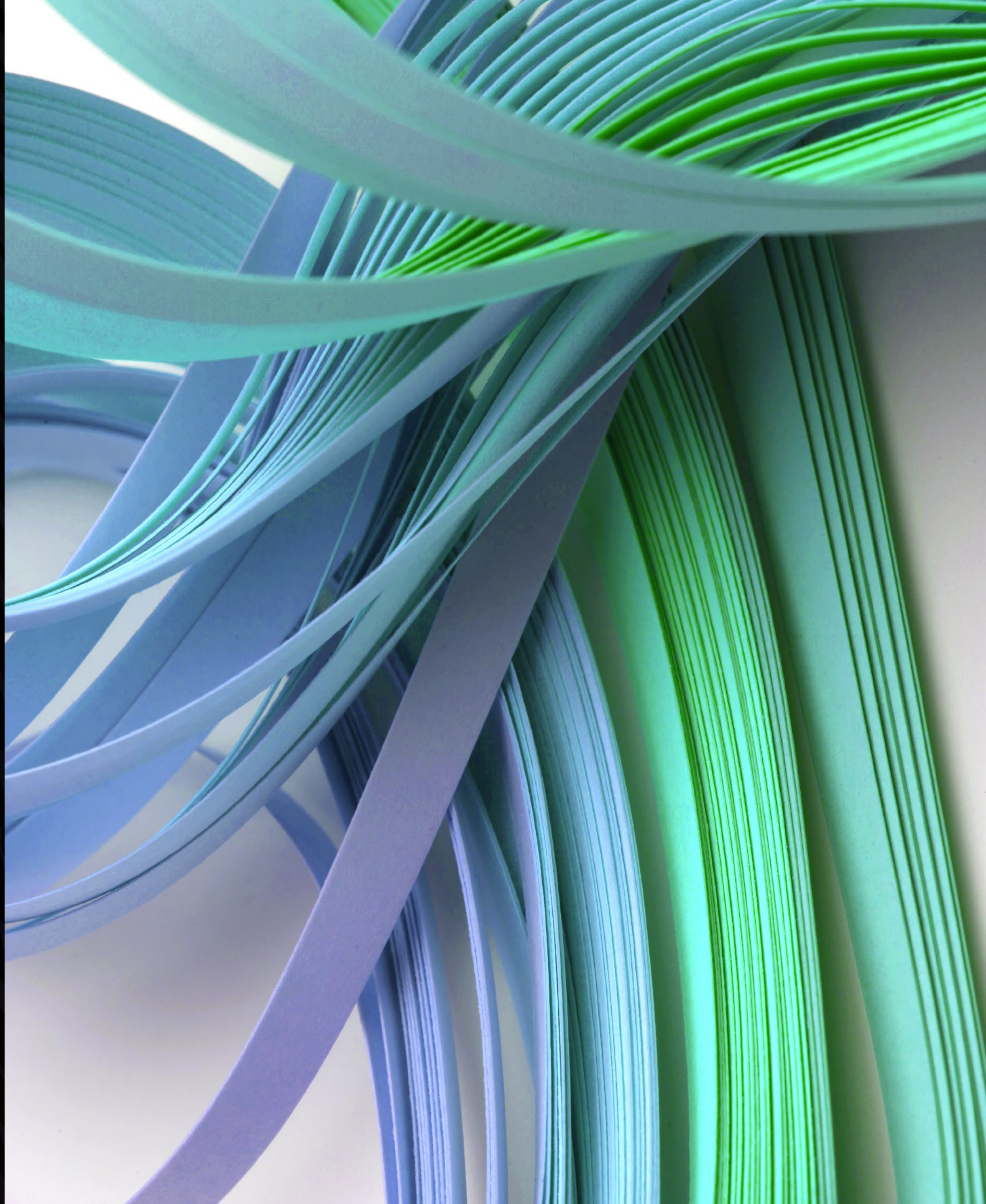
VC Human Capital Survey

Fourth edition | April 2023

Contents



Executive summary

This report includes the key results of the fourth edition of an ongoing survey series conducted by Venture Forward, the National Venture Capital Association (NVCA), and Deloitte & Touche LLP (Deloitte) to assess the state of diversity, equity, and inclusion (DEI) in the venture capital (VC) industry. The *VC Human Capital Survey* provides data on the workforce demographics and firm-level DEI practices at United States VC firms. The survey was first conducted in 2016, creating an industry benchmark, with subsequent surveys conducted in 2018 and 2020. The latest survey, the fourth edition, was conducted in 2022.

Results from the latest survey show the VC industry has made significant but somewhat inconsistent progress in increasing its gender, racial, and ethnic diversity since 2016. Women's representation in both investment and leadership positions has grown steadily, while Black and Hispanic employees' representation has seen smaller though accelerated increases since the last survey. Diversity gains have been uneven across different types of firms, and there are areas where more leadership and action can accelerate progress.

In addition to their broader social responsibility, surveyed VC firms are recognizing that more diverse, equitable, and inclusive teams outperform, fuel innovative ideas (that may have previously been overlooked), and create value. Research consistently shows that diverse teams have broader networks and are more effective at decision-making. Many VC firms are reflecting on systemic barriers for women, people of color, and other marginalized communities, and are seeking to address them through various internal and external approaches. More firms now have a designated staff person or team responsible for managing DEI than before, and more say that they request DEI details from their portfolio companies.

While VC firms continue to expand DEI, the latest survey also identifies specific areas where progress has stalled. This report suggests steps that firms could adopt to potentially accelerate progress in the industry. VC firms face unique challenges in increasing diversity since they tend to be small teams, with a median size of seven employees among firms participating in the latest survey. In addition, turnover is low, with firms reporting turnover of only 6% among senior investment positions and 20% among junior investment positions in the year ending June 30, 2022.

Despite challenges, there has been progress, and this survey series has identified encouraging data that may lead to further changes over time. Diversity is increasing among junior-level positions, which firms often draw from to fill more senior roles.

More firms are establishing diversity and/or inclusion strategies, assigning clear responsibility for promoting DEI, using a wider range of external sources when recruiting for open positions, and requesting DEI information from portfolio companies. Many firms are establishing specific DEI goals and conducting employee surveys to assess inclusion with a focus on retention and promotion. Furthermore, limited partners (LPs), who control where and how much capital is allocated to venture funds, are increasingly requesting DEI data from VC firms.

The latest survey is also timely in that it was the first in the series conducted since the summer of 2020, when social justice and racial equity were a focus for the country and the VC industry after the murder of George Floyd. Since then, many VC firms have made public commitments to prioritize and advance DEI. Two years later, the 2022 survey assessed the early results of those efforts, with the percentage and absolute numbers of Black and Hispanic investment partners increasing compared to the previous survey. It is important to note that it may be too soon for the outcomes of those commitments to fully reflect in industry data. This is largely due to the long-term cycle of VC, structural challenges facing the industry, and systemic barriers for DEI progress (further discussed later in this report).

2020 also marked NVCA's public launch of its supporting organization Venture Forward, a 501(c)(3) nonprofit with a mission to increase the representation of women, people of color, and other marginalized communities in VC investment decision-making roles. Venture Forward focuses on expanding opportunities for people of all backgrounds to access, participate, and succeed in VC, in addition to helping firms implement meaningful DEI strategies. The nonprofit is funded by more than 150 VC investors, firms, and major corporate sponsors, including Deloitte. Thanks to Venture Forward's efforts, there is a growing understanding of the importance of intersectional approaches to DEI.

About the VC Human Capital Survey
The VC Human Capital Survey provides information that allows firms to benchmark themselves against industry practices and identify innovative approaches to promote DEI.

The fourth edition of the survey collected information as of June 30, 2022, from 315 VC firms on their talent management practices and the demographics of approximately 5,700 employees. Combined, they represent a total of $594.5 billion in assets under management.

Although there are other assessments of DEI in the VC industry, this survey series takes a unique approach. It gathers diversity data confidentially from VC firms of all types and sizes, examines various demographic groups across all positions, and assesses firm talent management strategies, including DEI practices and goals. The survey is conducted every two years so that progress can be tracked over time. More details on the survey and methodology are available on page 41.

Key findings

STEADY PROGRESS IN FEMALE REPRESENTATION. Female employees comprised 26% of investment professionals in 2022 (up from 23% in 2020, 21% in 2018, and 15% in 2016) and 19% of investment partners (compared to 16% in 2020, 14% in 2018, and 11% in 2016). The proportion of women in junior-level investment positions, from which firms often fill more senior roles, also grew in 2022. Black female employees comprised 2% of investment professionals in 2022 (compared to 1% in 2020 and 2018) and 1% of investment partners in 2022 (up from 0.25% in 2020 but the same as in 2018). Female Hispanic employees accounted for 2% of investment professionals in 2022 (an increase from 1% in 2020 and 2018) and 2% of investment partners (compared to 1% in both 2020 and 2018). Female representation among investment professionals with senior decision-making responsibilities in 2022 saw little or no gains from 2020.

UNEVEN PROGRESS IN BLACK REPRESENTATION. Black employees accounted for 5% of investment professionals (an increase from 4% in 2020 and 3% in 2018) and 4% of investment partners (up from 3% in 2020 and 2018). In absolute numbers in the survey samples, the number of Black investment professionals and the number of Black investment partners also increased. Black representation among junior-level investment positions remained flat at 7% (up from 5% in 2018). Black employees saw gains among investment professionals with senior decision-making responsibilities.

GROWTH OF ASIAN/PACIFIC ISLANDER REPRESENTATION. Representation of Asian/Pacific Islander employees was 22% among investment positions in 2022 (up from 19% in 2020 and 17% in 2018) and 18% among investment partners (an increase from 15% in 2020 and 2018). Among junior-level investment professionals, Asian/Pacific Islander employees comprised 26% of these positions (similar to 25% in 2020 but up from 20% in 2018). In 2022, Asian/Pacific Islander investment professionals saw some increases in senior decision-making responsibilities compared to 2020.

REPRESENTATION OF WHITE EMPLOYEES DECREASES IN SEVERAL AREAS. White employees comprised 69% of investment positions in 2022 (down from 72% in 2020 and 76% in 2018) and 75% of investment partners (a decrease from 78% in 2020 and 80% in 2018). The representation of white employees among junior-level investment professionals remained the same in 2022 (61%) as in 2020 but was lower than in 2018 (78%).

SOME IMPROVEMENT IN HISPANIC REPRESENTATION. Hispanic employees comprised 6% of investment positions in 2022 (up from 4% in 2020 and 5% in 2018) and 5% of investment partner positions (an increase from 4% in 2020 and 3% in 2018). Hispanic representation among junior-level investment professionals also increased from 4% in 2020 and 2018 to 5% in 2022. Hispanic investment professionals also saw gains in senior decision-making responsibilities in 2022 compared to 2020.

MORE FIRMS HAVE ASSIGNED RESPONSIBILITY FOR DEI. In 2022, 60% of firms said that they either have a staff person or a team responsible for DEI initiatives (an increase from 55% in 2020, 34% in 2018, and 16% in 2016).

MORE FIRMS HAVE IMPLEMENTED DIVERSITY AND INCLUSION STRATEGIES. In the latest survey, 46% of firms reported having a diversity strategy (up from 44% in 2020, 35% in 2018, and 15% in 2016), and 44% said they had an inclusion strategy (up from 41% in 2020, 31% in 2018, and 17% in 2016).

DIVERSITY AND INCLUSION STRATEGIES ARE ASSOCIATED WITH GREATER GENDER DIVERSITY. Firms that reported having a diversity strategy or an inclusion strategy (or both) had a greater percentage of female employees among their investment professionals than firms that had neither strategy (28% vs. 23%), as well as among their junior-level investment professionals (37% vs. 31%) and their investment partners (20% vs. 17%). This is in line with previous survey editions that had similar findings.

MOST FIRMS HAVE ESTABLISHED OR PLAN TO ESTABLISH SPECIFIC DEI GOALS. This new question added to the 2022 survey found that 40% of firms had established specific DEI goals, while an additional 23% said that they plan to implement such goals within the next six months. Among firms that had set specific DEI goals, 93% had established them for firm investment staff, 67% for non-investment staff, and 67% for portfolio companies.

MORE FIRMS ARE CONDUCTING INCLUSION SURVEYS. Inclusion relates to how employees experience the work environment and whether they feel they are accepted and valued. In 2022, 32% of firms said they conduct employee surveys to assess inclusion (an increase from 26% in 2020).

MORE FIRMS ARE FOCUSING ON DEI AT PORTFOLIO COMPANIES. In 2022, 38% of firms said they requested DEI details from their portfolio companies (an increase from 30% in 2020 and 19% in 2018).

INTEREST IN DEI AMONG LPS IS GROWING. In 2022, 47% of firms said that limited partners requested their DEI details within the last 12 months (an increase from 41% in 2020 and 36% in 2018).

Notes:
"Investment partners" are defined as employees with the titles of managing general partner, managing partner, general partner, founding partner, or managing director or were partners who were designated as senior-level employees; and as investment professionals with senior decision-making responsibilities.

Investors with "senior decision-making responsibilities" include investment professionals who originate deals, represent the firm on portfolio company boards, are investment committee members, or are owners in the management company. This data is available starting with the 2020 survey.

Race and ethnicity data for 2016 are not included in the report because the related survey questions had a different format in the 2016 survey and are not comparable to those in 2018, 2020, and 2022.

"People of color" is defined as Asian American/Pacific Islanders, Black and African American, Native American or American Indian, and Hispanic or Latino including people of white descent who identify as Hispanic or Latino.

Diversity, equity, and inclusion: what are the differences?

Diversity can be described as the representation, in a group, of various facets of identity, including (but not limited to) race, ethnicity, nationality, gender identity, LGBTQ+ status, socioeconomic status, ability, religion, and age. In an organization, diversity often refers to the degree to which specific groups are represented in the workforce and leadership. Intersectional diversity considers ways in which different aspects of social identity (such as race, gender, sexuality, class, marital status, ability, and age) overlap and intersect in ways that shape a person's day-to-day experiences in the world and workplace. However, more firms now recognize that simply having a diverse workforce is insufficient. They are broadening their horizons beyond a narrow focus on diversity and inclusion to consider equity. Diversity is only one component of DEI. Although increasing diversity is important, firms should also focus on promoting equity and inclusion.

Equity is often confused with equality. Equality is when all people are treated identically, without consideration for historical and systemic barriers and privileges. Equity is the outcome of diversity, inclusion, and anti-oppression wherein all people have fair access, opportunity, resources, and power to thrive, with consideration for and elimination of historical and systemic barriers and privileges that cause oppression. Equity aims to get everyone beyond those systemic barriers to the same starting place. Equity also has a distinct financial impact when applied within the VC ecosystem given the industry's role—and the associated investment partner economics that result—with funding the next generation of promising young startups. Therefore, the industry can consider examining and changing the design of systems and processes that determine who holds the power of financial equity. This often means rethinking internal talent practices and external networks.

Inclusion can be described as the actions taken to understand, embrace, and leverage the unique strengths and facets of identity for all individuals to feel welcomed, valued, and supported. It goes beyond representation. In our study, employee diversity is used to reference gender, race and ethnicity, age, level of education, career level, marital status, veteran status, disability status, and dependent care responsibilities. Whether a company is inclusive often depends on its culture and the behavior of its leaders, in addition to specific policies and programs.

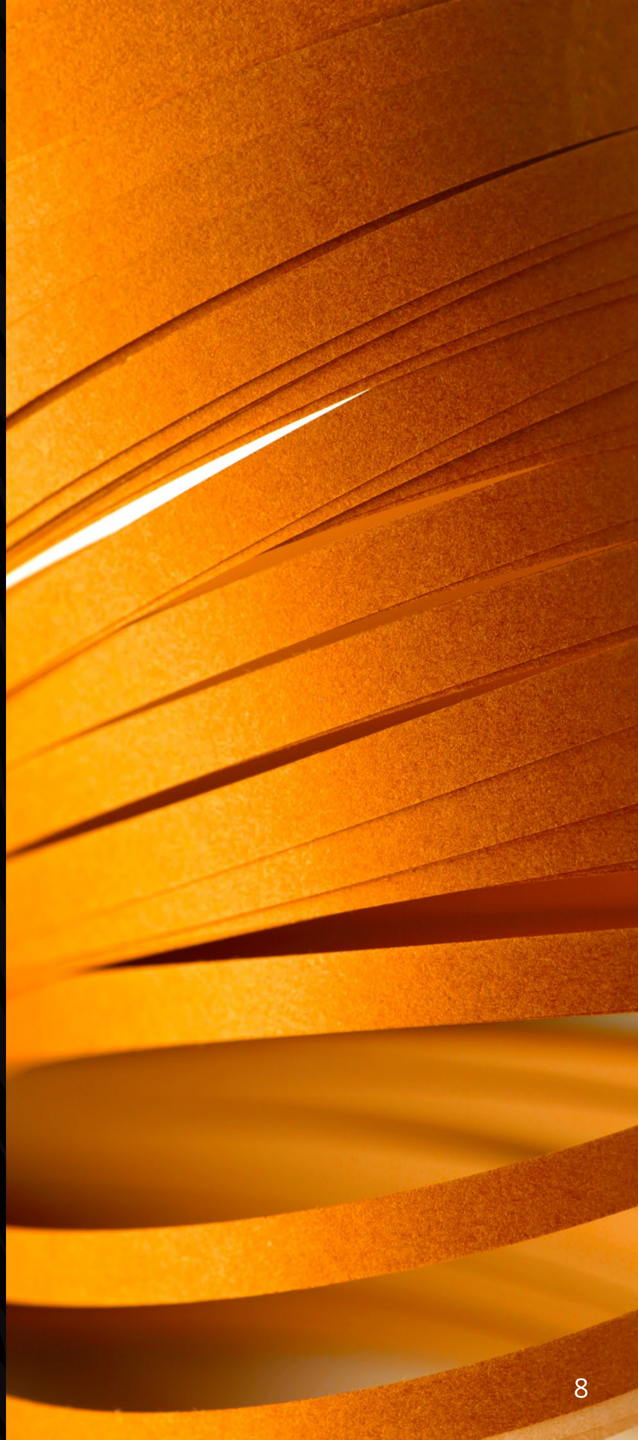
Why DEI matters for the VC industry

The VC industry plays a critical role in identifying and funding innovative startups that create jobs and economic value and, in the process, revolutionize people's personal and professional lives for the better.

Despite its enormous contributions, those opportunities and benefits have not been experienced equally. The VC industry today recognizes that women, people of color, and other underrepresented groups have been excluded from equal opportunities to manage venture funds or hold investment decision-making positions.

