and educational experiences show no correlation to entering or not entering the VC industry. Our respondents came from a variety of backgrounds, including media and journalism, finance and entrepreneurs. That our respondents had unique paths into VC supports our conclusion and allows us to rule out education as a reason there are so few women in VC. Ultimately, we can debunk the myth that the lack of women in Science, Technology, Engineering and Math (STEM) majors accounts for the lack of female VCs.

## **J) Few Women Founders**

According to the research from Babson College, from 2011-2013, 15% (985 of the 6,793 VC-funded companies) had a woman on the executive team. This number rose annually from 9% in 2011 to 18% in 2013. These investments included seed, early-stage, and later-stage venture capital funding. However, only 2.7% of the companies (183 of 6,517 companies) receiving VC funding during this period, had a woman CEO. The total dollar investment in companies with a woman on the executive team during 2011-2013 was 21% or \$10.9 billion out of \$50.8 billion. This figure also rose annually: in 2011 companies with women on the executive team received 9% (\$816 million) of the total \$8.9 billion invested, while in 2013 they received 27% (\$7.1 billion) of the total \$26.4 billion invested. However, companies with a woman CEO only received 3% of the total VC dollars, or \$1.5 billion out of the total

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of \$50.8 billion invested during 2011-2013<sup>41</sup>. The average dollar investment in businesses with a woman on the management team was slightly higher for all three years during 2011-2013, \$12 million for those with women, \$8 million for those with no women. For companies where the CEO is a woman, the average investment was \$8.8 million; for companies with male CEOs, the average investment was \$8.3 million. The difference is not statistically significant. In this report, only 2.7% (183) of the 6,517 companies that received VC funding have a woman in the CEO role, meaning that more than 97% of venture-funded businesses have male CEOs<sup>42</sup>.

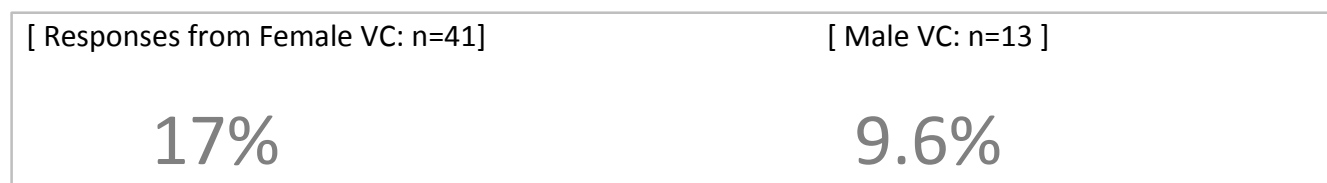
What's more, according to a Fortune research report published in 2014, only 4.2% of VC senior partners—the decision-makers at the firms—are women<sup>43</sup>. CrunchBase further shows that women still only make up 14.6% of executive officers, 4.6% of Fortune 500 CEOs, and 16.9% of board members at Fortune 500 companies. In this report, it recently analyzed more than 14,000 US-based startups. In 2009, 9.5% of startups had at least one female founder, but by 2014 it had almost doubled, reaching 18%. Even though the number of female founders has steadily increased in the last five years, women still only make up a small number of top executive teams<sup>44</sup>.

Statistics from Babson research show that VC firms with women partners are more than twice as likely (34% compared to 13%) to invest in companies with a woman on the executive team, and more than three times as likely (58% vs. 15%) to invest in companies with women CEOs. However, according to the Babson research, companies with a woman on the executive team were 64% more likely to have higher valuations at first funding and almost 50% more likely to have it at last funding. Women-led tech companies are more capital efficient and earn 35% higher return on investment, according to a 2013 report from an online survey by researchers from the Kaufman Foundation and Duke and Stanford Universities.

Consistently, as shown in Figure 10, when asked, “What percentage of the pitch meetings your firm takes involve companies with at least one female founder on the team? And what percentage has women CEOs?” Team excluded one outlier VC firm who only invests in women-led startups, on average 17% of the pitch meetings that the VC firms are involved is with at least one female founder or CEO. The 17% includes 3 VC firms that are actively looking for women entrepreneurs because they are investing in retail and consumer or starting VC with the mission to promote women founders.

### Figure 10: Women Founders or CEOs at Pitch Meetings

( Source: SIPA Capstone Team Analysis)



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<sup>41</sup> Same as above in 9.

<sup>42</sup> Same as above in 9.

<sup>43</sup> Primack, Dan. "Venture Capital's Stunning Lack of Female Decision-makers." Fortune. 2014. Web.

