

A WORD FROM DELOITTE

Female founders and investors in the US VC ecosystem

For women in VC, the future hasn't yet arrived

The numbers show slow progress—but the spread of meaningful DEI policies in VC firms offers hope for the future

Imagine a 20-year-old woman, talented and passionate about science, technology, engineering & mathematics (STEM), now a sophomore studying computer science at a leading university. She'll graduate by 2026, get her first job, probably go back for a master's degree, then further her career with more jobs. 15 years from now, she might have the next great idea for launching a company to tackle a new technology that we can't even imagine now.

The question: When she goes out in search of venture capital, will she encounter women with the authority and experience to make investment decisions in the VC firms of 2035?

I've been looking at this question for years, and I'm confident that for that 20-year-old woman, the answer will be "yes." We've recently published the latest edition of Deloitte's "[VC Human Capital Survey](#)," conducted in collaboration with Venture Forward and the National Venture Capital Association (NVCA), and it shows continuing, albeit slow, progress for women at all levels of venture capital.

Among the 315 VC firms that we surveyed, representing \$594.5 billion in assets under management (AUM), the survey found:

- Women make up 26% of the investment professionals in these firms, up from 23% in 2020 and 15% in the inaugural survey in 2016.
- Women are still woefully underrepresented: Among investment partners, only 19% are female, up from 16% in 2020 and 11% in 2016. Women are also far less likely to represent their VC firm on the boards of portfolio companies (20%), serve as a member of the firm's investment committee (20%), or serve as an owner of the management company (17%).
- Yet the ranks of women in junior-level investment positions are growing: 35% of those professionals were female in 2022, up from 33% in 2020 and 25% in 2016. So the pipeline for future senior investment professionals continues to fill.²

What I find most heartening in the 2022 survey is the growing commitment to formal, fully implemented programs in support of diversity, equity & inclusion (DEI). Almost half of the respondent firms have a diversity strategy (47%, up from 44% in 2020 and 15% in 2016), and nearly as many have an inclusion strategy (44%, up from 41% in 2020



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and 17% in 2016). Those policies are more likely to be implemented, as 60% of firms said they either have a staff person or a team responsible for DEI (up from 55% in 2020 and 16% in 2016). In 2022, we asked for the first time whether firms had set specific DEI goals: Nearly two-thirds said that they already had goals (40%) or planned to implement goals within the next six months (23%).³

For that future female founder, this is great news—trends that all point in the right direction.

For *today's* female founders, unfortunately, the story is not so hopeful. Despite the gains for women in VC firms, we simply have not seen much impact on venture investing in female-founded companies. PitchBook's authoritative [US VC female founders dashboard](#) shows that companies founded solely by women scored only 2% of VC capital in 2023—a level that has scarcely changed since 2008 (and has never topped 2.8% in those 16 years).⁴

²: "VC Human Capital Survey, Fourth Edition," Deloitte, Venture Forward, and NVCA, April 18, 2023.

³: Ibid.

⁴: "US VC Female Founders Dashboard," PitchBook, accessed January 23, 2024.

(In underrepresented racial and ethnic groups, professionals of all genders face a similar picture: The 2022 survey shows gains for Asian/Pacific Islander and Hispanic professionals, but uneven progress in Black professionals in the industry. These groups also need aggressive DEI efforts.)

Funding barriers for female founders

Why aren't the gains we're seeing elsewhere in society being reflected in venture funding for female founders?

Part of the challenge is the nature of women-owned businesses and founders' approaches. Even when they found great businesses, women are less likely to swing for the fences. Instead of pitching their companies as the next Google or Meta, they may position them as incremental advances or "niche plays." Such modesty doesn't light up the scoreboard for venture funders seeking a healthy return on their capital.

Smaller ambitions are reflected in the size of VC deals that female founders do receive. Since 2008, PitchBook data shows that the share of venture deal count directed to companies founded solely by women has almost doubled, from 3.8% to 7%—not nearly enough, but steady progress. Yet the share of capital those companies collect has scarcely budged.

Women continue to face deeply entrenched attitudes of discrimination. An [eye-opening examination](#) of 2,000 venture-backed startups published in 2023 in Harvard Business Review found that women-owned companies that raised their first-round funding exclusively from female VCs were only half as likely to raise a second round as companies whose funding included

a male partner. The researchers concluded that potential second-round investors viewed female founders as less competent—no matter what their other qualifications—when they were backed solely by women, as compared to female founders who had funding from men or a mix of men and women. Investors, the authors said, thought that gender determined their first-round funding, not business acumen.⁵

Such attitudes won't be eliminated until women (as well as professionals from underrepresented racial and ethnic groups) are holding seats on both sides of the table—and at the head of the table, in senior decision-making positions. So how will we get there?

Tomorrow's entrepreneurs deserve no less

Forward-looking firms should keep pushing for solid, meaningful DEI policies. Fortunately, our survey shows that the pressure is growing throughout the venture ecosystem. More of the VC firms in our sample are surveying employees to determine whether they feel accepted and valued (32% of 2022 survey respondents, up from 26% in 2020). More funders are focusing on DEI at portfolio companies (38%, up from 30% in 2020). And limited partners are pushing VC firms: Nearly half of surveyed VC firms say their limited partners asked for the firm's DEI details in the 12 months before the survey (47%, up from 41% in 2020).

Achieving equality will require VC firms to break old habits. Partners should reach beyond their familiar networks to recruit entry-level analysts. They can offer mentorship and development to female and underrepresented analysts and junior investment professionals.

Changing the VC ecosystem will take time. Funds work on 10-year cycles; turnover is low; entry into senior positions is limited. Only persistent, sustained effort will ensure that today's 20-year-old student will find the female support she'll want when she's ready to launch her transformative new company.

I certainly intend to keep up that effort—because that 20-year-old student is my daughter. She and her female peers deserve no less.

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⁵: "For Female Founders, Fundraising Only From Female VCs Comes at a Cost," Harvard Business Review, Isabelle Solal and Kaisa Snellman, February 1, 2023.