Not only have historically underrepresented candidates been overlooked by VC firms when recruiting and promoting talent, but also startups led by underrepresented founders face outsized challenges in securing VC investment (even though they have been found to achieve better performance). In 2021, VC-backed startups raised more than $345 billion in VC funding,[1] yet only 2.4% was invested in startups led by female founders, 1.3% in Black founders, and 2.1% in Hispanic founders.[2]

A startup ecosystem with investors and innovators that better reflect the demographics of the country has the potential to unlock opportunities for even greater success, wealth distribution, and economic value.



The diversity dividend

A more diverse, equitable, and inclusive ecosystem can help the innovation economy maximize its impact. Different points of view, networks, and experiences bring solutions to problems and opportunities that have been overlooked. VC firms are starting to recognize that the lack of diversity among their workforce is a barrier to making successful investments and achieving higher returns. Various studies have shown that diverse VC firms fund more diverse founding teams and outperform.

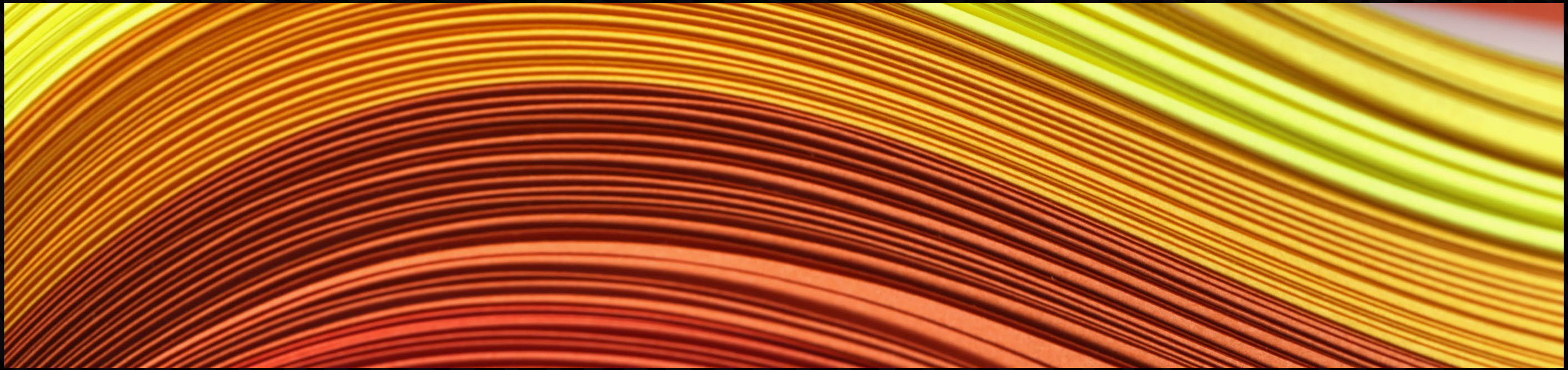
One study found that racially and ethnically diverse teams had success rates 5.8% higher than those of homogeneous teams.[3] VC firms that increased their proportion of female partners by 10% saw their overall fund returns increase by 1.5% each year and their profitable exits increase by 9.7%.[4]

One factor in the success of diverse investing teams may be that they are more likely to invest in underrepresented founders. For example, in one study, female VC partners were twice as likely as their male colleagues to invest in female founding teams at the early stages. Another study found that Black investors are more likely to back female founders and Hispanic founders.[5] Homophily, or the natural tendency to gravitate toward people from the same demographic group or similar backgrounds, can play a role when making an investment or hiring decision. Diverse investing teams can mitigate biases and overcome blind spots when sourcing deals and investing, particularly in underrepresented founders.

Although diverse founding teams often struggle to secure funding, they have been found to generate more value than homogenous teams. In one study, racially and ethnically diverse founding teams generated 30% higher multiples on invested capital on initial public offerings (IPOs) and acquisitions than homogenous founding teams. In comparison, diverse C-level groups had 64% higher multiples.[6]

As firms take steps to create a more diverse workforce, especially in investment decision-making positions, they can unlock new networks of robust talent pools to hire and invest in that can have trickle-down effects to generate such concrete business benefits. A Deloitte study of gender diversity in the leadership of financial services firms found that the number of women in senior leadership roles increased threefold for each additional woman added to the C-suite.[7]

But increasing the representation of marginalized groups in the VC workforce and among leadership is only one element in advancing DEI. VC firms can ensure that the workplace environment is truly equitable and inclusive, where all employees have access and opportunity, can be themselves, are valued for their work, and are rewarded fairly for their contribution to the firm's success.



In a Deloitte survey of human resource (HR) managers worldwide across multiple industries, 79% said that fostering a sense of belonging in the workforce was important to their organization's success, and 93% agreed that a sense of belonging drives improved organizational performance.[8]

However, many firms have struggled to create such inclusive workplace environments. All too often, racial and ethnic minority employees feel that they have to "cover" while at work, i.e., change their appearance or behavior to be accepted. A Deloitte study across multiple industries in the US found that 79% of Black and 63% of Hispanic employees reported covering while at work.[9]

Research has found that whether a workplace is inclusive constitutes an essential factor for most employees when choosing a company to work for or deciding whether to remain at their current employer.[10] Providing an inclusive workplace is a significant factor when competing for millennial talent, who now constitute 55% of the VC workforce.

DEI also remains an area of focus for LPs. LP interest in environmental, social, and governance (ESG) strategies is becoming more common, driven partly by regulatory factors, their institutions' strategy/stakeholders, or the outperformance of diverse teams as seen in various research. In the latest survey, 47% of VC firms said that LPs had requested their DEI details within the last 12 months, up from 41% in 2020 and 36% in 2018.

VC firms have a clear moral and business imperative to expand their networks by hiring talented professionals from groups that are underrepresented in the industry, build diverse teams of investment decision-makers, and provide an inclusive and supportive culture in which talent can thrive and succeed; in turn generating value for the firm and its LPs.

Barriers to DEI progress

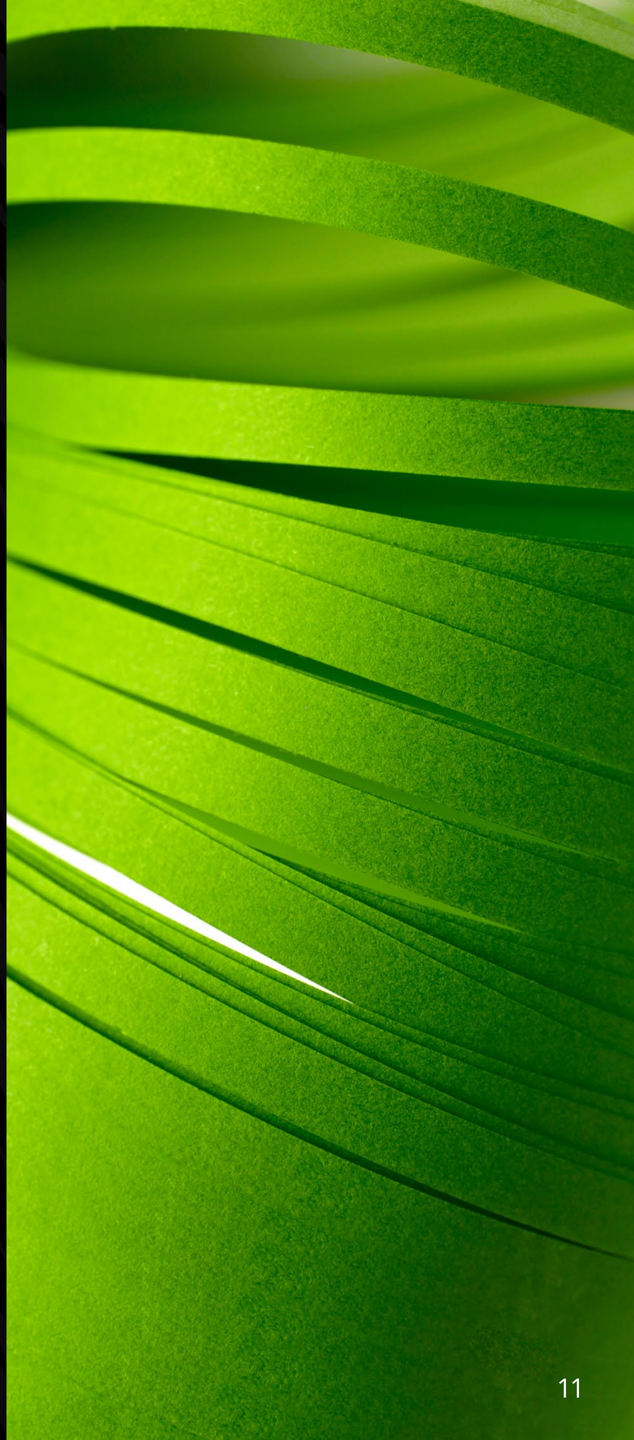
VC firms tend to be small (with a median size of seven employees and an average of 20 in the 2022 survey), and turnover is low in senior investment positions (6% in the latest survey). Both factors challenge firms seeking to diversify their workforce.

When filling open positions, 79% of respondents said they typically rely on personal networks, which tend to be homogenous and can lead to the exclusion of qualified professionals from underrepresented groups. Another challenge to the advancement of DEI may be the use of pattern matching, or relying on common attributes of past hiring or funding decisions that led to success, to inform decisions instead of objective measures.

Once hired, employees in underrepresented groups also face challenges in moving into more senior positions. Ninety-four percent of firms said that soft skills—such as communication skills, attitude, cultural fit, and leadership—are *very important* or *important* factors when assessing employees for promotion. Although soft skills are keys to success, evaluating them is inherently subjective and can allow unconscious bias to affect promotion decisions. While subjectivity is a factor in any promotion decision, it can pose a particular barrier for employees from underrepresented groups. VC has historically operated on an apprenticeship-style training model, and training opportunities have been scarce. Aspiring investment professionals without personal connections or exclusive credentials (as those from underrepresented backgrounds are more likely to be) have thus been left out of relevant educational or professional training opportunities.

New fund managers seeking to raise their own funds also face high financial risk, obstacles to sourcing capital from LPs, and a scarcity of comprehensive information and resources to support new firms. These challenges are all factors that produce structural barriers for newcomers in VC.

There have been several diversity initiatives announced by firms or the industry over the last two years to address some of these challenges. These initiatives have largely focused on education and mentorship. While helpful, there will likely need to be follow-through in hiring and investment to achieve significant progress.



Gender diversity

The representation of female employees at VC firms increased among investment professionals, including those who are junior-level and constitute a pipeline for future senior positions, as well as among investment partners. The overall representation of women in VC has increased, but this progress has not been equal across demographic groups.

Workforce overall

Women constitute 47% of the US civilian labor force.[11] In the 2022 survey, female employees comprised 47% of the total VC workforce, slightly increasing from 45% in the previous three surveys. (Figure 1)

Women comprised 48% of the workforce at large firms (21 employees or more), compared to 44% at mid-sized firms (six to 20 employees), and 38% at small firms (five employees or fewer).

Female employees were a more significant portion of the workforce at firms headquartered in the West (49%) compared to those in the Northeast (46%), Midwest (45%), or South (39%).

Investment positions

In contrast to their representation in the overall workforce, the percentage of female employees in investment positions has increased throughout the survey series. It was 26% in the 2022 survey, up from 23% in 2020, 21% in 2018, and 15% in 2016. Despite the progress, the percentage of women in investment positions remains far from parity of the overall workforce and US population.

Firms founded within the last ten years had more women in investment positions (30%) than did older firms (24%). Firms focused on the seed investment stage (32%) also had a higher representation of female employees among investment professionals than those focused on early-stage (26%), multi-stage (26%), or growth (24%).

Firms reported that women comprised 35% of their junior-level investment professionals, up from 33% in 2020, 28% in 2018, and 25% in 2016. Firms often promote junior-level investment professionals to fill more senior positions, so the continued increase in female employees among junior-level investment professionals indicates the potential for further progress.

Some types of firms reported a higher representation of women among their junior-level investment professionals than others.

- While women had greater representation in the overall workforce at larger firms, when it came to junior-level investment professionals, women comprised a higher percentage at small firms (46%) compared to mid-size (37%) and large firms (33%).

- Firms founded within the last ten years (40%) had more women among their junior-level investment professionals than did older firms (32%).
- Firms focused on the seed investment stage (46%) had more female employees among their junior-level investment professionals than those focused on the early stage (43%), multi-stage (30%), or growth stage (35%).
- Women comprised fewer junior-level investment professionals in the South (27%) than in the West (34%), Northeast (36%), or Midwest (46%).

Beyond looking at the representation of women overall in their workforce, firms should recognize the unique issues facing women of different racial and ethnic groups. Firms reported that Black women comprised 2% of investment positions, up from 1% in 2020 and 2018.[12] (Figure 2) Hispanic female employees held 2% of investment positions, an increase from 1% in 2020 and 2018. The percentage of investment positions held by female employees who are Asian/Pacific Islander was 9%, an increase from 6% in 2020 and 2018.

The diversity of junior-level investment professionals also increased for Black and Hispanic female employees. Black women comprised 4% of junior-level investment professionals, up from 3% in 2020 and 1% in 2018. Hispanic women were 3% of junior-level investment professionals in the latest survey, compared to 1% in 2020 and 2018. The percentage of junior-level investment professional positions held by Asian/Pacific Islander female employees was 12%, unchanged from 2020.

Investment partners

Gender diversity among investment partners continued to increase. In the 2022 survey, 19% of investment partners were women, compared to 16% in 2020, 14% in 2018, and 11% in 2016.

The percentage of firms that reported having at least one female investment partner also increased to 43%, up from 35% in 2020 and 32% in 2018. Only 15% of firms said they had more than one.

However, there was less representation of women of color among investment partners. Black women comprised 1% of investment partners in 2022 compared to 0.25% in 2020 and 1% in 2018. (Figure 2) Among investment partners, 5% were Asian/Pacific Islander women in 2022, compared to 3% in 2020 and 5% in 2018. Hispanic women were 2% of investment partners in 2022, increasing from 1% in 2020 and 2018. White non-Hispanic women comprised 13% of investment partners in 2022, up from 12% in 2020 and 11% in 2018.

Women were a more significant percentage of the investment partners at smaller firms (25%) than at mid-size (18%) or large (16%) firms. Firms founded within the last ten years (22%) also reported more female investment partners than did older firms (17%).

There were more female investment partners at firms focused on the seed investment stage (27%) than at those focused on multi-stage (20%), early stage (16%), or growth stage (13%).

Women who were investment partners (74%) more often had graduate, professional, or post-doctorate degrees than their male counterparts (69%).

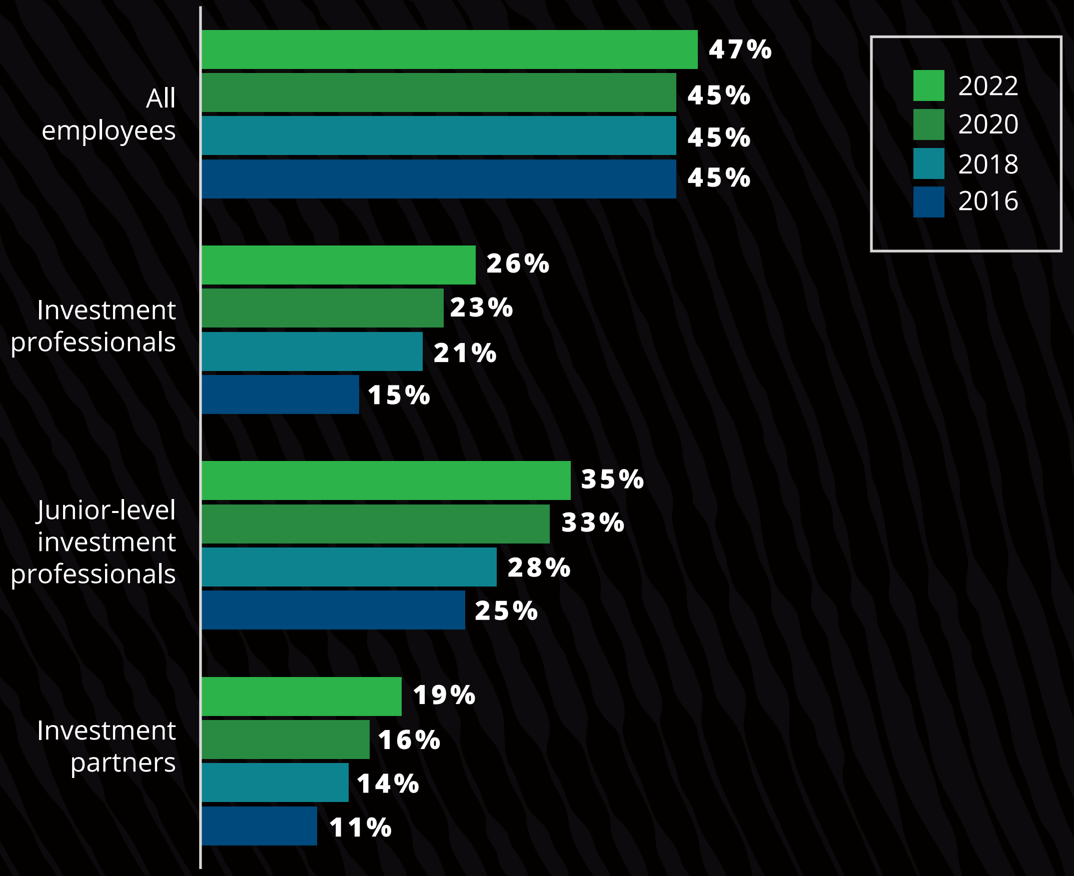
Women constitute a distinct minority of investment professionals with senior decision-making responsibilities, such as *originating deals* (25% vs. 24% in 2020), *representing the firm on the boards of portfolio companies* (20% vs. 21% in 2020), *serving as a member of the firm's investment committee* (20% vs. 21% in 2020), *and serving as an owner of the management company* (17% vs. 18% in 2020).

Note: "Women of color" is defined as Asian American/Pacific Islanders, Black and African American, Native American or American Indian and Hispanic or Latino including women of white descent who identify as Hispanic or Latino.