<sup>44</sup> Teare, Gené, and Ned Desmond. "Female Founders On An Upward Trend, According To CrunchBase." TechCrunch. 2015. Web.

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Reasons why the women founders are few might be the same as the reasons of low representation of women VC, such as unconscious bias, education, and male dominated culture. One of many reasons is that investors prefer entrepreneurial ventures pitched by attractive men. A 2014 study by Harvard Business School also showed that "male entrepreneurs were 60% more likely to achieve pitch competition success than were female entrepreneurs." Investors prefer pitches presented by male entrepreneurs, even if the pitch is the same. This effect is moderated by male physical attractiveness: attractive males were particularly persuasive.<sup>45</sup>

***"My goal is 50% to meet women founders. However, it doesn't work out, it stays at 30% level. But I'm sure that it's higher, because we are striving for." Interview from a Principal Female VC***

Also, in the report, researchers note that across the broad landscape of entrepreneurial ventures, some prior research has determined that compared with men, women are likely to have fewer employees, lower growth projections, and lower levels of internationalization. However, conversely, recent research using a 15-year segment data from the 1,500 firms in Standard & Poor's Financial Services suggests that female managers improve overall company performance by bringing informational and social diversity benefits to the management team, by enriching the behaviors exhibited by managers throughout the firm, and by motivating the lower-status women in their companies.<sup>46</sup>

Insufficient data for women founders could be another factor, since the lack of data and unconscious bias can create a negative loop where investors still keep favoring male founders. In 2013, Pinterest technologist Tracy Chou famously highlighted the issue in her post, "Where are the numbers?"<sup>47</sup> which exposed the lack of published data from startups and mainstream tech companies on the number of women in technical roles.

## 7. Insights from Male VCs

### Unconscious Bias and Male Dominated Work Culture

Despite being a self-proclaimed male dominated VC industry, male VCs struggled to identify why women do not join VCs. When asked why they believe more women do not enter VC, their answers ranged from few women entrepreneurs to work-life balance limitations. As expected, men did not mention unconscious bias as a hurdle. In fact, when asked, "Do you have any female friends who have difficulties finding a job and/or getting a promotion in Venture Capital?", one respondent said, "I have two friends in VC, one male and one female, and both have challenges getting promoted in VC. By its nature, VC is a small and challenging industry. So I don't think promotions are specifically

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<sup>45</sup> Brooks, Alison, Laura Huang, Sarah Kearney, and Fiona Murray. "Investors Prefer Entrepreneurial Ventures Pitched by ..." Feb. 2014. Web.

<sup>46</sup> Conner, Cheryl. Forbes. Forbes Magazine, Mar. 2014. Web.

<sup>47</sup> Chou, Tracy. "Where Are the Numbers?" Medium. Oct. 2013. Web.

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difficult for women, but competitive for both genders.” While this may in fact be true, the reality is 95% of VC decision makers are men. Similar male answers revealed that the VC reality to men may seem innocuous but in fact, only proves the unconscious bias the industry faces. For small VC firms, the bias is ingrained in the culture to the extent that the inside group (men) are unable to sympathize, let alone identify with the outsider (women) group.

We asked men “Do you feel that the entrepreneurs treat you in the same way as your female colleagues?” and 90% of males said yes, compared to 47% of women who said no (given the substitution for female colleagues as males, see Appendix for questionnaire). This means that 90% of men feel that men and women are treated equally in the eyes of entrepreneurs, while almost half of women in VC feel they are not treated equally. This discrepancy is alarming, as it further emphasizes the role unconscious bias plays in VC.

### **Lack of Role Models/Mentors**

Male VCs surveyed did not express knowledge of a lack of female mentorship or role models. Most observed that women in VC networks existed, and assumed mentorship was not a challenge women faced. When asked, “Do you think the mentorship program works the same way for women as it does for men? If not, how?” only one respondent said no. The rest believed that the process was the same for woman as it was for men with one respondent saying, “I would assume so, it's very informal and everyone has access to the same people.” Again, the male VC results run contrary to our findings from women who believed a lack of mentorship is a large hurdle that hinders women from thriving in the industry.

### **Work Life Balance and Human Resource Policies**

Some men think that in the extreme case, work-life balance could pose as a barrier for women in VC. One respondent said “For lots of women work/life balance is more important than it is for men. So when you need to work crazy hours, it's harder for women. But it is very personality based because I know a bunch of women who work crazy hours but they have different priorities.”