Provision of dependent care

Among female employees, 39% provided care for others, either dependent children or adults, compared to 49% among male employees. The need to provide care for children or other dependents may impact the ability of workers to balance their professional and family responsibilities, which could discourage them from seeking positions in the industry or may make it more challenging to be successful once hired. Programs and benefits that help employees manage the demands of both a career and a family may help attract a wider range of employees, including women. To assist VC firms in addressing this issue, NVCA maintains a set of model HR policies for attracting and retaining diverse talent, including sample policies for childcare leave and flexible work arrangements.[13]

Figure 1 | Gender diversity

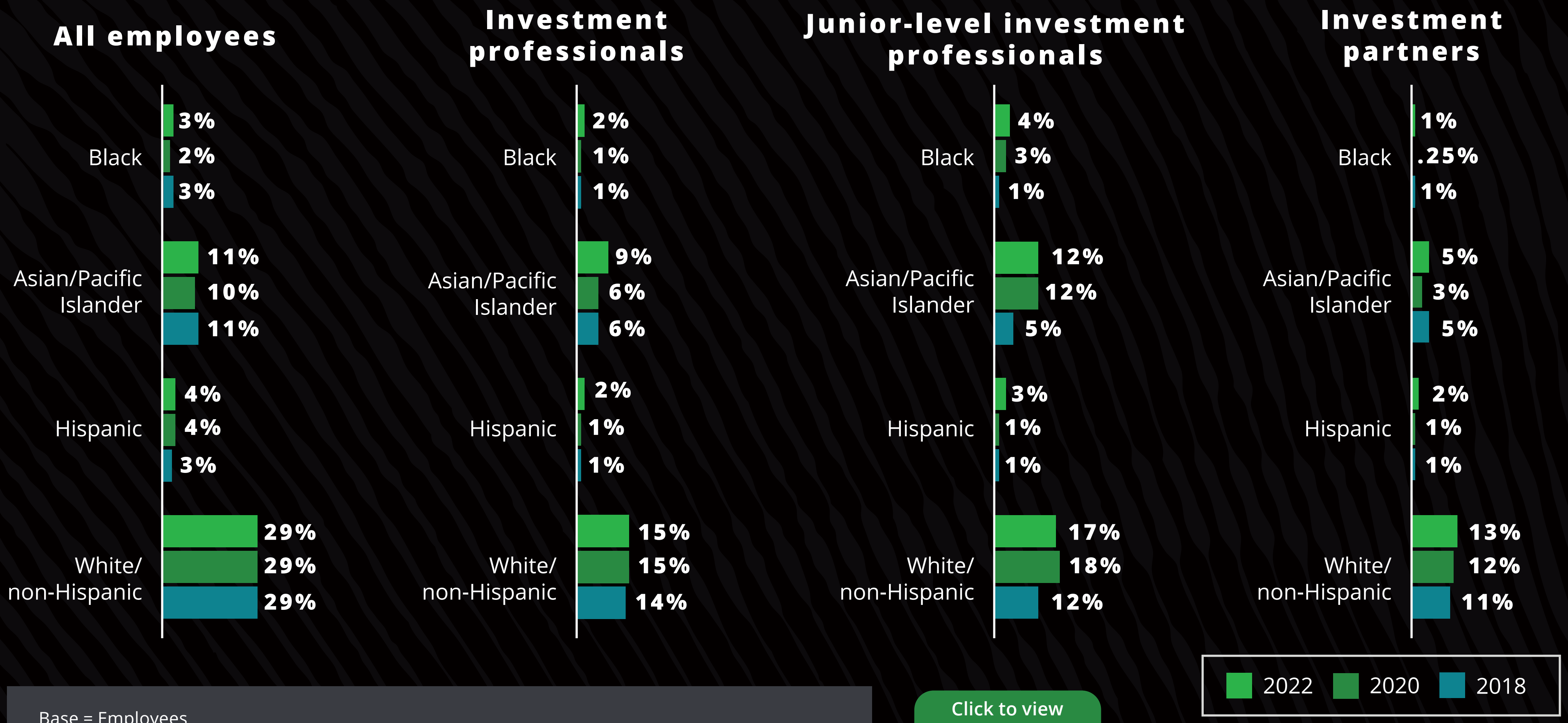


Base = Employees
Female employees as a percentage of each group
Women = 47% of US civilian labor force

Click to view sample sizes

Return to p 12

Figure 2 | Female employees by race and ethnicity



Base = Employees
Note: Figures for 2016 are not shown because the survey questions on race and ethnicity had a different format in the 2016 survey and are not comparable to those in 2018, 2020, and 2022.

Click to view sample sizes

Return to p 13

Racial diversity

VC firms reported some increases in racial diversity among their overall workforce, investment professionals, and investment partners, though the representation of Black employees in the industry remains disproportionately low.

The survey categories and definitions for race closely mirror those of the US Census Department, which also specifies that race and Hispanic origin (i.e., ethnicity) are separate and distinct. People of Hispanic origin may be of any race. Survey results for ethnicity are presented in the next section.

Workforce overall

The Census Department reports that 13% of the US civilian labor force is Black, 7% is Asian/Pacific Islander, 77% is white, 1% is American Indian and Alaska Native, and 2% are two or more races.[14] Among the overall US population, 58% were white non-Hispanic in 2020.[15]

In comparison, Black employees constituted 5% of the overall VC workforce, up slightly from 4% in both 2020 and 2018.[16] (Figure 3)

Asian/Pacific Islander employees represented 18% of the VC workforce, the same percentage as in the previous survey.

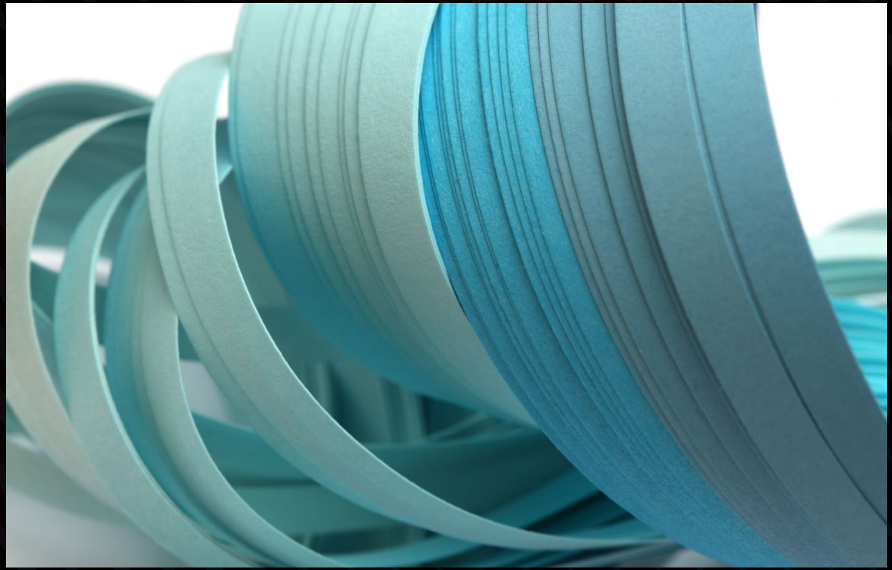
White employees comprised 70% of the VC workforce, compared to 72% in 2020 and 76% in 2018.

There were several notable differences in Black representation in the workforce by type of firm.

- Black representation in the VC workforce was higher at small firms (10%) than in mid-size (6%) or large firms (5%) and in firms founded within the last ten years (7%) than in older firms (5%).
- Firms focused on the seed investment stage (9%) had a more significant percentage of Black employees than those focused on early stage (6%), multi-stage (6%), or growth stage (4%).

The representation of Asian/Pacific Islander employees also varied across types of firms.

- Mid-size (20%) and large firms (18%) had a larger percentage of Asian/Pacific Islander employees than did small firms (15%).
- Asian/Pacific Islander employees comprised a larger percentage of the workforce at firms founded within the last ten years (21%) than at older firms (18%).
- Asian/Pacific Islander employees had higher representation at firms in the West (25%) than at firms in the Northeast (19%), Midwest (13%), or South (8%).
- Firms focused on technology (20%) reported a more significant percentage of Asian/Pacific Islander employees than did those focused on life sciences (15%) or that were generalists (17%).



Investment positions

Black employees comprised 5% of investment professionals (97 employees in the survey sample) in 2022, a slight but steady increase from 4% (69 employees) in 2020 and 3% (29 employees) in 2018. Black female employees comprised 2% of investment professionals in 2022 compared to 1% in 2020 and 2018. (Figure 4)

Firms of different types reported different levels of Black representation in their investment professional positions.

- Black employees were a more significant percentage of investment professionals at small firms (10%) than at mid-size firms (6%) and large firms (5%).
- Firms founded within the last ten years (7%) reported that Black employees comprised a greater percentage of their investment professionals than did older firms (5%).
- Black employees comprised a larger percentage of the investment professionals at firms headquartered in the Midwest (8%) compared to those in the West (6%), the Northeast (5%), and the South (5%).
- Firms focused on the seed investment stage (10%) reported a higher level of Black representation among their investment professionals than those focused on early stage (7%), multi-stage (4%), or growth stage (3%).

When it came to junior-level investment professionals, Black employees constituted 7% of these positions (49 employees in the survey sample), compared to the same percentage in 2020 (30 employees) and 5% (12 employees) in 2018. Black female employees were 3% of junior-level investment professionals in 2022, consistent with the percentage in 2020 and an increase compared to the 1% in 2018. (Figure 4)

Black employees comprised a higher percentage of junior-level investment professionals at small firms (12%) and mid-size firms (11%) than at large firms (5%). Firms in the Midwest and South (both 10%) reported higher levels of Black representation among junior-level investment professionals than did firms in the West (7%) and Northeast (6%).

The most significant disparity of Black representation among junior-level investment professionals occurred in firms focusing on different investment stages. Firms concentrated on the seed stage (19%) and multi-stage (12%) reported much higher percentages of Black employees in these positions than did those focused on early stage (5%) or growth stage (6%).

The representation of Asian/Pacific Islander employees in investment positions increased to 22% (411 employees in the survey sample), up from 19% (331 employees) in 2020 and 17% (156 employees) in 2018.

Asian/Pacific Islander employees constituted a significant percentage of investment positions among certain types of firms.

- Large firms (23%) and mid-size firms (22%) reported more representation of Asian/Pacific Islander employees in investment positions than did smaller firms (16%).
- Asian/Pacific Islander employees comprised a greater portion of investment professionals at firms in the West (27%) and the Northeast (25%), compared to those in the Midwest (15%) or the South (9%).
- There was higher representation of Asian/Pacific Islander employees in investment positions among firms focused on multi-stage (25%) and growth stage (22%) than those focused on seed stage (19%) or early stage (18%).

Regarding junior-level investment professionals, Asian/Pacific Islander employees comprised 26% of these positions (178 employees) in 2022, compared to 25% (116 employees) in 2020 and 20% (51 employees) in 2018.

Different types of firms reported different levels of representation of Asian/Pacific Islander employees among junior-level investment positions.

- Asian/Pacific Islander employees had greater representation among junior-level investment professional positions at mid-size firms (31%) and large firms (26%) than at smaller firms (12%).
- Firms that were founded within the last ten years (31%) reported a higher percentage of Asian/Pacific Islander employees among their junior-level investment professionals than did older firms (24%).

- Asian/Pacific Islander employees comprised a much greater portion of junior-level investment professionals at firms in the West (32%), Northeast (29%), and Midwest (22%) than at those in the South (8%).
- There was less representation of Asian/Pacific Islander employees among junior-level investment professionals among firms focused on the seed stage (19%) compared to those focused on early stage (28%), multi-stage (25%), or growth stage (22%).
- Firms focused on life sciences (29%) and technology (27%) had more representation of Asian/Pacific Islander employees among junior-level investment professionals than did those that were generalists (22%).

Firms reported that 69% of their investment professionals were white employees, down from 72% in 2020, and 61% of the junior-level investment professionals were white employees, the same percentage as in 2020.

Investment partners

Black employees comprised 4% (33 employees in the survey sample) of investment partner positions in 2022, compared to 3% in both 2020 (24 employees) and 2018 (11 employees). Black female employees were 1% of investment partner positions in 2022, an increase from 0.25% in 2020 but the same percentage as in 2018. (See Figure 4). In addition, 11% of firm respondents reported having a Black investment partner, up from 5% in the previous survey.

The representation of Black employees among investment partners varied significantly across different types of firms.

- Black employees accounted for a much larger percentage of investment partners among small firms (11%) than among mid-size (3%) or large firms (1%).
- Firms founded within the last ten years (8%) reported that a larger percentage of their investment partners were Black than did older firms (1%).
- There was higher representation of Black employees among investment partners in firms focused on the seed stage (8%) than those focused on early stage (5%), multi-stage (2%), or growth stage (0%).
- Firms that were generalists (6%) reported a more significant percentage of Black investment partners than those that were focused on technology (4%) or life sciences (2%).

There were additional indications of the disproportionately low representation of Black employees among investment professionals with investment team leadership responsibilities. Black employees comprised only a small percentage of investment professionals with the following senior decision-making responsibilities: *originates deals* (5% vs. 4% in 2020), *represents the firm on the boards of portfolio companies* (4% vs. 3% in 2020), *member of the firm's investment committee* (4% vs. 3% in 2020), and *owner of the management company* (5% vs. 3% in 2020).

Racial diversity

Asian/Pacific Islander employees comprised 18% of investment partners (152 employees in the survey sample) in 2022, an increase from 15% in both 2020 (127 employees) and 2018 (61 employees). Asian/Pacific Islander employees had more representation among investment partners at firms at different regions and focused on different investment stages.

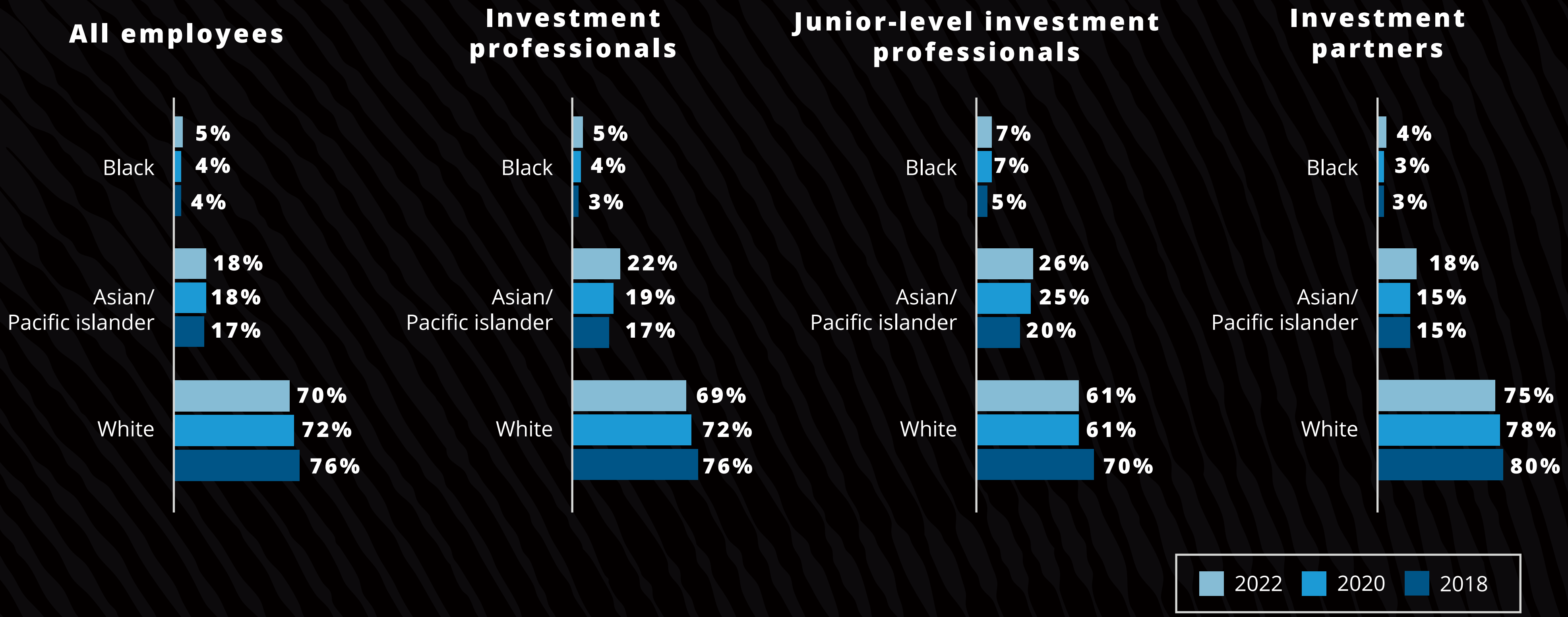
- Asian/Pacific Islander employees were a higher percentage of investment partners among firms in the Northeast (23%) and the West (22%) than in firms in the Midwest and the South (both 9%).
- Firms focused on multi-stage (22%) and growth stage (21%) reported more representation of Asian/Pacific Islander employees among investment partners than did those focused on the seed stage (18%) and early stage (14%).

Asian/Pacific Islander employees, who comprised 22% of investment professionals, were less often represented among those with senior decision-making responsibilities: *originates deals* (21% vs. 18% in 2020), *represents the firm on the boards of portfolio companies* (18% vs. 17% in 2020), *member of the firm's investment committee* (17%, unchanged from 2020), and *owner of the management company* (16%, unchanged from 2020).

White employees comprised 75% of investment partner positions, a decrease from 78% in 2020 and 80% in 2018. For senior decision-making responsibilities, the representation of white employees was: *originates deals* (70% vs. 74% in 2020), *represents the firm on the boards of portfolio companies* (76% vs. 77% in 2020), *member of the firm's investment committee* (76% vs. 75% in 2020), and *owner of the management company* (77% vs. 76% in 2020).

Racial diversity

Figure 3 | Racial diversity

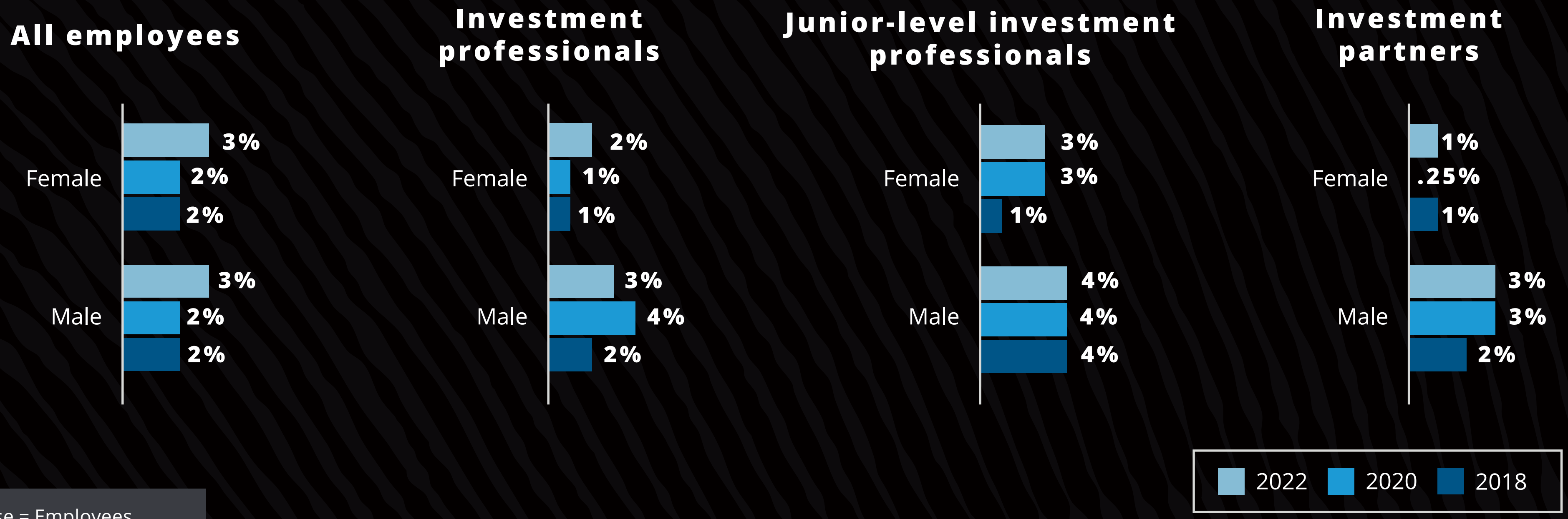


Base = Employees
Note: Figures for 2016 are not shown because the survey questions on race and ethnicity had a different format in the 2016 survey and are not comparable to those in 2018, 2020, and 2022.
US labor force: Black = 13%   Asian/Pacific Islander = 7%   White = 77%   Two or more races = 2%

Click to view sample sizes

Return to p 16

Figure 4 | Black employees by gender



Base = Employees

Return to p 17

Ethnic diversity

VC firms reported small increases in Hispanic representation among their investment professionals, junior-level investment professionals, and investment partners.

Workforce overall

Hispanics/Latinos comprise 18% of the US labor force.[17]

In comparison, firms said that 7% of the overall VC workforce was Hispanic, the same percentage as in 2020. (Figure 5)

The representation of Hispanics in the VC workforce varied across firms of different sizes, regions, and investment focus.

- Hispanics comprised a higher proportion of the workforce in small firms (10%) than at mid-size firms (6%) and large firms (7%).
- Firms in the West (7%) had somewhat higher levels of Hispanic representation than those in the Northeast, Midwest, or South (all 5%).
- Firms with an investment focus on technology (8%) and generalists (7%) had a more significant percentage of Hispanic employees than did firms focused on life sciences (5%).

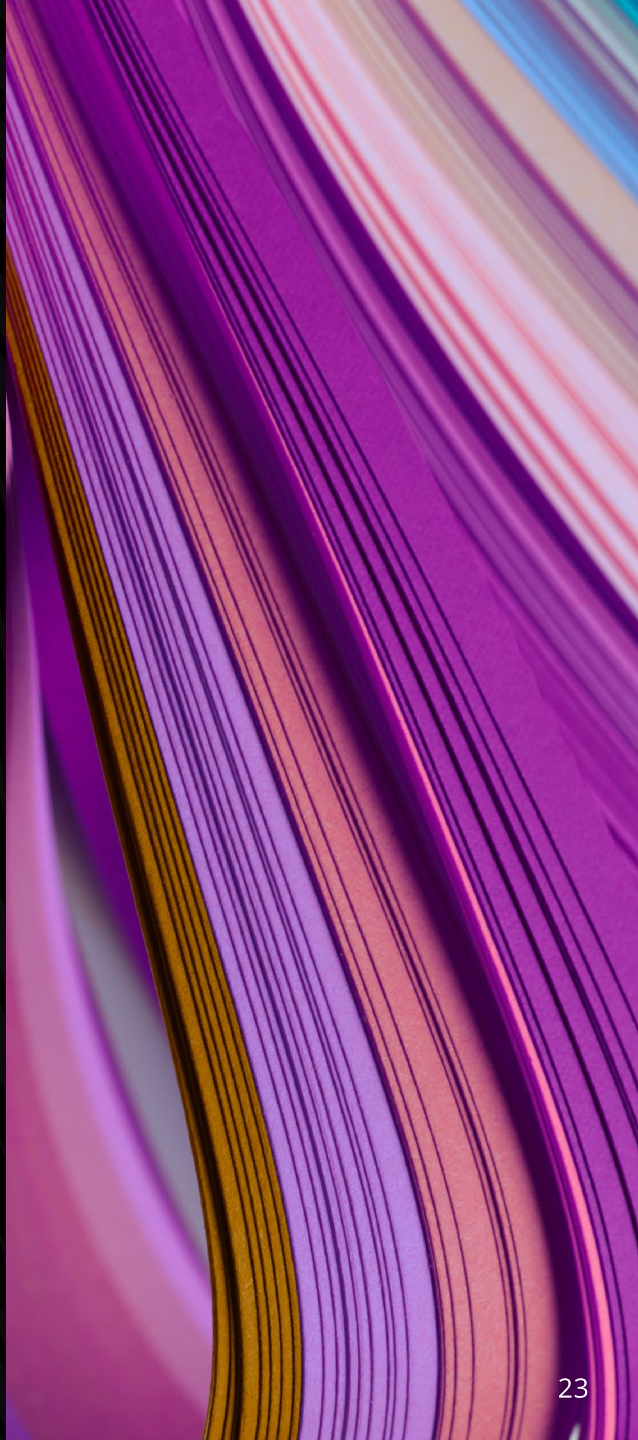
Investment professionals

Hispanic employees comprised 6% of investment professional positions (94 employees in the survey sample), compared to 4% (63 employees) in 2020 and 5% (34 employees) in 2018. Hispanic female employees were 2% of investment professionals in 2022, slightly increasing from 1% in both 2020 and 2018. (Figure 6)

Small firms (10%) reported higher Hispanic representation among their investment professionals than did mid-size (6%) or large firms (7%).

Hispanic employees (36%) were less likely to work in investment positions than were non-Hispanic employees (47%).

Regarding junior-level investment professionals, Hispanic employees accounted for 6% of these positions (38 employees in the survey sample), an increase from 4% in both 2020 (18 employees) and 2018 (10 employees).



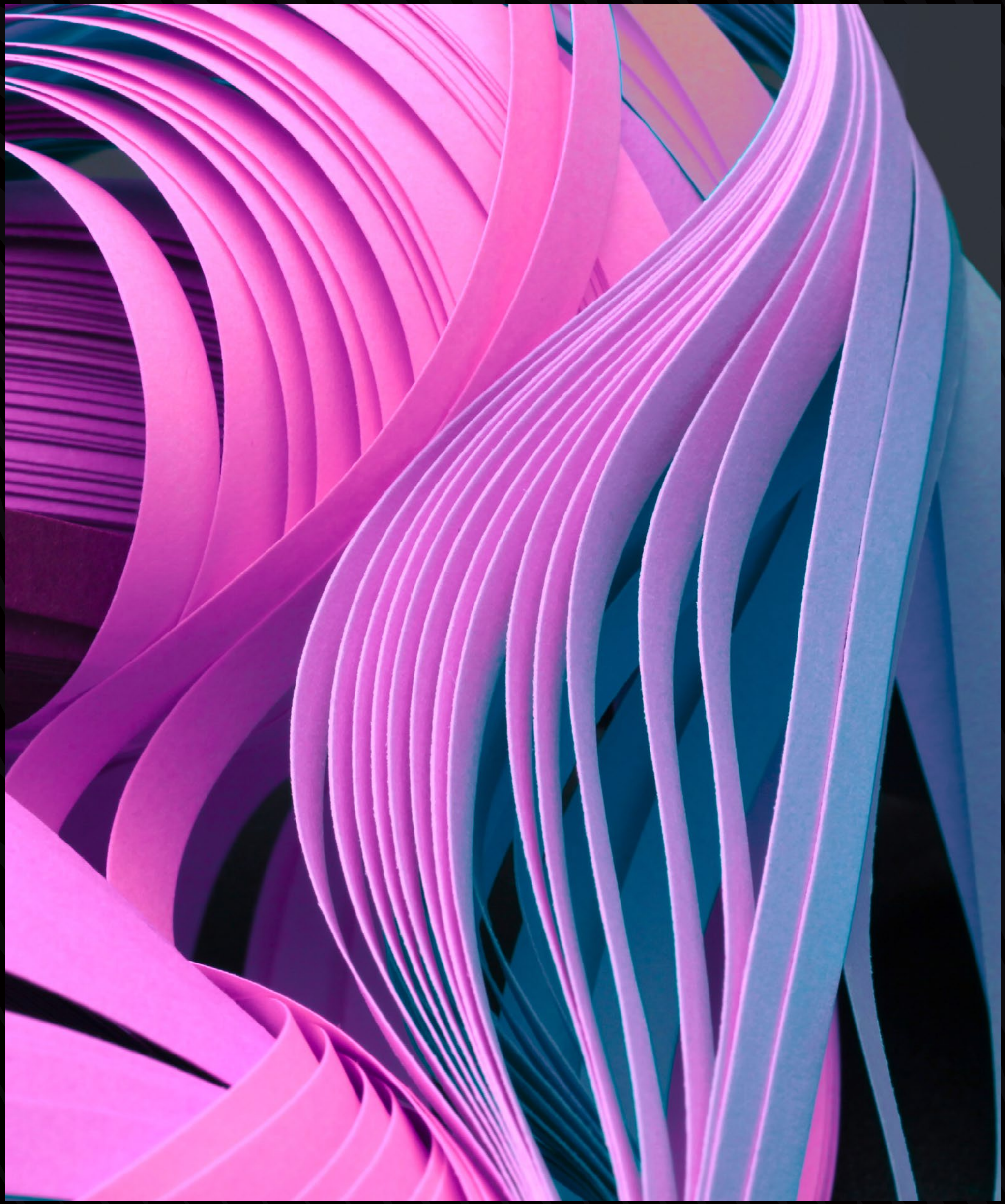
Ethnic diversity

Hispanic representation among junior-level investment professionals varied across different types of firms.

- Small firms (15%) reported much greater representation of Hispanic employees among their junior-level investment professionals than did mid-size (6%) or large firms (5%).
- Hispanic employees comprised 11% of junior-level investment professional positions at corporate venture groups, compared to 4% at other firms.
- Hispanic employees had greater representation among junior-level investment professionals at firms focused on the seed stage (13%) and growth stage (11%) than at those focused on early stage (5%) or multi-stage (4%).

Investment partners

Firms reported that 5% of their investment partners were Hispanic employees (38 employees in the survey sample), a slight increase from 4% (33 employees) in 2020 and 3% (13 employees) in 2018. Among investment partners, 2% were Hispanic female employees in 2020, compared to 1% in 2020 and 2018. Fourteen percent of firms reported having a Hispanic investment partner, an increase from 10% in 2020 and 9% in 2018.



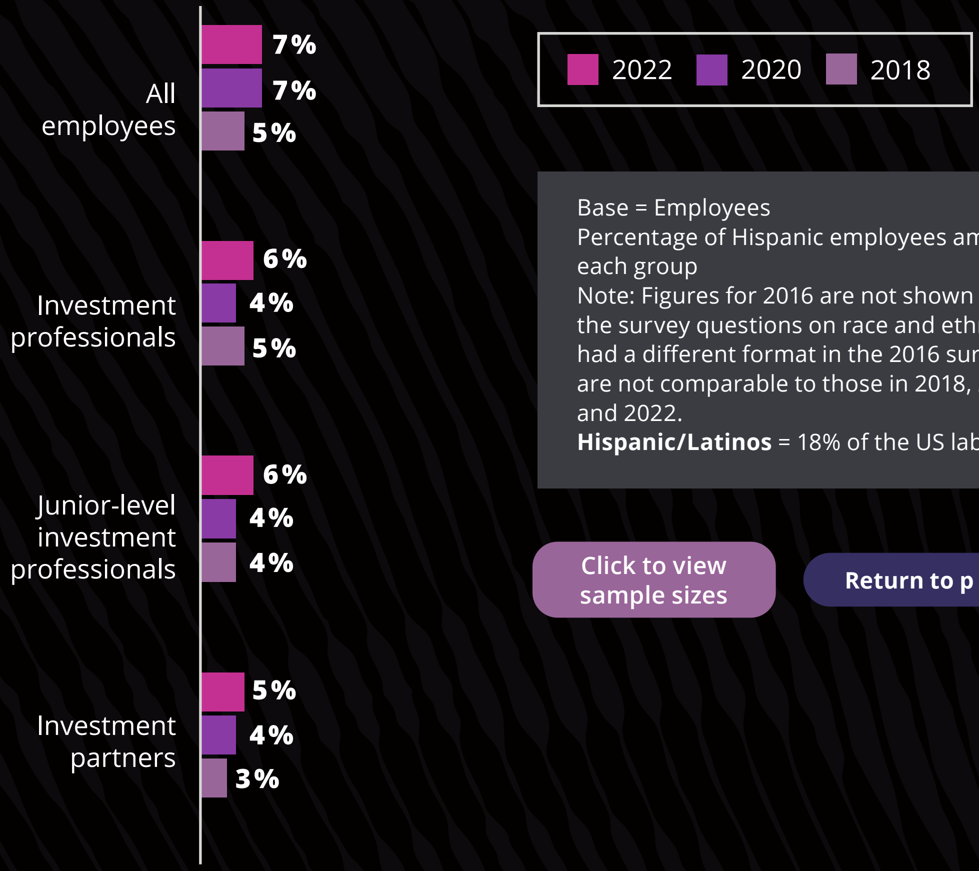
Ethnic diversity

Firms of different types reported significantly different levels of ethnic diversity among their investment partners.

- Ethnic diversity among investment partners was more significant in small firms (11%) than in mid-size (5%) or large firms (1%).
- Hispanic employees were a larger percentage of the investment partners at firms founded within the last ten years (8%) than at older firms (2%).
- Hispanic representation among investment partners was higher at firms in the West (7%) than at firms in the South (5%), Northeast (3%), and Midwest (3%).
- The ethnic diversity of investment partners was greater at firms focused on the seed investment stage (9%) and early stage (7%) than at those focused on multi-stage (2%) or growth stage (0%).

Hispanic employees also comprised small percentages of investment professionals with a series of senior decision-making responsibilities: *originating deals* (6% vs. 5% in 2020), *representing the firm on the boards of portfolio companies* (6% vs. 4% in 2020), *serving as a member of the firm's investment committee* (5%, unchanged), and *being an owner of the management company* (4% vs. 5% in 2020).

Figure 5 | Ethnic diversity



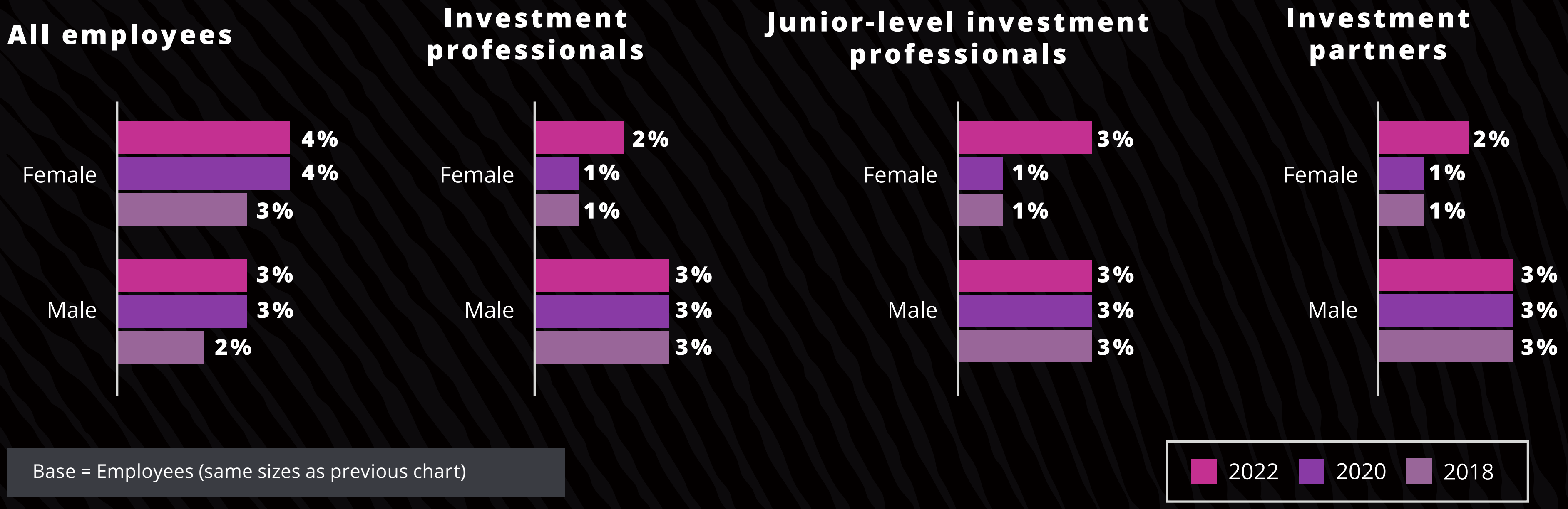
Base = Employees
Percentage of Hispanic employees among each group
Note: Figures for 2016 are not shown because the survey questions on race and ethnicity had a different format in the 2016 survey and are not comparable to those in 2018, 2020, and 2022.
Hispanic/Latinos = 18% of the US labor force

Click to view sample sizes

Return to p 23

Executive summary
Why DEI matters for the VC industry
The diversity dividend
Barriers to DEI progress
Gender diversity
Racial diversity
Ethnic diversity
Other key characteristics of the VC workforce
Talent management and DEI practices
Take action: How VC firms can promote DEI

Figure 6 | Hispanic employees by gender



Base = Employees (same sizes as previous chart)

Return to p 23

Other key characteristics of the VC workforce

Age diversity

Millennials account for approximately 34% of the US civilian workforce. In 2022, they accounted for 55% of the VC workforce, a more significant proportion than any other generation (with the second largest generation being Gen X at 27%), an increase from 53% in 2020 and 47% in 2018.[18] (Figure 7) The millennial generation comprised 52% of investment professionals (compared to 49% in 2020 and 47% in 2018) and 33% of investment partners (compared to 22% in 2020 and 14% in 2018).