However, in general, the men interviewed believed that VC offers a relatively good work-life balance. The results parallel many of the women’s sentiments about it being more flexible than previous jobs, albeit a role where one has to always “be on.”

Similarly, about pursuing more strict human resources, male VCs did not see this as a solution to helping women in VC. When asked, “If you have a human resource department, does it do anything to support gender equality in your view? How?” one male respondent replied, “No, I think it's more about education from the ground up, about getting more women in entrepreneurship and technology areas?” Men at small VCs that do not have human resource departments, would be wise to have more of a human resource mindset when considering future partners. This refers to consciously hiring diverse candidates and creating an inclusive environment so that when a woman is hired, she can expect a professional and inclusive work environment.

### **Legal Issues**

As discussed in the legal issues section, women do not have a high rate of reporting discrimination in the work place. As a result, when men were asked “Are you aware of any situations where a woman

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was subject to serious discrimination but decided to “keep quiet”? What was the context, if no, how about the whole industry?” 100% of men said they were not aware. Only 20% mentioned being aware of industry wide discrimination. However, it is widely understood that even though something is not reported, it does not necessarily follow that it is not happening. Yet, because only women speak to these matters, it is no surprise that the overwhelming majority of men are not aware of unreported gender discrimination issues whether by sexual harassment or micro aggressions. However, the industry wide lack of awareness on discrimination reveals that gender issues are not being discussed in the workplace as frequently as they should be, although they take place in firms with an uneven gender balance and contribute to the low number of females in VC. Therefore, although men could not see how legal issues affect a woman’s decision to either remain or enter in VC, as our study has discussed, it does play a role.

### **Perceived Strengths and Challenges of Women by Men**

Overall, men praised women for their strong networking and interpersonal skills. One respondent explained, “There is a level of work ethic females bring. This may be because they feel that they have to work harder because they are a minority, but they are networking goddesses.” When asked what strengths women bring to VC, another respondent answered “Intelligence, creativity, perspective beyond tech, and strong interpersonal collaboration skills.” Meanwhile another male observed, “Multitasking! I'm amazed that women can listen to conference calls, type and still manage to observe everything!” Since VC is a social industry and personality plays a role in connecting ideas to funds, the communication skills women bring should not go overlooked.

Male VCs also discussed some of the challenges they observed that women must overcome if they are to recruit more women into the field. One respondent reflected on a panel he recently attended which had two women and two men, and said that “the men seemed very relaxed, but the women felt like proving points, or maybe even trying to prove themselves.” Another observed “there is more pressure on women and it feels as though they were passing messages to other women that you have to be like me to make it this far.” Moreover, several of our male respondents said that in general, women cooperate less with each other. A male VC explains one possible reasoning for this perception, “Because it’s so hard for women to get to partner, they always feel like it is a competition.” Instead of embracing a “Queen Bee” status as one of the few women in VC, but rather serving as a mentor and sponsor for other women, perhaps more women would consider joining VC.



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## 8. Recommended Solutions

### 1) Recognize the Unconscious Bias

The more this is internally debated the more there will be awareness. The team recognized that lawsuits are not the answer. Change has to come from people with power in the industry - and that means mainly men first - who want it to be different. Venture capital firms invest in companies that are changing the world and reinventing how we live. If they take that same positive creative energy and turn it inward, they can make a difference. This mindset of carrying biases (by both men and women) and simply to be aware of it can influence and address several key issues in this industry.

### 2) Increase Woman Mentorship

More women need to become mentors. That would create more women VCs and a more diverse group of talented young professionals. This would enable a culture that is more accepting of women and their unique strengths. Women need role models and they need mentors. Women who are successful should coach other women. It is crucial to have more women role models, as well as to make women visible. Simple actions can make a difference: write tweets and blogs, attend podcasts and seminars. Currently, many women feel reluctant to talk about increasing women's participation because they are afraid to be viewed as sexist. Another solution is for more mentors to become sponsors. The team defines sponsorship as someone putting their reputation on the line to sponsor another person. It is not mentoring, which is giving regular advice. Often mentors can become sponsors, which is why it is important for women to actively cultivate mentor relationships.