Successfully recruiting and retaining millennials is essential to compete for talent. Millennials are the most diverse generation in history,[19] and increasing the diversity of the VC workforce, especially in investment positions, will be vital to tapping into the enormous pool of talent that the millennial generation offers.

Millennials tend to be more concerned than other generations about DEI. For this reason, a firm's record on these issues will be key to attracting talented millennial candidates. A Deloitte survey found that more than half of millennials said they would leave their current employer for a more inclusive one.[20]

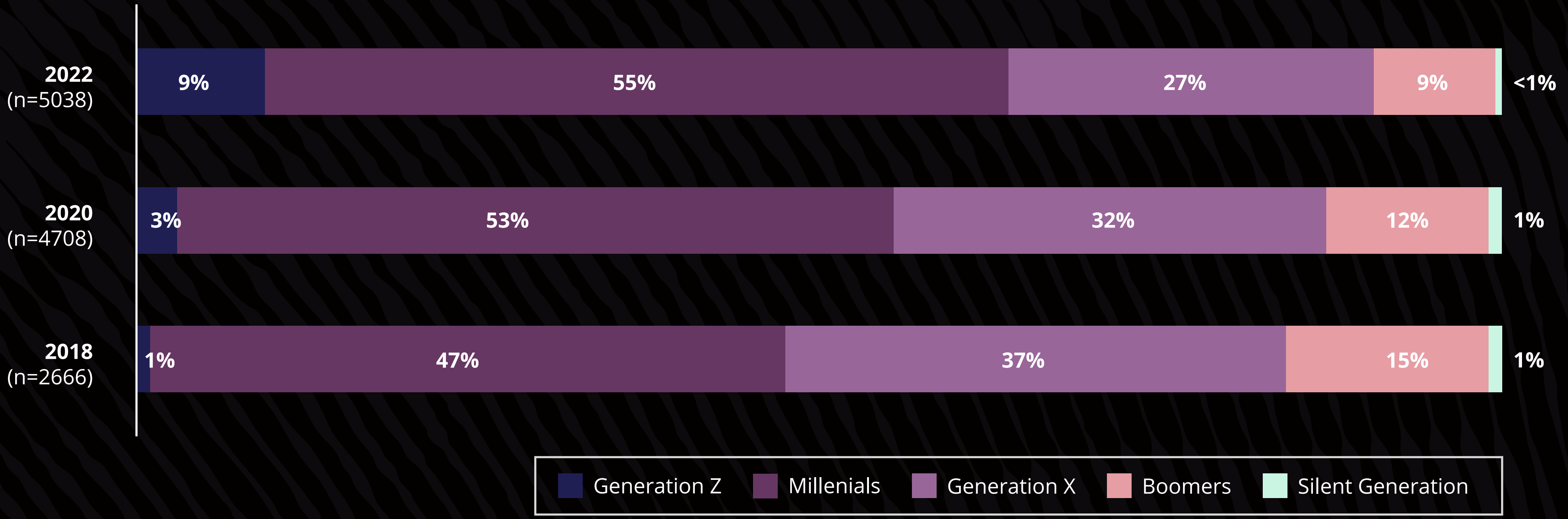
Generation Z (Gen Z) accounts for approximately 13% of the US civilian workforce and will soon surpass millennials. Gen Z comprised 9% of the VC workforce in 2022, including 12% of investment professionals, and their ranks will continue to rise, reshaping the industry and innovation economy. An example of Gen Z's interest in and influence on the industry can be seen in the growth of the organization Gen Z VC. It was founded in November 2020 and has already reached a global community of more than 20,000 founders, operators, angel investors, and aspiring VC investors.[21]

Veterans

In 2022, 43% of firms reported collecting or having access to information on the veteran status of their employees, up from 39% in 2020 and 33% in 2018. US census data shows that veterans comprise almost 8% of the US population.[22] Only 3% of employees were veterans, the same percentage as in 2020. Veterans may provide another opportunity for VC firms to access a unique talent pool.

Other key characteristics of the VC workforce

Figure 7 | Age of workforce



Return to p 27

Base = Employees
Note: Percentages may not total to 100 due to rounding.
Birth years:
Generation Z: 1997 – 2012
Millennials: 1981 – 1996
Generation X: 1965 – 1980
Boomers: 1946 – 1964
Silent Generation: 1928 – 1945

Talent management and DEI practices

Internal resources for HR vs. outsourcing

Throughout this survey series, firms have consistently said that they rely more on in-house capabilities for HR and recruitment, with few firms saying that these responsibilities were outsourced.

In 2022, 67% of firms said that HR responsibilities were completely or primarily executed internally, the same percentage as in 2020 and 2018. Only 8% said these responsibilities were completely or primarily outsourced, with the remainder saying they used a mix of in-house capabilities and outsourcing. Sixty-one percent of firms completely or primarily handle recruitment in-house, although this was down from 71% in 2020 and similar to the level of 63% in 2018. Only 7% said that recruitment was completely or primarily outsourced in 2022, compared to 6% in 2020.

Collection of demographic data

Data on employees is essential to successful diversity efforts, allowing a firm to assess where it stands. For race/ethnicity, 78% of firms said they collect or have access to this information, up slightly from 75% in 2020, and a significant increase from 65% in 2018 and 61% in 2016. (Figure 8) Fewer firms have access to employee data in other areas, such as dependent care (47%), veteran status (43%), and disability status (34%), although the percentages have continued to increase over the survey series.

DEI strategies, goals, and staff

The percentage of firms that have adopted strategies in prioritizing and integrating DEI efforts has grown throughout the survey series as they have recognized the need to do so. In 2022, 46% of firms reported having a diversity strategy (up from 44% in 2020, 35% in 2018, and 15% in 2016), and 44% said they had an inclusion strategy (up from 41% in 2020, 31% in 2018, and 17% in 2016). (Figure 9)

Some types of firms were more likely to report that they had a diversity or inclusion strategy (or both). For example, 57% of corporate venture groups reported having one or both strategies, compared to 44% of other firms. Firms focused on the growth stage (58%) and multi-stage (57%) more often reported having one or both strategies than did those focused on the seed stage (39%) or early-stage (43%). These strategies were also more common among large firms (67%) than among mid-size (46%) or small firms (37%) and among firms founded ten or more years ago (52%) than among younger firms (41%).

The 2022 survey included a new question asking firms whether they had established specific DEI goals. Forty percent of firms said they had established such goals, and an additional 23% said they planned to do so within the next six months. (Figure 10)

Specific DEI goals were more often in place at large firms (52%) than at mid-size (38%) or small firms (36%) and at firms focused on technology (43%) than at those that were generalists (37%) or were life science-focused (31%). Firms that had established DEI goals most often had them regarding the makeup of investment staff (94%), non-investment staff (67%), and portfolio company employees (67%).

Fifty-nine percent of firms said they had staff—either one person (23%) or a team (37%)—responsible for managing DEI. The percentage of firms with staff managing their DEI efforts has continued to increase from 55% in 2020, 34% in 2018, and 16% in 2016.

DEI programs

Less than half the firms reported having formal HR programs in such areas as hiring (35%), recruitment (36%), and mentorship (25%). (Figure 11) Instead, many firms are addressing these areas through informal programs in hiring (76%), recruitment (74%), mentorship (69%), and leadership development (66%).

Many firms appear to lack the tools needed to implement an inclusion strategy. While only 32% of firms said they conduct employee surveys to access inclusion, this is an increase from 26% in 2020. Firms that are serious about creating an inclusive organization should consider leveraging insights from such surveys to inform goal setting.

DEI interest from LPs and portfolio companies

Much attention has been paid to the importance of DEI in the VC industry and the positive impact that diverse teams have on performance. The percentage of firms reporting that LPs requested DEI details within the last 12 months grew to 47% in 2022, from 41% in 2020 and 36% in 2018.

More VC firms are also focused on DEI at their portfolio companies. In 2022, 38% of firms said they requested DEI details from their portfolio companies, an increase from 30% in 2020 and 19% in 2018. On the other hand, only 8% of firms said that their portfolio companies had requested such information from them, on par with 9% in 2020.

Correlation of DEI strategies with diversity

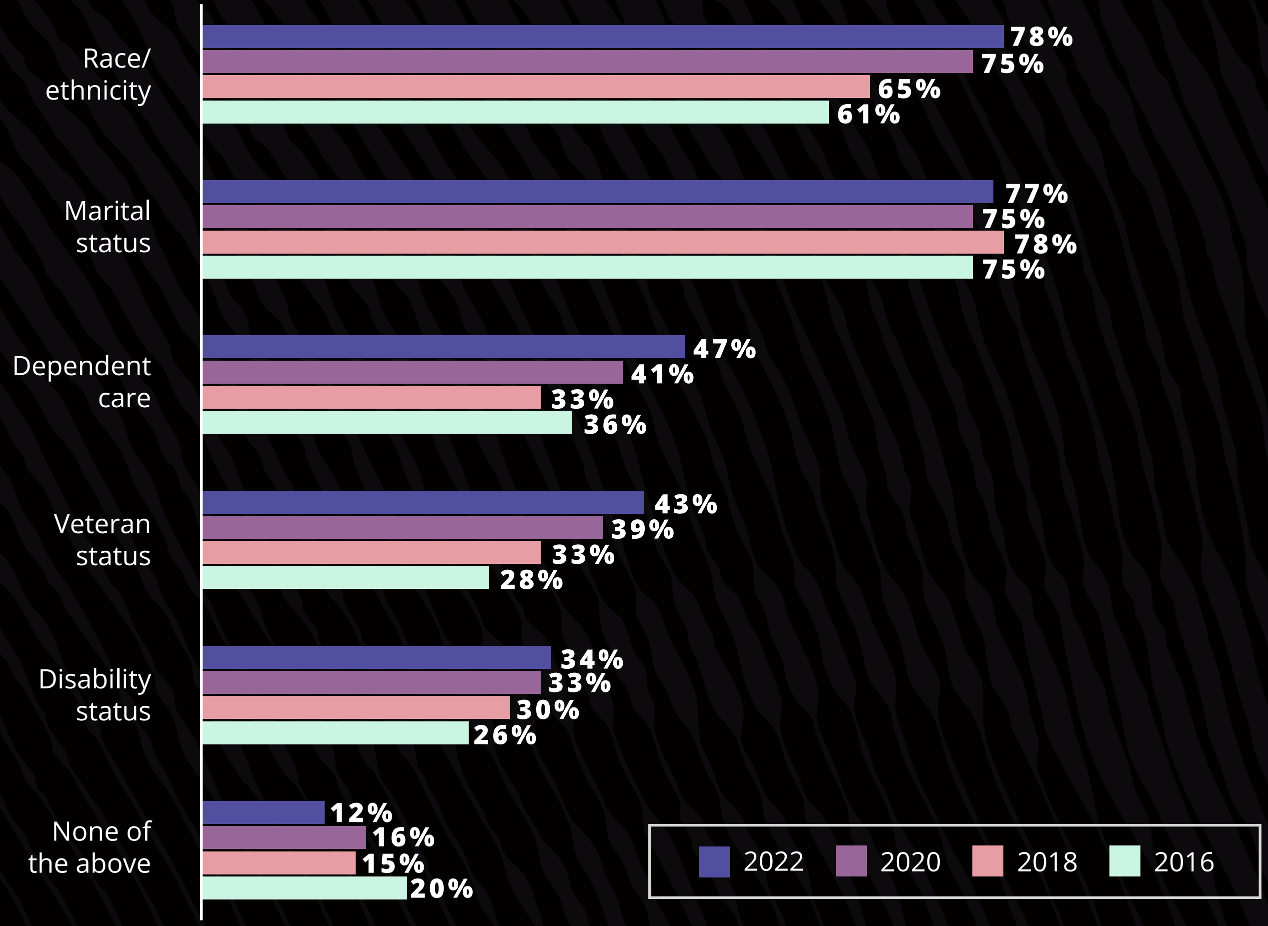
More firms have adopted DEI strategies, programs, and goals to create more diverse, equitable, and inclusive workplaces, and these seem to be having their desired effect in increasing gender diversity. Firms that reported having a diversity or inclusion strategy (or both) said that women comprised 28% of their investment positions compared to 24% of firms with neither strategy. Similarly, firms with at least one of these strategies had a higher percentage of women among their junior-level investment professionals (37% vs. 31%) and investment partners (20% vs. 17%) than did firms without at least one of these strategies.

However, there was no correlation between having these strategies and either racial or ethnic diversity. For example, firms with at least one of these programs reported that 5% of their investment professionals were Black compared to 6% among firms with neither strategy. Similarly, both firms with at least one of these strategies and firms with neither approach reported that Hispanics comprised 7% of their investment professionals.

In recent years, the VC industry has seen a massive influx in the number of new managers raising funds, including those that are Black- or Hispanic-led. The survey results found that smaller and newer firms had a higher representation of Black and Hispanic partners than larger and older firms. However, larger and older firms were more likely to have DEI strategies.

The survey finding that shows no correlation between DEI strategies and either racial or ethnic diversity may also be explained by the timing and focus of those strategies. For example, diversity initiatives pre-2020 tended to focus on gender, whereas the focus on race and ethnicity became more prevalent after the murder of George Floyd in the summer of 2020. Given the long-term cycle of VC, two years is likely too soon to see the outcomes of strategies and commitments fully reflected in the data. These findings also stress the importance of intersectional approaches to DEI.

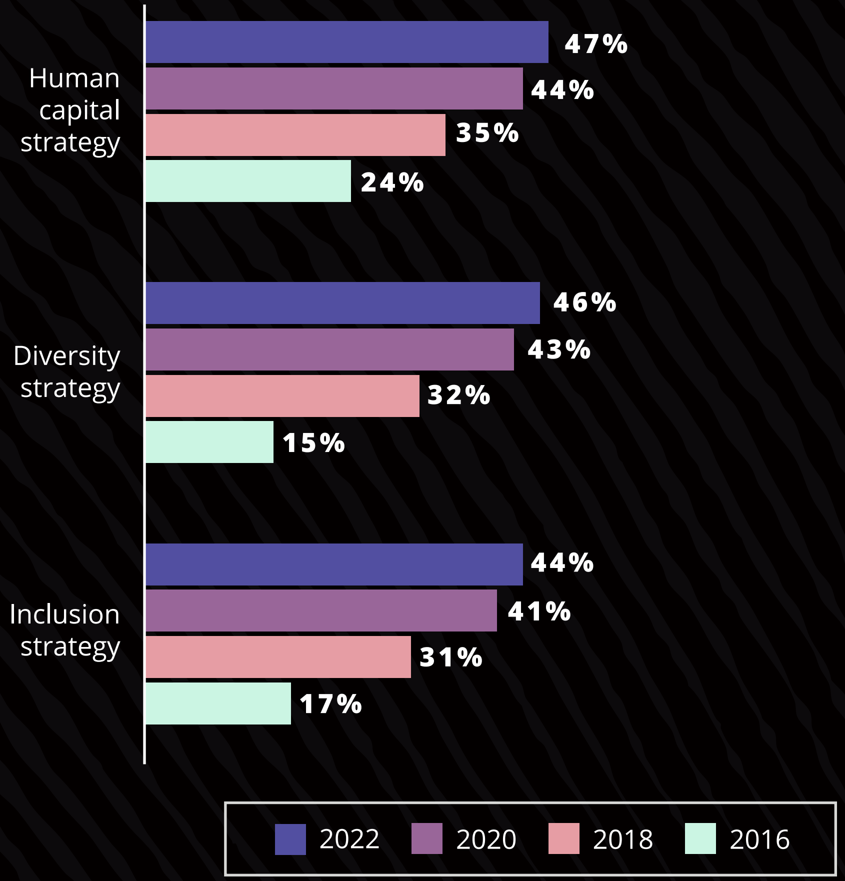
Figure 8 | Types of employee information collected



Base = Firms (n=315)
Percentage of firms collecting each type of employee information

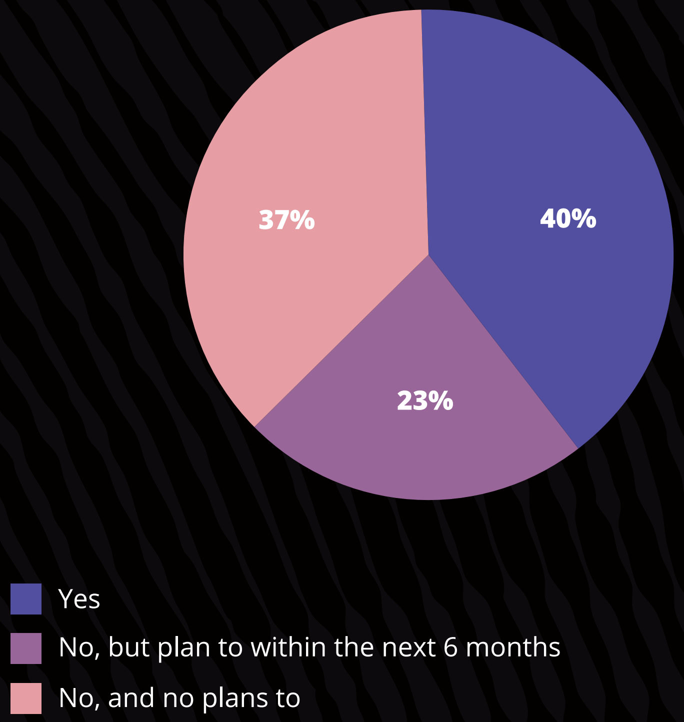
Return to p 29

Figure 9 | Human capital strategies



Base = Firms (n=315)
Percentage of firms with each strategy

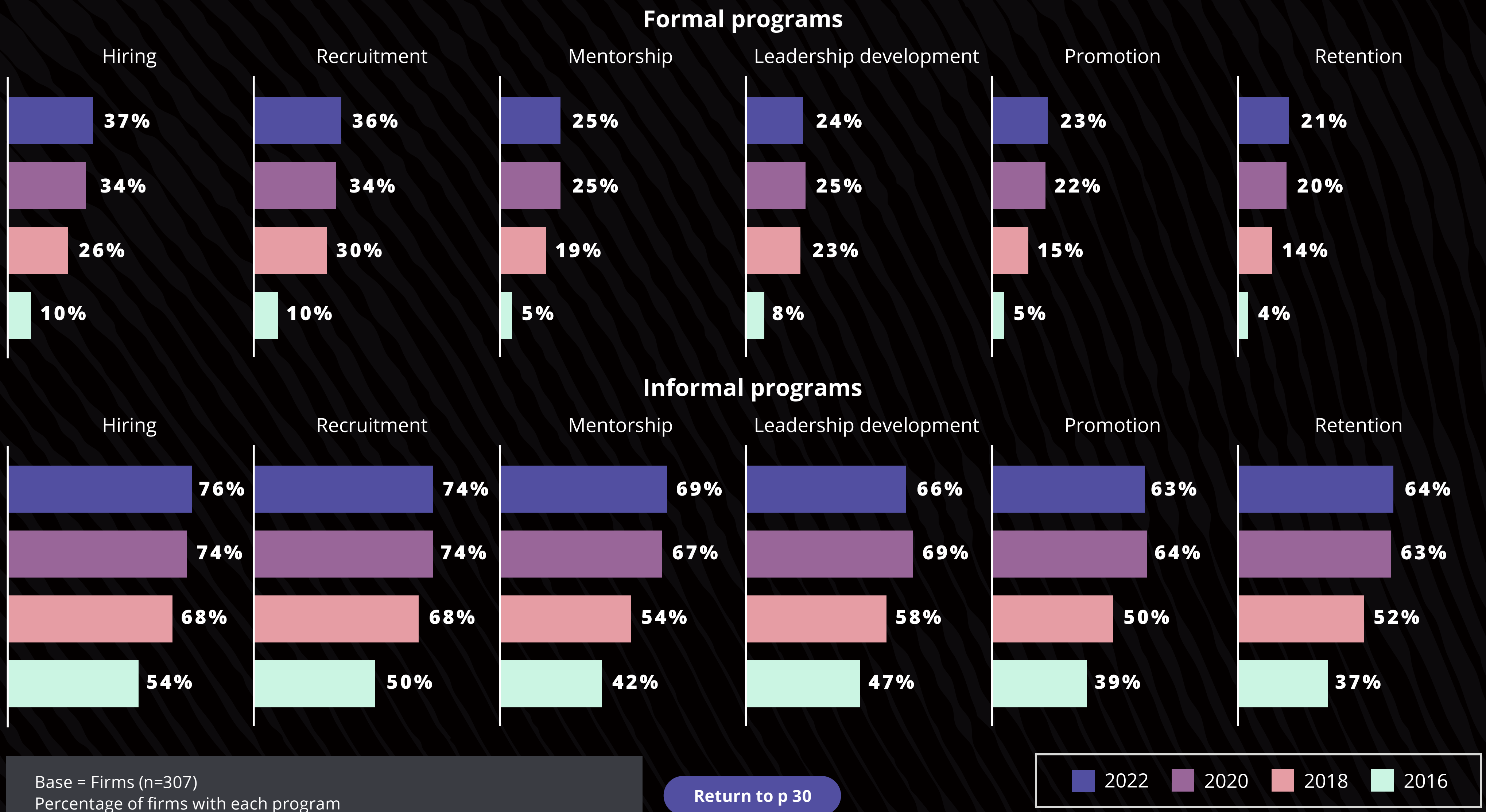
Figure 10 | Has firm established specific DEI goals?



Return to p 29

Base = Firms (n=311)
Note: This question was first asked in 2022.

Figure 11 | DEI programs



Base = Firms (n=307)
Percentage of firms with each program

Return to p 30

Policies to address harassment and discrimination

Ensuring employees have a safe and welcoming environment is essential to creating an inclusive workplace. In the latest survey, the percentages of firms that reported having an employee handbook (80%), a code of conduct (79%), an anti-harassment policy (66%), and an internal contact identified for reporting alleged misconduct (66%) were roughly like those in 2020. These policies can serve as an important first step for implementing DEI practices at firms.

The prevalence of prevention programs addressing harassment and discrimination has seen more progress. In the latest survey, 45% of firms reported having mandatory programs that cover harassment and discrimination, up sharply from 33% in 2020 and 29% in 2018, while 7% reported having optional programs. An additional 21% said they were likely to implement such programs in the future. This leaves 27% of firms reporting that they lacked such programs and were not likely to adopt them in the future. NVCA has several publicly available model documents and resources to assist VC firms with addressing harassment, including sample HR policies, HR best practices, and code of conduct policy.[23]

Sourcing diverse talent

Bringing new talent into the industry is an opportunity to diversify the workforce. However, turnover at VC firms is low, and firms primarily look to their existing networks when sourcing new talent. Firms reported turnover of only 6% among their senior investment professionals and 8% among their senior finance, operations, and administrative positions in the year ending June 30, 2022. Turnover was somewhat higher among junior-level investment professionals (20%), although this was down from 24% in 2020. Firms reported a turnover of 17% among junior finance, operations, and administrative positions, up somewhat from 15% in the previous survey.

Exit interviews can be helpful when an employee decides to leave a firm, providing a firm with information to better recruit and manage talent in the future. Sixty-one percent of firms reported conducting exit interviews, similar to 62% in 2020 although an increase from 47% in 2018. Feedback during employment can also provide important intel on what's working and not working for current talent; 74% of firms reported having a structured format for employees to provide feedback during their employment (compared to 73% in 2020). Given the benefits—both in understanding why an employee has decided to leave the firm and how current employees perceive their work environment—more firms may want to consider using these methods to attract and retain diverse talent and provide an inclusive culture for their full teams.

In addition to open positions due to turnover, many firms reported that they had increased their total number of employees in the year ending June 30, 2022. Firms were especially likely to report an increase in junior-level investment positions (54% compared to 43% in 2020) and junior finance, operations, and administrative functions (51% compared to 38% in 2020). But a significant number of respondents also reported an increase among their senior investment positions (25% compared to 21% in 2020) and their senior finance, operations, and administrative roles (38% compared to 21% in 2020).

With their number of positions expanding, especially among junior-level positions, more firms said they often sought external candidates for open positions. In the 2022 survey, 71% of firms said they sought external candidates for open junior-level investment positions always or most of the time, compared to 65% in 2020 and 49% in 2018. (Figure 12) The pattern among junior finance, operations, and administrative positions was similar, with 68% of firms saying they sought external candidates always or most of the time, up from 62% in 2020 and 52% in 2018. In contrast, 43% of firms said they typically sought external candidates for open senior investment positions, down from 46% in 2020 (although above 35% in 2018).

Firms appear to be taking advantage of the opportunity presented by open positions to increase diversity. Firms said that they had hired 54% of their female investment professionals from outside the firm, compared to 35% who had been promoted internally (the remaining female investment professionals were firm founders). Similarly, 51% of Black investment professionals had been hired from outside the firm, compared to 25% who were promoted internally. Notably, 20% of the Black investment professionals were firm founders. This pattern was somewhat less pronounced among Hispanic investment professionals: 42% were hired from outside the firm, 33% were promoted internally, and 19% were firm founders.

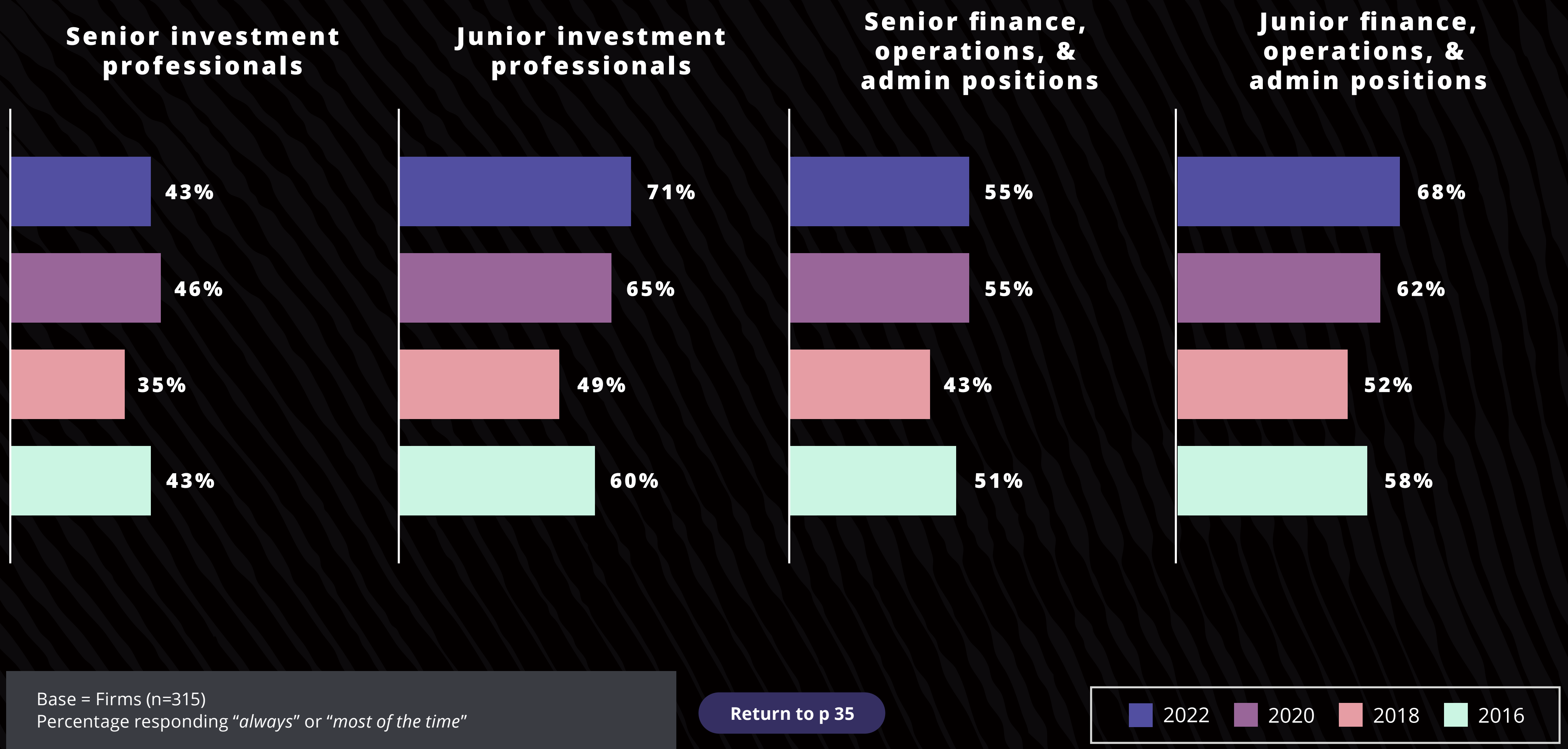
Looking outside the firm for candidates when filling open positions is an important step, but firms should consider their approach to recruitment. Firms relied on many of the same methods they have relied upon in past years, with the most popular recruitment method being *notifying peers in the venture capital industry* (79%). (Figure 13) Other common methods were *notifying the firm internally* (63%) and *recruiting/search firms* (55%).

However, the method cited second most often in the latest survey was *posting on third-party websites (e.g., LinkedIn, AngelList, newsletters, or other aggregator websites)*, which was cited by 65% of firms, a significant increase from 54% in 2020 and 37% in 2018. This suggests that more firms are expanding beyond their networks to identify more diverse candidates that previously might have been overlooked.

Talent promotion decisions

For promotion considerations within the organization, 91% of firms said that a very important or important factor in assessing employees for promotion was *contributions to the performance of the fund*, and 81% said the same about *deal origination*, similar to the results in the previous survey. However, the factor cited most often in assessing employees for promotion was *soft skills* (94%), such as an employee's attitude, cultural fit, communications skills, and leadership skills. Such skills are important for success in senior positions, but assessing these qualities is inherently subjective, unlike financial or other objective measures. As a result, there is the potential for unconscious bias to affect how employees are evaluated. VC firms should be aware of the potential for unconscious bias in employee evaluations on such factors and consider what steps they can take to minimize it. Firms can address and manage subjectivity in promotion decisions by identifying clear metrics and milestones to ensure fair and equitable practices.

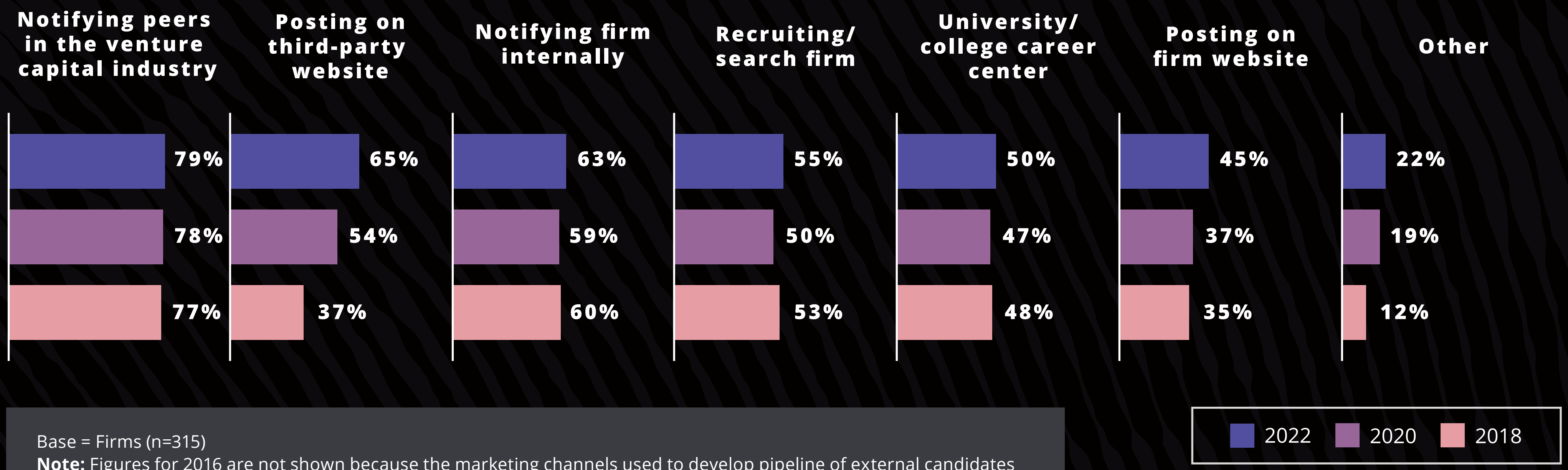
Figure 12 | Frequency of seeking external candidates for vacant positions



Base = Firms (n=315)
Percentage responding "*always*" or "*most of the time*"

Return to p 35

Figure 13 | Marketing channels used to develop a pipeline of external candidates



Base = Firms (n=315)
Note: Figures for 2016 are not shown because the marketing channels used to develop pipeline of external candidates was not included in the 2016 survey and no figures are available for comparison to those in 2018, 2020, and 2022.

Return to p 35

Executive summary
Why DEI matters for the VC industry
The diversity dividend
Barriers to DEI progress
Gender diversity
Racial diversity
Ethnic diversity
Other key characteristics of the VC workforce
Talent management and DEI practices
Take action: How VC firms can promote DEI

Take action: How VC firms can promote DEI

DISCLAIMER: Each firm is different and at a different place in its DEI journey. These recommendations cover a wide range of actions to promote DEI within a firm. As discussed in previous sections of this report, diversity, equity, and inclusion are each distinct and important components for maximizing human capital. A DEI lens goes beyond adopting HR policies or hiring talent from an underrepresented demographic. It also goes beyond programmatic initiatives, pledges, or public commitments. A focus on intentionality, urgency, and accountability are critical to fueling systemic change, change that can catalyze the VC industry to drive further value, influence, innovation, and impact. Managing partners should consider reviewing the findings from the latest VC Human Capital Survey, benchmark against peers, and take stock of where their firm is on its DEI journey (and where it wants to be). Below are additional recommendations to consider and discuss among leadership teams to set the appropriate course of action for the firm. Regardless of a firm's size, sector, stage focus, location, or current demographics, each VC leader can play a role in advancing DEI in the industry.

Data is required to set a benchmark and assess progress
The true effectiveness of a DEI strategy cannot be measured without data. Data can help firms identify the challenges, impact, and success of DEI efforts.

FIRM WORKFORCE DEMOGRAPHICS — According to the latest survey, 22% of firms reported that they do not collect workforce data on race and ethnicity. The ongoing collection of intersectional diversity data across the firm's workforce (functions and levels) and talent pipeline (recruiting, hiring, retaining, and promoting) can uncover important insights and inform DEI strategies and goals. Firm-level demographics reported confidentially through the *VC Human Capital Survey* also help the industry track and measure DEI progress.

FIRM CULTURE AND INCLUSIVENESS — Only 32% of firms reported that they conduct surveys to assess inclusion at the firm. While diversity metrics may be easier to capture, it is important for firms to assess, on an ongoing basis, how employees perceive the work environment and whether they feel safe and valued. This can be conducted through opinion surveys, pulse surveys, or stay interviews. Stay interviews provide a structured format for senior leaders to understand employee motivations to remain at the organization or leave.

Collecting firm- and portfolio-level data may also streamline LP reporting, as LP interest in DEI has increased and will likely continue to do so. In the latest survey, 47% of firms said LPs have requested their DEI details within the last 12 months.

Set DEI goals and identify a strategy to achieve them
Senior partners should consider taking an active role in setting firm DEI goals and outlining a strategy to reach them, just as they would in making other important decisions for the firm. The strategy should identify specific and measurable goals, a process, and a timeline. Execution can be assigned to one person or a team, but there should be ongoing discussions to assess and iterate programs. Senior partners visioning leadership, sponsorship, accountability, and role modeling for DEI will ensure that those who are responsible for executing initiatives are properly enabled, supported, and invested in. Forty percent of firms said they had established DEI goals, 46% said they had a diversity or inclusion strategy, and 60% said they had a staff—either one person (23%) or a team (37%)—responsible for managing DEI.

DEI strategies can make a difference. According to the 2022 data, VC firms with a diversity or inclusion strategy (or both) reported that 20% of investment partners are female compared with 17% at firms without a strategy.

Venture Forward curates DEI tools and templates to direct firms to several existing resources to inform DEI goals and strategies.[24]

Actively seek external candidates outside existing networks when recruiting talent
Seek external candidates for open positions using a skills-based approach as opposed to sourcing talent through existing networks. In the latest survey, 43% of VC firms said they sought external candidates *always* or *most of the time* for senior investment positions, while 71% said the same about junior investment positions. Setting goals on the diversity of those external candidate pools may also increase the success of the hiring program. Publicly posting job openings can extend reach to new and diverse networks of strong talent pools.