### 3) Training Women on Fund Raising

The industry prides itself on the fundraising nature of the business, and the ability to do it successfully is valued as a key strength. Our team recommends training women on raising money. The Kaufmann Fellowship program aims to do this. If this program is well established, the industry should grant scholarships for women. Senior VCs need to embrace bringing junior women analysts to fundraising meetings so they can learn. Our team suggests training and coaching programs for women involve topics: how to network via role models toward confidence building, improve fund raising abilities, foster investor's perspective as well as to better deal with discrimination

### 4) Build a Powerful and Inclusive Network

Networking is critical women because they need to meet people who can add skills, introduce them to other people and provide advice. A key change our team recommends is that funds bring in more women so they gain experience that enables them to start their own. Men in financial services socialize together, golf together and endorse each other. This kind of powerful network, if duplicated by women, would provide job opportunities and other support. The network by women could centralize the database for available prospective women VC at the right standard. This is what women need to create for teach other. Men should then consider tapping into the women networks which need to be created by women VC.

### 5) Create Public Awareness

Raising public awareness of the low ratio of women could enable women to better enter the VC market. Among all the VCs funded by institutional investors, only 1% have women partners. If

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institutional investors were to consider VCs with women partners *intentionally*, more VCs could be motivated to promote/hire women partners. Currently, the gender inequality problem has attracted little attention, and there is no upside down pressure on the VCs. Our team recommends marketing campaigns to increase awareness about women in VC.

## 6) Encourage Job Application

Most interviewees view VC as gender equal in the hiring process, contrary to what the statistics from various sources (5-8%) show. Some of our interviewees thought the lack of female applicants is the biggest issue and commented that only 30% of the applicants are female, making it difficult to find talent with extraordinary qualifications. Others indicated the reason could be that women are less comfortable applying for jobs in VC. This seems plausible. If one female and one male have the same skill sets, the male is more likely to apply than female given the visible male dominated structure of the industry. It is circular and requires women in senior roles in the VC to play a vital role in mentoring/campaigning/increasing public awareness to encourage higher job application rates by women. VC needs to be more active with on-campus recruiting or networking with younger student who are willing to be in the pipeline

## 7) Empower HR & Adopt an HR Mindset

Simply having an HR department is not enough. A power shift has to occur from the partner to the HR person or the department, especially at institutional VCs. The industry must recognize of the underlying biases against women. Ignoring them will only make the situation worse. HR policies should be put in place to encourage VCs to hire and recruit more women (if they are in the applicant pool). Most small VC firms do not have HR teams or even a single dedicated HR person. So VC partners need to have more of an “HR mindset” and be more conscious of diverse hiring and creating an inclusive environment. This includes seeking women applicants, participating in public awareness campaigns and on- campus recruiting events. In addition, VC partners can:

- Look beyond their “easy to access” networks for new hires, having at least one woman who can act as a maven in the butterfly effect. Look outside the usual networks of *similar* groups of people for seniors and partners.
- Hold structured interviews with a pre-set list of qualifications that is maintained for all candidates at all times.
- Look for more than just a “fit,” which implies hiring similar people (confirmation bias).

## 8) Develop state-backed VC influences

Have more women in government-led funds. If states mandate (as in New York, Texas or California) women and men in senior positions, that would encourage institutional and corporate VCs to consider more women for investment teams.

Institutional VCs need to require that a percentage of their funds under management be invested in funds with at least one woman partner. These mandates cannot be overly restrictive, such as requiring women to have 51% ownership of the fund, which is not a reasonable approach. The mandates also cannot focus solely on experienced managers, as this does not solve the problem either. There needs to be publicly available lists of institutional VCs that invest in women. There is no way to identify such funds today. Our team recommends that legislators investigate how much of government pension funds are invested by women. Legislation is required to make that mandatory.

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## 10. Appendices 1-4

### 1. Title Definition

In all seriousness, we believe that there is a lot of well-justified positive momentum around VC investing. But we are also keenly aware of the risk of becoming complacent in the face of high valuations for companies that have not yet proven their merit. We also believe that not all VC firms are created equal. Just as VC firms need to discriminate among possible portfolio companies, investors should distinguish VC firms riding the bandwagon from those whose knowledge of businesses, people and markets enable them to see tomorrow's game changers before the rest of the crowd.

For the purposes of clarity and to address the confusion around title inflation we provide our understanding of the various title ranks as follows:

**Analyst:** Those are the most junior professionals in the company, and usually have one to two years of prior work experience, either with a startup, an investment bank (very often focusing on technology sectors), or a strategy consulting firm. The key role of the analyst is to network, take part in industry and VC events, keep an eye on latest industry trends, and cold-call potential target companies to learn more about their business and obtain a meeting with the founders. They also might have some degree of involvement into the deal process (i.e. due diligence, market analysis, and some valuation work) but their focus is largely on "origination". This is a very entrepreneurial role, and analysts in VCs are often very well connected and aware of the latest happenings in the industry. Analysts can be promoted to the associate level after a few years, but many of them choose to do an MBA or go the entrepreneurship route, founding their own businesses.