Firms should consider expanding beyond the traditional pool of universities in recruiting efforts—many nontraditional educational institutions have a growing interest in VC, strong alumni networks, and dedicated cocurricular groups focused on preparing students for a career in VC. To further support rising talent in the industry, firms can consider developing a minority-focused scholarship fund, fellowship opportunity, and/or sponsorship program to seed a pipeline of new investors and operators.

Adding diverse talent to the investing team can increase the firm's ability to source deals from a more diverse community of founders.

Develop objective metrics for talent promotion decisions
Establish DEI best practices in promotion decisions for all positions and particularly for investment positions (i.e., principals, VPs, and partners)—using a consistent set of skills and metrics-based measures of success for deal sourcing, due diligence efforts, or portfolio company support, for example. Soft skills were cited most often (94%) by firms for promotion decisions, which unconscious bias can affect.

Champion more equitable policies and organizational infrastructure

In addition to setting equitable policies and infrastructure—such as gender-agnostic parental leave, flexible work schedules, remote work policies, and floating holidays for culture-specific celebrations—firm leadership should create a culture that encourages employees to leverage the benefits and infrastructure available to them. For example, senior partners should model behavior by taking parental leave to show the team that new mothers and fathers will not be sidelined for spending needed time with their families.

Invest in learning and development programs

DEI is more than a "check-the-box" HR exercise of online, click-through training. Consider investing in unconscious bias trainings, assessments, experiential learning, manager development, individual and team coaching, and inclusive leadership development for the investing and operating teams. Doing the training together helps to build a common-language approach across the firm. Consider having the team volunteer with community organizations focused on VC education and mentorship to underrepresented groups. When introducing new learning experiences, firm processes and policies should also be examined and enhanced to extend the reinforcement of learning and development initiatives.

Help underrepresented investors build their careers in VC

Firms can develop scout programs, fellowships, and internships to help emerging investors gain valuable investing experience alongside experienced senior partners while building their track record to further their VC career. The Diversity Term Sheet Rider allows firms to commit to increasing opportunities and access to wealth in VC for underrepresented communities.[25] Some firms have invested as LPs into new funds managed by underrepresented people.

Direct investment is most impactful, but VC leaders can also provide meaningful guidance to newer investors on job opportunities, interview preparation, investing, fundraising, managing a fund and firm, building a brand, and other advice for success. Several community organizations provide programs and services for this type of education and mentorship.

Support organizations providing programs and resources to advance DEI in VC

In addition to Venture Forward's programs and initiatives focused on driving intersectional diversity in VC, organizations like All Raise, BLCK VC, Chicago: Blend, Diversity VC, Latinx VC, and VC Familia, among others, continue to play pivotal roles in accelerating the industry's DEI progress. They provide a range of programs and ways for VC leaders to volunteer their time, financially support, and build their network within communities underrepresented in VC.[26]

Maintain DEI momentum through a market downturn

DEI initiatives are often negatively impacted in economic downturns. Capital and resources for DEI initiatives can dry up, staff driving DEI initiatives may be laid off or teams may be downsized, and DEI strategies may be destabilized in general. A DEI strategy should be incorporated into the firm's overall strategy, and firms should maintain focus on achieving DEI goals even during challenging macroeconomic conditions.

Survey methodology

In August 2022, emails were sent to 2,487 active, US-based VC firms, including NVCA members, asking them to participate in the study. Firms could complete the assessment in one of two ways: through a web-based survey or an identical spreadsheet. Each firm had a representative, such as its CFO, general counsel, or HR manager, complete the survey, providing information on its employees. Employees were not contacted to participate individually. The representative also provided information on the firm's talent management, recruitment, HR, and DEI practices. The universe of 2,487 VC firms was defined as any active, US-based VC firm meeting at least one of the following criteria: (1) raised a VC fund between 2014 to 2021; (2) made one or more investments in a US-based company in 2021, limited to VCs that either raised a fund or were raising a fund, and made at least five investments in the past five years; (3) was identified as a growth equity firm in NVCA's 2022 Yearbook; (4) was a corporate venture group that made ten or more investments from 2017 to 2021; or (5) was an NVCA member firm as of May 2022. The firms were identified with the assistance of PitchBook.

The survey was conducted from August 29 to October 7, 2022, and was completed by 315 firms, compared with 378 firms in 2020, 203 firms in 2018, and 217 in 2016.

The survey gathered gender information on 5,736 US-based full-time employees at these firms as of June 30, 2022 (compared with 4,991 employees in 2020), information on race for 4,504 employees (compared to 3,903 employees in 2020), and information on ethnicity (i.e., Hispanic versus non-Hispanic) for 3,882 employees (compared to 3,293 employees in 2020).

In the report charts where the base is firms, the indication of sample sizes refers to the 2022 survey.

The participating firms had a total of $594.5 billion in venture capital assets under management and a total of 42,735 US-based portfolio companies. The participating firms represented a range of sizes and types. (Figures 14—16)

The survey sample is broadly representative of the VC industry. The margin of error of the survey results at the 90% confidence level is 4.3% for questions answered by all 315 firms and 1.1% for questions answered about all 5,736 employees.

Survey methodology

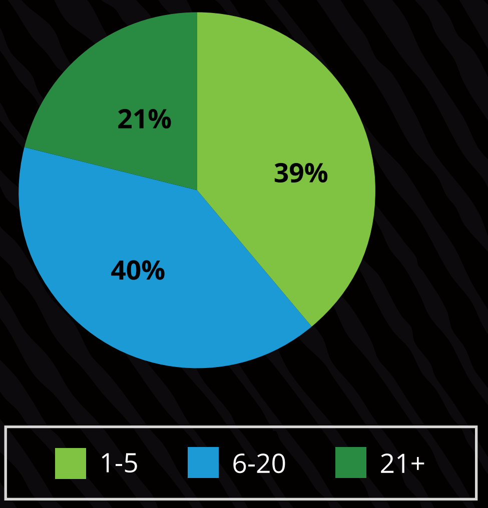
While the survey respondents are broadly representative of the VC industry, the survey results represent the employee demographics and the talent management practices of the 315 firms that completed the survey and reported data as of June 30, 2022. Survey results should be interpreted within that context, and the corresponding data for the broader VC industry may vary.

In this report, some survey results are analyzed by the size of the firm using the following definitions:

- Small firms (one to five employees)
- Mid-size firms (six to 20 employees)
- Large firms (21 employees or greater)

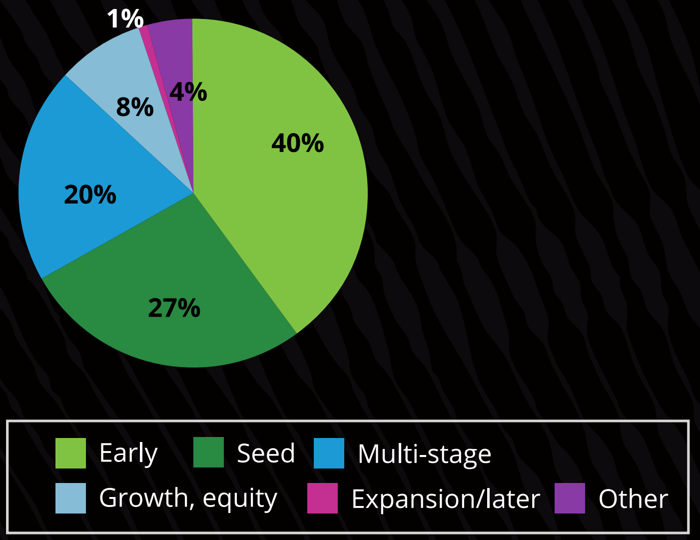
One hundred forty-one VC firms signed the NVCA and Venture Forward #VCHumanCapital pledge as part of the 2022 survey fielding process to publicly commit to participating.[27] The pledge was not a requirement for survey participation but provided increased survey visibility and promoted participation across the broader industry.

Figure 14 | Number of employees



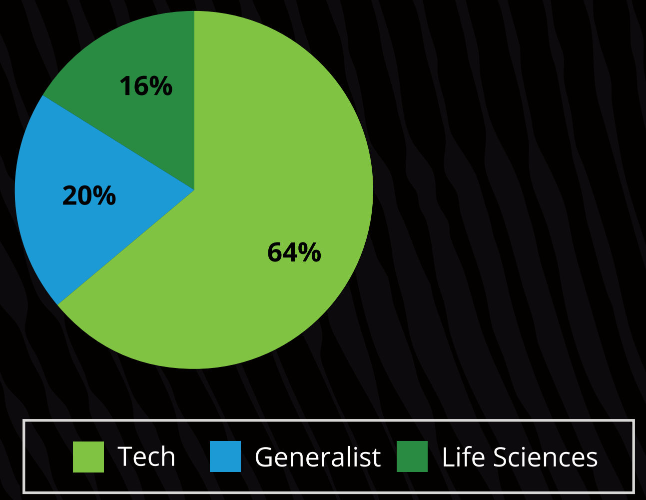
Base = Firms (n=314)
Mean = 20 employees | Median = 7 employees

Figure 15 | Investment stage focus



Base = Firms (n=313)

Figure 16 | Primary investment sector focus

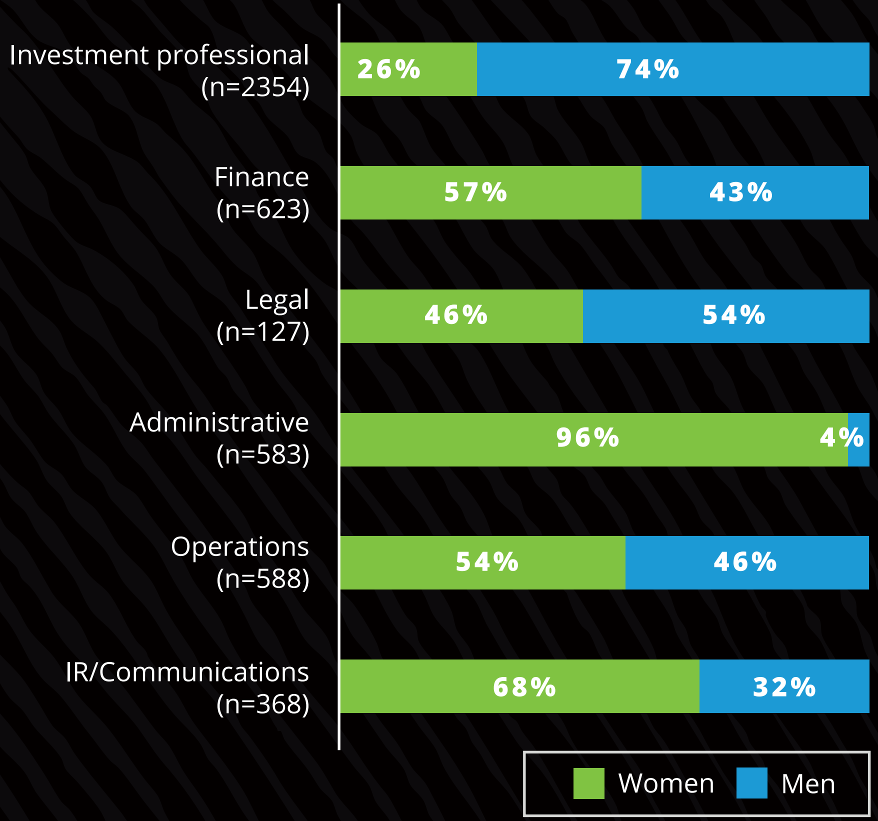


Base = Firms (n=313)

Return to p 41

Appendix

Employee function by gender



Base = Employees

Female employees by race and ethnicity

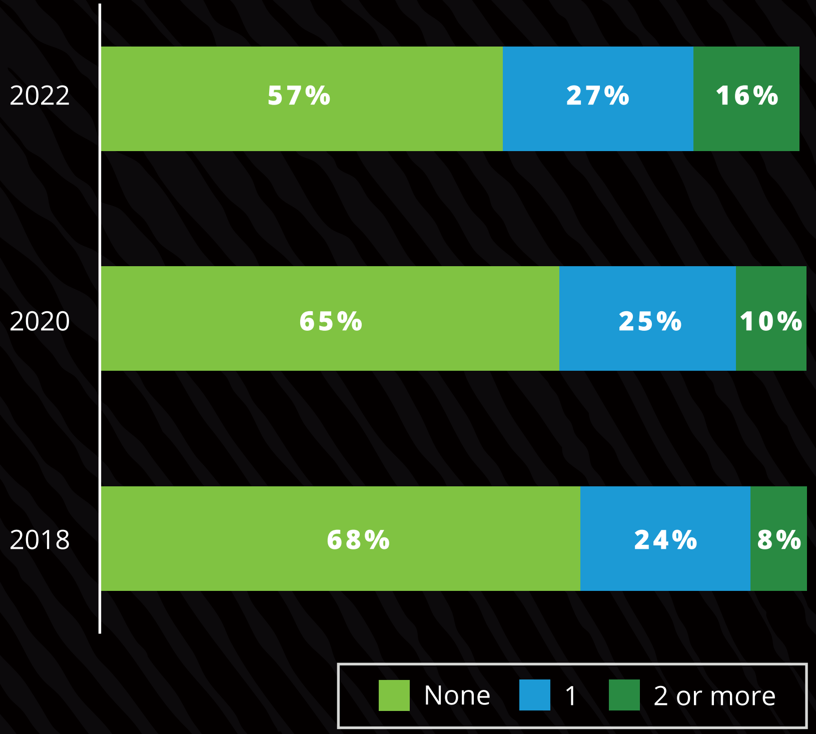
As a percentage of:	2022	2020	2018
Total employees			
Women: Black	3%	2%	3%
Women: Asian	11%	10%	11%
Women: Hispanic	4%	4%	3%
Women: White/non-Hispanic	29%	29%	29%
Investment professionals			
Women: Black	2%	1%	1%
Women: Asian	9%	6%	6%
Women: Hispanic	2%	1%	1%
Women: White/non-Hispanic	15%	15%	14%
Senior-level employees			
Women: Black	1%	1%	1%
Women: Asian	7%	5%	8%
Women: Hispanic	2%	2%	1%
Women: White/non-Hispanic	22%	19%	21%

As a percentage of:	2022	2020	2018
Junior-level investment professionals			
Women: Black	4%	3%	1%
Women: Asian	12%	12%	5%
Women: Hispanic	3%	1%	1%
Women: White/non-Hispanic	17%	18%	12%
Investment partners			
Women: Black	1%	0.25%	1%
Women: Asian	5%	3%	5%
Women: Hispanic	2%	1%	1%
Women: White/non-Hispanic	13%	12%	11%

Base = Employees

Appendix

Number of female investment partners



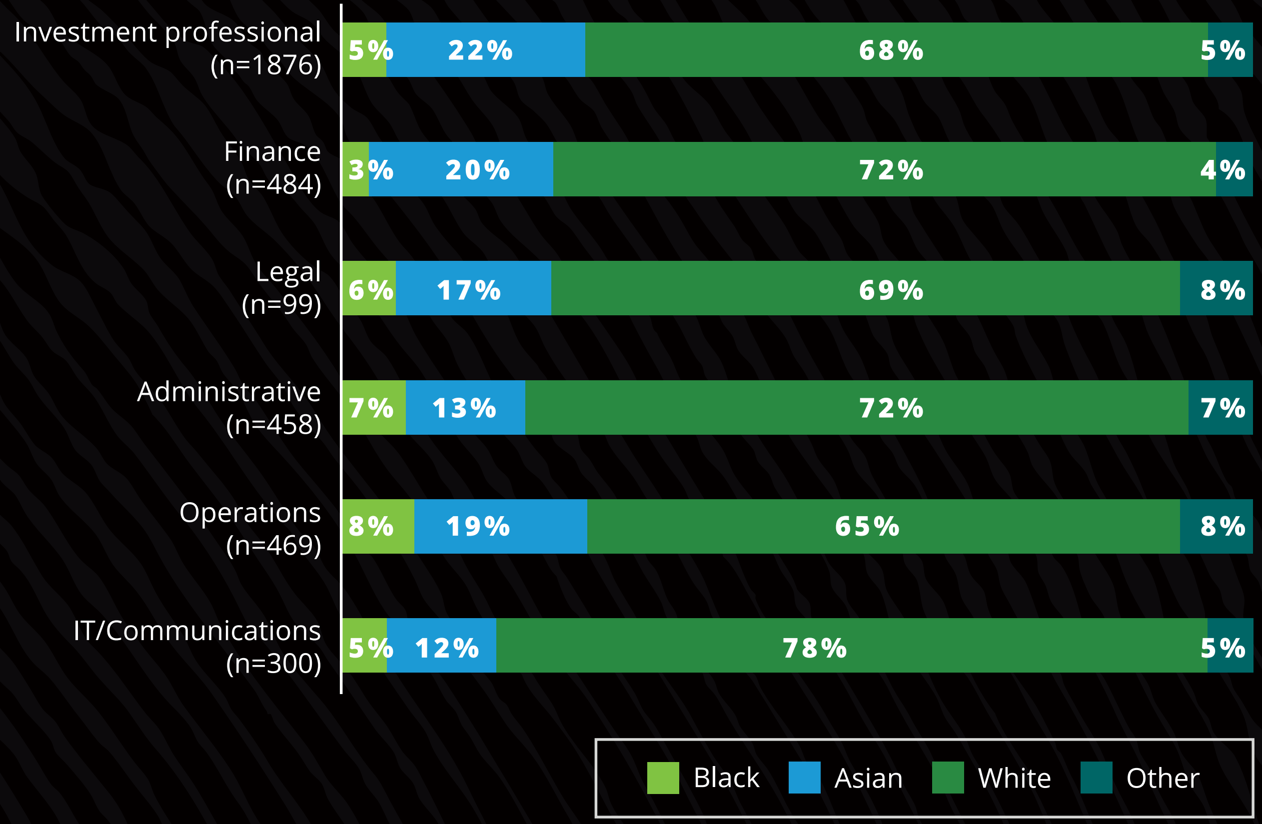
Base = Firms

Female employees by characteristics of investment professionals

As a percentage of investment professionals with the following characteristics:	2022	2020
Originates deals	25%	24%
Represents the firm on the boards of portfolio companies	20%	21%
Member of the firm's investment committee	20%	21%
Owner of the management company	17%	18%

Base = Employees

Employee function by race



Base = Employees

Black employees by gender

As a percentage of:	2022	2020	2018	Sample sizes
Total employees				*n=4504*
Black: Women	3%	2%	2%	
Black: Men	3%	2%	2%	
Investment professionals				*n=1876*
Black: Women	2%	1%	1%	
Black: Men	3%	4%	2%	
Senior-level employees				*n=1719*
Black: Women	1%	1%	1%	
Black: Men	3%	3%	2%	
Junior-level investment professionals				*n=679*
Black: Women	3%	3%	1%	
Black: Men	4%	4%	4%	
Investment partners				*n=844*
Black: Women	1%	.25%	1%	
Black: Men	3%	3%	2%	

Base = Employees

Appendix

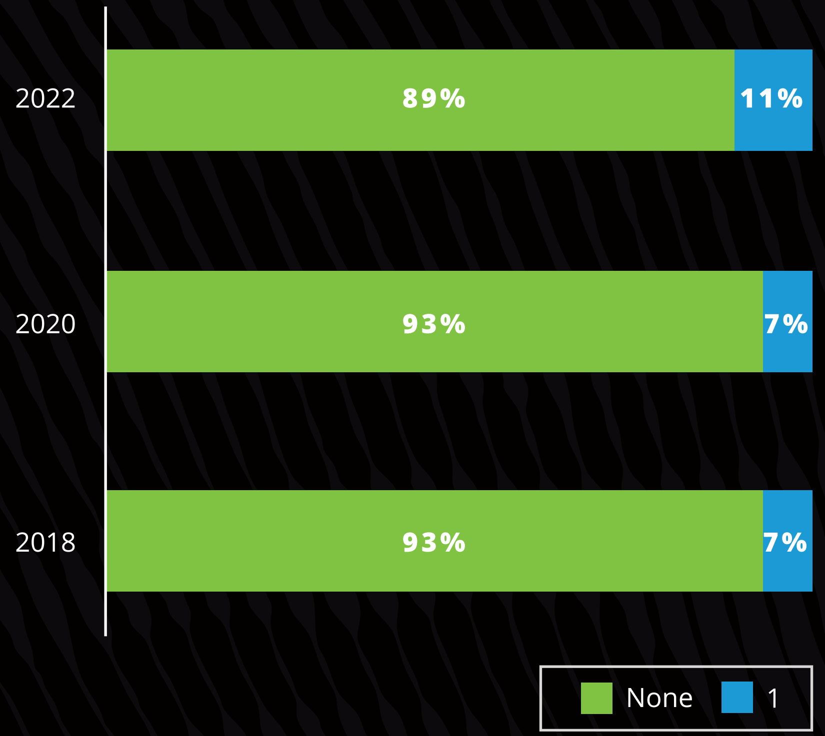
Racial diversity by characteristics of investment professionals

As a percentage of investment professionals with the following characteristics:	2022	2020
Originates deals		
Black	5%	4%
Asian/Pacific Islander	21%	18%
White	70%	74%
Represents the firm on the boards of portfolio companies		
Black	4%	3%
Asian/Pacific Islander	18%	17%
White	76%	77%
Member of the firm's investment committee		
Black	4%	3%
Asian/Pacific Islander	17%	17%
White	76%	75%
Owner of the management company		
Black	5%	3%
Asian/Pacific Islander	16%	16%
White	77%	76%

2022 Investment professionals:
- 5% Black
- 22% Asian/Pacific Islander
- 69% White

Base = Employees

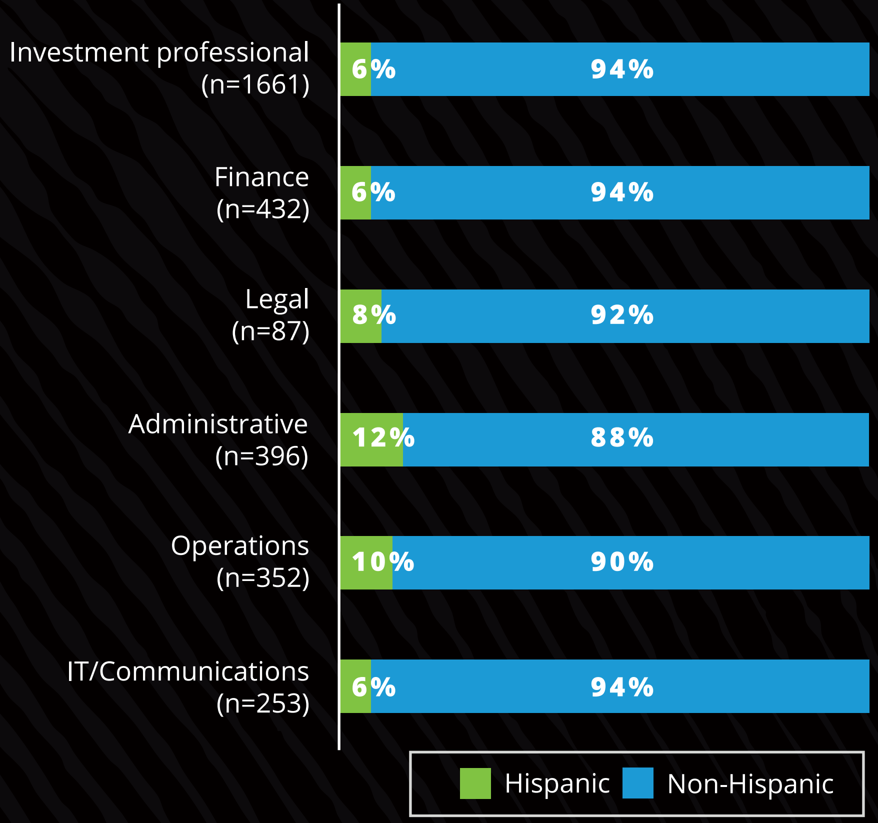
Number of Black investment partners



Base = Firms
Note: No firms reported having more than one Black investment partner.

Appendix

Employee function by ethnicity



Base = Employees

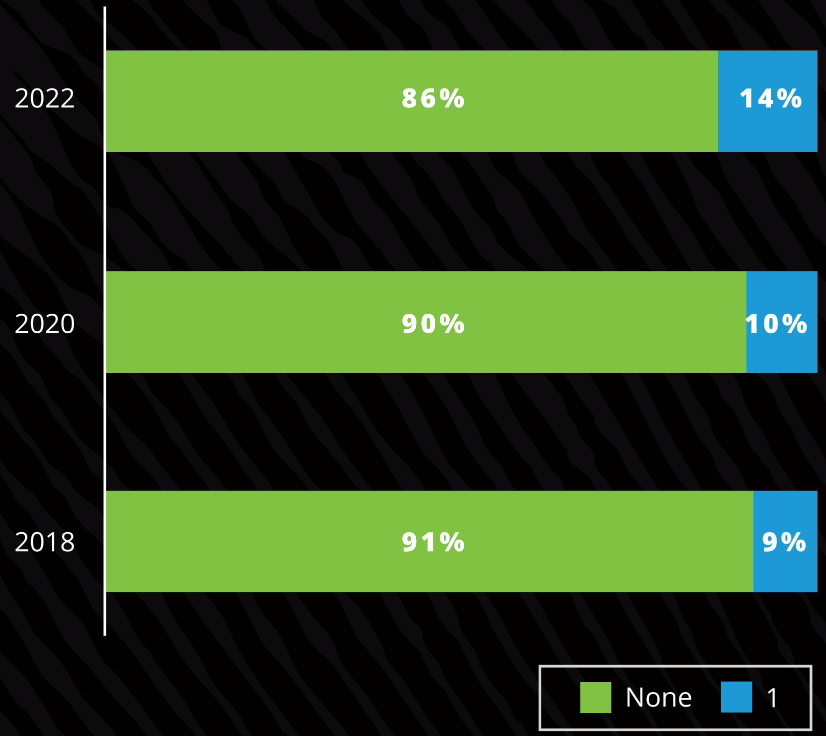
Hispanic employees by gender

As a percentage of:	2022	2020	2018	Sample sizes
Total employees				*n=3883*
Hispanic: Women	4%	4%	3%	
Hispanic: Men	3%	3%	2%	
Investment professionals				*n=1661*
Hispanic: Women	2%	1%	1%	
Hispanic: Men	3%	3%	3%	
Senior-level employees				*n=1580*
Hispanic: Women	2%	2%	1%	
Hispanic: Men	3%	3%	2%	
Junior-level investment professionals				*n=598*
Hispanic: Women	3%	1%	1%	
Hispanic: Men	3%	3%	3%	
Investment partners				*n=777*
Hispanic: Women	2%	1%	1%	
Hispanic: Men	3%	3%	3%	

Base = Employees

Appendix

Number of Hispanic investment partners



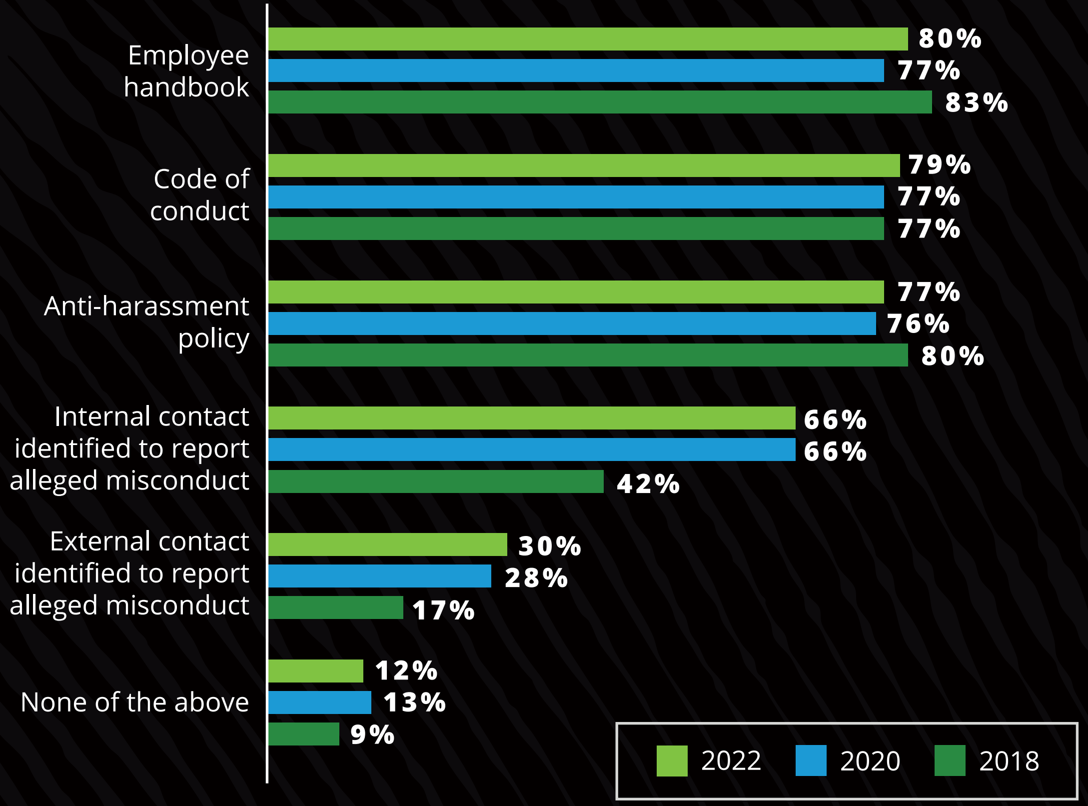
Base = Firms
Note: No firms reported having more than one Hispanic investment partner.

Hispanic employees by characteristics of investment professionals

As a percentage of investment professionals with the following characteristics:	2022	2020
Originates deals	6%	5%
Represents the firm on the boards of portfolio companies	6%	4%
Member of the firm's investment committee	5%	5%
Owner of the management company	4%	5%

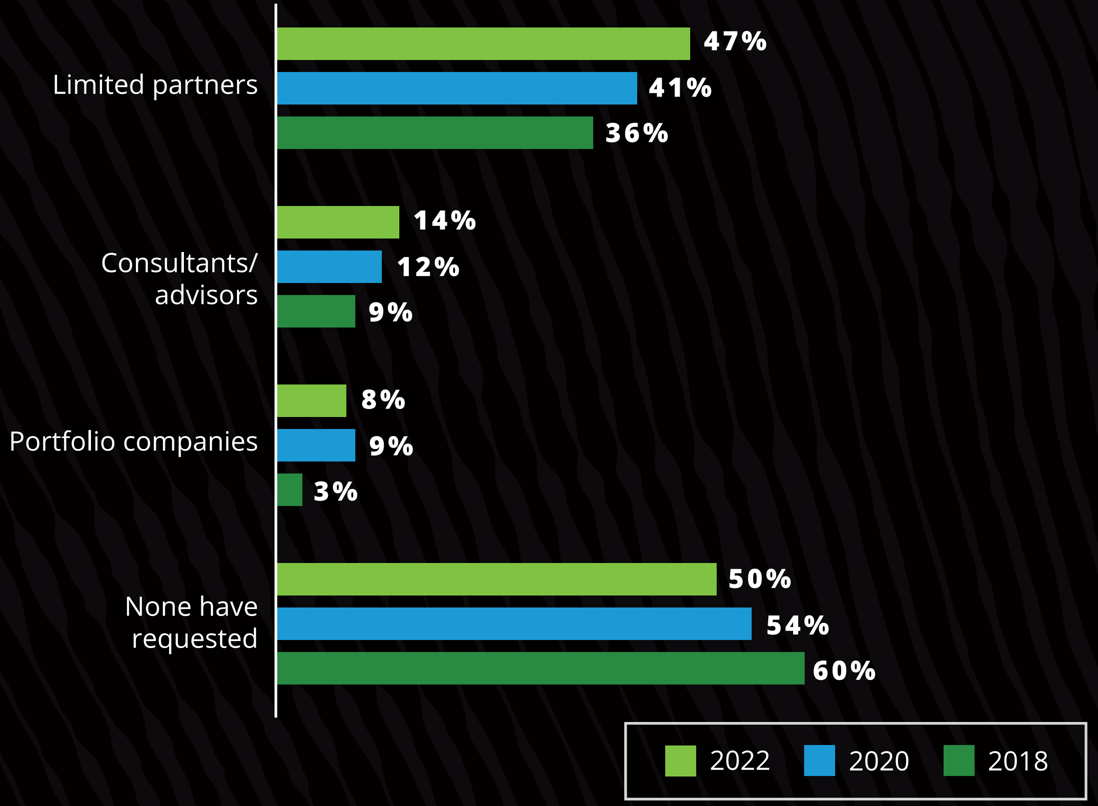
Base = Employees
Hispanic employees = 6% of 2022 investment professionals

Human resources policies and processes



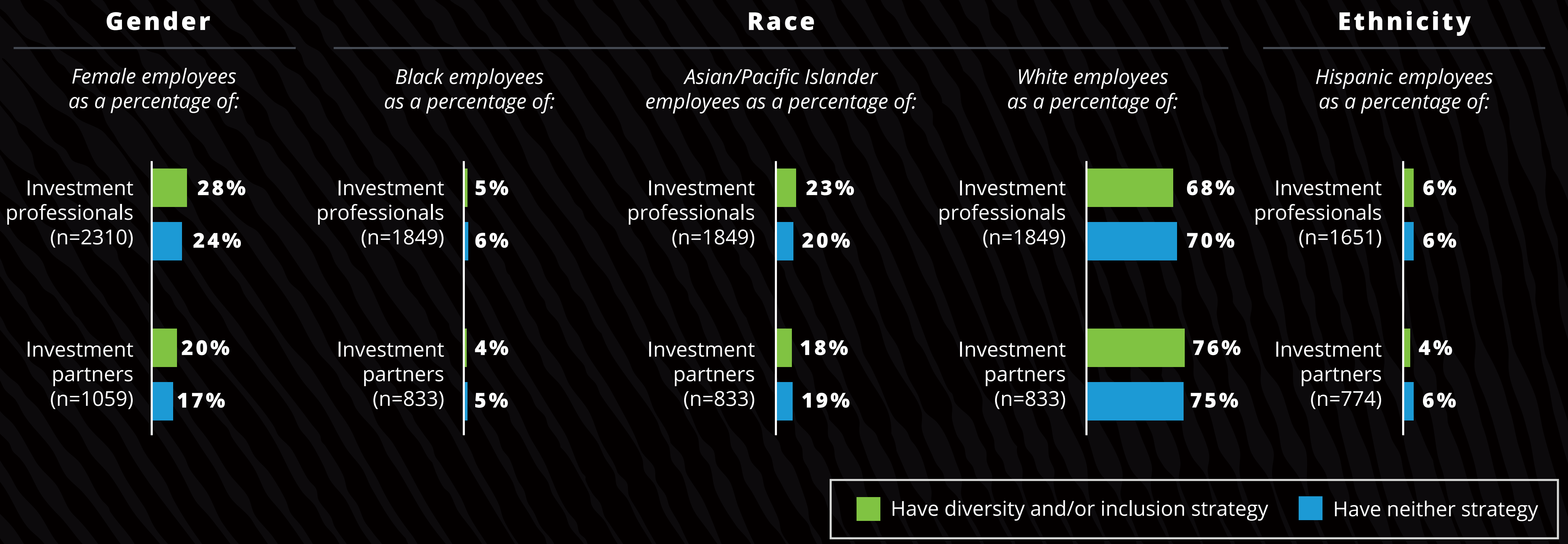
Base = Firms

Parties that have requested diversity, equity, and inclusion details within the last 12 months



Base = Firms

Correlation of having diversity and/or inclusion strategy with gender, racial, and ethnic diversity



Base = Employees

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18. Note: The generations have the following definitions: Generation Z: Born 1997–2012, Millennials: Born 1981–1996, Generation X: Born 1965–1980, Boomers: Born 1946–1964, Silent Generation: Born 1928–1945. Michael Dimock, "Defining generations: Where millennials end and Generation Z begins," Pew Research Center, January 17, 2019.
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About Venture Forward

Venture Forward is a 501(c)(3) nonprofit founded by NVCA to support both current and emerging venture capital investors by addressing imbalances of access, resources and opportunity. The organization's vision is to see more women, people of color and underrepresented people in investment positions of power who will ultimately fund a more diverse set of innovative founders, helping the ecosystem reach its fullest potential. For more information, visit www.ventureforward.org.

About NVCA

The National Venture Capital Association (NVCA) empowers the next generation of American companies that will fuel the economy of tomorrow. As the voice of the US venture capital and startup community, NVCA advocates for public policy that supports the American entrepreneurial ecosystem. Serving the venture community as the preeminent trade association, NVCA arms the venture community for success, serving as the leading resource for venture capital data, practical education, peer-led initiatives, and networking. For more information about NVCA, please visit www.nvca.org.

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