**Associate:** Associates reach the next level in the hierarchy, and are on the "partner track", which means that they are expected to stay until they make it to partner. Associates are usually ex-bankers, consultants, investment professionals (i.e. private equity, other VC funds) or operational leaders with three to five years' experience, sometimes with an MBA or a PhD. The role is more focused on due diligence, business plan analysis, executing transactions, analyzing interesting industry sub-sectors, and helping out portfolio companies. It is the more analytical and deal-making role within the VC fund. Associates usually get promoted to principal after a few years of successfully executing deals. Some of them also leave to create their own businesses.

**Principal:** Principals are in charge of making portfolio companies run smoothly and will be on the board of a few portfolio companies. In addition, their role is to network and identify interesting opportunities for the fund to negotiate terms of acquisitions, and also to exit portfolio companies successfully. Principals tend to stay until they are promoted to partner level, which happens once they have proven their ability to generate good deal for the firms and generate returns.

**Partner<sup>48</sup>:** Partners and principals have very similar roles in the firm. However, partners tend to be less involved in the daily deal-making and are more focused on high-level tasks such as identifying

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<sup>48</sup> What is the difference between Limited Partners (LPs) and General Partners (GPs) in the venture capital business? (n.d.). Retrieved May 11, 2016, from <https://www.quora.com/What-is-the-difference-between-Limited-Partners-LPs-and-General-Partners-GPs-in-the-venture-capital-business>

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key sectors to invest in, giving the green light for investments and exits, sitting on the board of some portfolio companies, networking at a high level, representing the overall firm, as well as raising money for the firm (every five to seven years) and communicating performance to investors.

There are also various types of VC funds, which are described for the purposes of our research study:

- **Venture partner:** A Venture Partner is a person who a VC firm brings on board to help them do investments and manage them, but is not a full and permanent member of the partnership. The "full and permanent" members of the partnership are often called General Partners, Managing Members, or Partners. Lawyers do not like the term General Partners and more and more firms are avoiding that term. But for many reasons the Venture Partner term reflects the fact that the firm and the individual are not as tightly committed to each other as the members of the partnership are. Some common examples of Venture Partners are; former partners who are semi-retired but still want to be able to do deals, former entrepreneurs who have multiple business interests but want to be able to do deals with a VC platform, and a partner in waiting who is headed to become a full partner.
- **Corporate VC<sup>49</sup>:** Corporate VCs can be organized as an independent arm of a company or a designated investment team off their company's balance sheet. The goal of a corporate VC is largely the same as an institutional VC: to invest in high-growth companies that drive value for the company. Technology and healthcare giants have held a venture presence in the industry for a long time. Google Ventures, Cisco Investments, Dell Ventures, Intel Capital, and Johnson & Johnson Innovation are all marquee names in the space.
- **Institutional:** Institutional venture capital - i.e. the firms usually referred to as VCs - are managed funds with \$25M to \$1B under management to invest in companies with high-growth potential. This capital comes from limited partners, the fund's investors, and are managed by general partners, who are the fund's partners, run the fund and make investment decisions. While 80% of all venture funding is deployed by institutional VCs, a small percentage of the firms raise the bulk of the total venture capital. Understanding the dynamics of the industry should help frame the economics of institutional VCs.
- **Accelerator<sup>50</sup>:** The most distinct difference between accelerators and incubators is the time frame of each. An accelerator works with startups for a short and specific amount of time, usually from 90 days to four months. Accelerators also offer startups a specific amount of capital, usually somewhere around \$20,000. In exchange for capital and guidance, accelerators usually require anywhere from 3 to 8 or more percent ownership of your company. All these features make accelerators much more structured than incubators.
- **Incubator:** With mentorship periods often lasting more than a year and a half, incubators focus less on quick growth and have no specific goal in mind for your company other than to become successful at the right pace. In fact, the goal of some incubators may be to prepare your company

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49 Not The Same: Understanding Corporate Venture Capital Versus Institutional VCs. (2016). Retrieved May 11, 2016, from <https://www.cbinsights.com/blog/corporate-venture-capital-institutional-venture-capital/>

50 Accelerators vs. Incubators: What's the Difference? (2014, December 11). Retrieved May 11, 2016, from <http://microventures.com/education/accelerators-vs-incubators>

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for an accelerator program. Incubators take little to no equity in your company, and can afford to because they do not provide upfront capital like accelerators. Many incubators are funded by grants through universities, allowing them to provide their services without taking a cut of your company.

- **GP:** The venture capital fund is governed by a contract between the GP and the LPs called the Limited Partnership Agreement ("LPA"). The venture capital fund pays a management fee to the GP and the GP also gets a share of the profits of the fund called carried interest. The management fee is generally calculated as a percentage of the committed capital of the fund for a period and then declines on a formulaic basis once the period ends where the venture capital fund makes all of its initial investments (5 - 6 years).
- **LP:** The LPs commit to invest into the venture capital fund over a period of time to fund expenses of the fund and to fund investments into companies. The GP commits to invest a small percentage alongside the LPs to align interests. The standard GP investment is 1% of the fund capital but some VCs will invest more.

## 2. Interview Questionnaire for Women Venture Capitalists

1. What led you into Venture Capital industry?
2. Do you get a share of the carry (Yes/No/Other)
3. Please confirm your title? How long have you been at your current VC firm and the industry?
  - 2.1 Venture Capital is male dominated. When you joined was that fact a concern to you? (Yes/No/Other)
  - 2.2 If no, why was that not a concern? Could you explain?
  - 2.3 If yes, do you think things are getting better/worse? Explain.
  - 3.1 Have you observed a decrease in the number of women in the industry over the last 5 years? (Yes/No/Other)
  - 3.2 If yes, how did you notice it? What do you think would be the biggest reason for the decrease?
  - 3.3 If no, do you think the number of women will increase in the next three years? Why do you think there will be an increase?
  - 4.1 Should read as follows: Are you mostly working with early stage startups (for example up to Series B) or late stage start up (e.g. Series C or later)?
  - 4.2 Do you find your previous work experience is helpful for your position in Venture Capital? (Yes/No/Other)
  - 4.3 Do you think either of the operational experience or an engineering background is important to success at a VC or both?
  - 5.1 How many hours do you work per week including weekends?
  - 5.2 Compared to your previous job, how would you define your work-life balance in a VC?
  - 5.3 Generally, do you think the work-life balance in VC is good? (Yes/No/Other)
  - 6.1 What strengths do women bring to VC?
  - 6.2 Do you observe any weaknesses relative to male colleagues?
    - 7.1 Did you join an established fund? Or did you help start a fund?
    - 7.2 (Partner level for Institutional VC) was the entrance to the industry easier for you because you had personal wealth?

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8.1 (General level question/Institutional VC) Partners at VC firms typically need to make a contribution to their funds, which can require significant personal capital or a willingness to fund the commitment through loans. Do you think the need for this personal wealth at the partner level is more of a challenge for women than men? And do you think it inhibits junior women in VC from aspiring to be partners?

8.2 (Institutional VC) How comfortable are you asking your friends and family to invest in your fund assumes you are asked to? How comfortable are you asking institutions to invest?

9.1 Was the hiring process for your organization fair for women from your point of view? (Yes/No/Other)

9.2 Do you have any female friends who have difficulties finding a job / getting promotion in Venture Capital? Please explain

10.1 Do you feel that the promotion process at your firm is fair and objective such that women and men both get a fair shot? (Yes/No/Other)

10.2 How? Could you explain?

11.1 Does your firm have a regular performance review process or is it more ad hoc? ? (Yes/No/Other)

11.2 However it works do you feel that women and men in the firm are assessed equitably and fairly? (Yes/No/Other)

11.3 Are they paid equally on the same job?

12.1 Do you have a HR department in your organization? (Yes/No/Other)

12.2 If you have an HR function, does it do anything to support gender equity in your view? How?

12.3 If no at the moment, do you think it would make any difference in that regard if you had one? How?

13.1 Where there is gender discrimination in the venture industry women seem very reluctant to take legal action. Would you agree with that comment? (Yes/No/Other)

13.2 Are you aware of any situations where a woman was subject to serious discrimination but decided to “keep quiet”? What was the context? If no, how about the whole industry?

13.3 Do you think there is a relationship between the lack of legal protection and women’s advancement in the VC space? (Yes/No/Other)

14.1 Is there any formal or informal mentorship in your organization? (Yes/No/Other)

14.2 Do you think the mentorship program works the same way for women as it works the same does for men? If not, how?

15.1 Do you socialize with your male co-partners from your organization after work hours? (Yes/No/Other)

15.2 If yes, what types of social activities do you normally have with your male co-partners? How often?

16.1 Do you ever experience difficulties in communicating with your male co-partners?

16.2 Do you feel your bosses recognizes your contribution in meetings and otherwise as they do for male colleagues at the same level? (Yes/No/Other)

17.1 How often are the networking activities held in the industry? What kinds of activities are there? (E.g. golfing, fishing) Do you enjoy them?

17.2 Do you feel those networking activities are equally open to women? (Yes/No/Other)

18.1 As a female investor, do you feel that the entrepreneurs treat you in the same way as your male colleagues? (Yes/No/Other)

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- 18.2 If entrepreneurs treat female investors in the same way, why?
19. What percentage of the pitch meetings your firm takes involve companies with at least one female founder on the team? And what percentage has women CEOs?
- 20.1 Do you have to be careful rebutting/refuting a comment from a male colleague as oppose to a female colleague? (Yes/No/Other)
- 20.2 Please explain.
- 21.1 Are you always the one taking minutes for the meeting? Do you volunteer to do that or are you assumed to do it?
- 22.1 Is the leadership of your firm conscious of the debate about diversity in venture capital more broadly? Do they talk about it internally? (Yes/No/Other)
- 22.2 Are they taking any steps to promote a more diverse and inclusive organization? If so could you provide with some examples please?
23. What are the main reasons there aren't more women in Venture?
24. What are the three ways to improve the number of women in Venture?

### 3. Interview Questionnaire Male Venture Capitalists

- 1.1 Please confirm your title? How long have you been at your current VC firm and the industry?
- 1.2 Are there any women in your organization? (Yes/No/Other)
- 1.3 If yes, are they in the investment team? (Yes/No/Other)
- 1.4 Are there any female partners in your organization? (Yes/No/Other)
- 2.1 Venture Capital is male dominated. When you joined did you pay any attention to that fact? (Yes/No/Other)
- 2.2 If yes, do you think things are getting better/worse? Explain.
- 2.3 If no, did you observe it over time? Please explain
- 3.1 Have you observed a decrease in the number of women in the industry over the last 5 years? (Yes/No/Other)
- 3.2 If yes, how did you notice it? What do you think would be the biggest reason for the decrease?
- 3.3 If no, do you think the number of women will increase in the next three years? Why do you think there will be an increase?
- 4.1 Should read as follows: Are you mostly working with early stage startups (for example up to Series B) or late stage start up (e.g. Series C or later)?
- 4.2 Do you find your previous work experience is helpful for your position in Venture Capital? (Yes/No/Other)
- 4.3 Do you think either of the operational experience or an engineering background is important to success at a VC or both?
- 5.1 How many hours do you work per week including weekends?
- 5.2 Compared to your previous job, how would you define your work-life balance in a VC?
- 5.3 Generally, do you think the work-life balance in VC is good? (Yes/No/Other)
- 6.1 What strengths do women bring to VC?
- 6.2 Do you observe any weaknesses relative to male colleagues?
- 7.1 Did you join an established fund? Or did you help start a fund?
- 7.2 (Partner level for Institutional VC) was the entrance to the industry easier for you because you had personal wealth?



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- 8.1 (Institutional VC) How comfortable are you asking your friends and family to invest in your fund assumes you are asked to? How comfortable are you asking institutions to invest?
- 9.1 Was the hiring process for your organization fair for women from your point of view? (Yes/No/Other)
- 9.2 Do you have any female friends who have difficulties finding a job / getting promotion in Venture Capital? Please explain
- 10.1 Do you feel that the promotion process at your firm is fair and objective such that women and men both get a fair shot? (Yes/No/Other)
- 10.2 How? Could you explain?
- 11.1 Does your firm have a regular performance review process or is it more ad hoc? ? (Yes/No/Other)
- 11.2 However it works do you feel that women and men in the firm are assessed equitably and fairly? (Yes/No/Other)
- 11.3 Are they paid equally on the same job?
- 12.1 Do you have a HR department in your organization? (Yes/No/Other)
- 12.2 If you have an HR function, does it do anything to support gender equity in your view? How?
- 12.3 If no at the moment, do you think it would make any difference in that regard if you had one? How?
- 13.1 Where there is gender discrimination in the venture industry women seem very reluctant to take legal action. Would you agree with that comment? (Yes/No/Other)
- 13.2 Are you aware of any situations where a woman was subject to serious discrimination but decided to “keep quiet”? What was the context? If no, how about the whole industry?
- 13.3 Do you think there is a relationship between the lack of legal protection and women’s advancement in the VC space? (Yes/No/Other)
- 14.1 Is there any formal or informal mentorship in your organization? (Yes/No/Other)
- 14.2 Do you think the mentorship program works the same way for women as it works the same does for men? If not, how?
- 15.1 Do you socialize with your female co-partners (or other colleagues) from your organization after work hours? (Yes/No/Other)
- 15.2 If yes, what types of social activities do you normally have with your male co-partners? How often?
- 16.1 How often are the networking activities held in the industry? What kinds of activities are there? Do you enjoy them?
- 16.2 Do you feel those networking activities are equally open to women?
- 17.1 Do you ever experience difficulties in communicating with your female co-partners (or colleagues)?
- 18.1 Do you feel that the entrepreneurs treat you in the same way as your female colleagues? 18.2 If entrepreneurs treat female investors in the same way, why?
19. What percentage of the pitch meetings your firm takes involve companies with at least one female founder on the team? And what percentage has women CEOs?
20. Is the leadership of your firm conscious of the debate about diversity in venture capital more broadly? Do they talk about it internally?
21. Are they taking any steps to promote a more diverse and inclusive organization? If so could you provide with some examples please?

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22. What are the main reasons there aren't more women in Venture?  
23. What are the three ways to improve the number of women in Venture?

#### 4. Additional information on Table 2.

**Babson study:** The percentage of women partners in venture capital firms declined significantly since 1999 from 10% to 6%. At the time of this report, 139 of the venture capital firms had women partners. According to a report by Babson, only \$1.5 billion (3%) of venture capital funding went to companies with a female CEO.

**Gompers Report**<sup>51</sup>: Between 1975 and 2003, 79 percent of the VC firms had no female investors. Of those firms that had a female investor, the vast majority (126 out of 169) had only one. In total, their sample included data on 3,225 male venture capitalists and 212 female venture capitalists, with females representing just 6.1 percent of the sample. Nearly 30% of both men and women have prior experience as a venture capitalist before they join the firm in which we identify their investment. When they compare male and female venture capitalists, they find that men are far more likely to have been an entrepreneur (17.1% vs. 8.0%). Similarly, women are less likely to have been a CEO (19.6% vs. 11.8%) or to have been employed in product development (11.1% vs. 6.1%). These patterns may influence the performance of female venture capitalists. Many entrepreneurs often speak of the advice that they can receive from a seasoned CEO, technology executive, or former entrepreneur. If fewer female venture capitalists have these backgrounds, then better entrepreneurs may be less likely to take money from a female venture capitalist. Female venture capitalists have investment performance that is approximately 15% lower than their male colleagues. This effect is largely attributable to a lack of contribution to performance from a female venture capitalist's male colleagues. Women venture capitalists do not benefit, on average, from having good colleagues in the firms in which they work. However, that this lack of benefitting from male colleagues' experience disappears in older, larger firms and in firms with other female venture capital investors. Also, investments made by females are 2.1% less likely to go public. Given an unconditional probability of going public of 14.3%, this effect is economically significant, representing roughly 15% lower performance.

**Pitch Book:** Women represent 5.6% of investment decision makers at all U.S. VC firms that have raised at least \$100 million since 2009. Women are better represented at the smallest VC firms<sup>52</sup>: 14% of investment professionals at firms with under \$50 million in assets under management are women, 6% of investment professionals are women at firms with \$1 billion-plus.

**The Social Capital Partnership**<sup>53</sup>: Of the 71 funds representing more than \$160 billion in assets under management and broke out the racial and gender mix of the investment leadership, 44 have 0 female senior investment Team members (62%), 92% of senior investment Team members at top VCs are men. Women make up 60 percent of non-investing roles at venture firms in the survey, but only 8 percent of the senior investment Team.

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<sup>51</sup> Same as above in 7.

<sup>52</sup> In light of Pao: Where are women at top VC funds? (2015). Retrieved May 11, 2016, from <http://www.cnbc.com/2015/03/27/waiting-for-pao-verdict-where-are-women-at-top-vc-funds.html>

<sup>53</sup> Cutler, K. (2015, October 06). Here's A Detailed Breakdown Of Racial And Gender Diversity Data Across U.S. Venture Capital Firms. Retrieved May 11, 2016, from <http://techcrunch.com/2015/10/06/s23p-racial-gender-diversity-venture/#.ivhkzii:gmXJ>

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End of Report