



## ADVANCING GENDER EQUALITY IN VENTURE CAPITAL: EVIDENCE-BASED INSIGHTS FOR INDIVIDUAL VENTURE CAPITALISTS

**Individual venture capitalists have a great deal to gain from increased diversity and inclusion across the VC industry. Adding more women into the venture ecosystem – as investors, as founders, and as leaders of portfolio companies – is an evidence-based way to increase returns across the whole industry, including for individual VCs. Besides, the benefits of working on diverse teams are exceedingly well-documented. The academic evidence is clear that de-biasing organizations and processes, rather than individual minds, is the most effective way to bring about comprehensive structural change. Nonetheless, individual venture capitalists have the power to shape the networks, social norms, and gender dynamics in the industry. The following research-based recommendations will enable VCs to start bringing about more diversity, inclusion, and equity in their firms and across venture capital.**

**1**

### **BROADEN YOUR OWN NETWORKS AND ACTIVELY SEEK OUT DIVERSE INVESTORS AND FOUNDERS**

**One of the simplest, fastest, and highest-impact things individual venture capitalists can do to start leveling the playing field in VC is to diversify their networks.** Relationships and networks form the foundation of a VC's ability to generate investment success because they provide access to future deal opportunities with startups and other VC firms. Due to the male dominance of the venture capital industry overall, female VCs and entrepreneurs are at an inherent networking disadvantage since social networks tend to be segregated by attributes like gender, race, and socioeconomic status. Male investors have the ability to change this status quo by purposefully meeting with diverse founders and VCs to expand their networks, *and* by collaborating with them on deals.

**Evidence:**

Gompers, P. A., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2016). *How Do Venture Capitalists Make Decisions?* (National Bureau of Economic Research Working Paper Series, No. 22587).

McPherson, M., Smith-Lovin, L., & Cook, J. M. (2001). *Birds of a Feather: Homophily in Social Networks.* *Annual Review of Sociology*, 27, 415-444.

**2**

### **MENTOR, SPONSOR, AND COACH FEMALE VCS AND FOUNDERS**

**Mentorship can bring significant benefits to female VCs trying to navigate an uneven professional playing field.** Mentorship – i.e., advice and support – and sponsorship – i.e., advocacy and championing – are both critical for professional advancement. Evidence shows that having access to and being associated with those currently in positions of power improves women's career outcomes and networks through visibility to organizational leaders and through legitimacy-enhancing signals. In venture capital specifically, comprehensive mentoring that democratizes access to informal knowledge is critical to



enabling equal investing performance between female and male VCs: when male VCs mentor their intra-firm female colleagues less than male ones, the female VCs see 15% lower investment performance, entirely attributable to the lack of mentorship. Female investors at all stages in their careers benefit significantly from mentorship, sponsorship, and coaching from both female and male colleagues, from both inside and outside their own VC firms.

**Evidence:**

Bohnet, I. (2017, October 3). [Tackling 'the Thin File' That Can Prevent a Promotion](#). *The New York Times*.

Gompers, P. A., Mukharlyamov, V., Weisburst, E., & Xuan, Y. (2014). [Gender Effects in Venture Capital](#). *SSRN Electronic Journal*.

Madden, J. F. (2012). [Performance-Support Bias and the Gender Pay Gap among Stockbrokers](#). *Gender & Society*, 26(3), 488–518.

Ramaswami, A., Dreher, G. F., Bretz, R., & Wiethoff, C. (2010). [Gender, mentoring, and career success: The importance of organizational context](#). *Personnel Psychology*, 63(2), 385–405.

3

### MODEL INCLUSIVE, RESPECTFUL CULTURE AND BEHAVIORS IN ALL INTERACTIONS

**Individual VCs have the power not only to behave inclusively themselves, but also to influence the behavior of others.** Humans are highly susceptible to social pressure, and human behaviors are greatly impacted by social norms, i.e., the shared understandings of what behaviors are accepted and expected in a given context. Social norms for even a large group, or a whole industry, can be changed by a handful of well-placed individuals who shape each other's behavior, provide mutual support, and catalyze collective action. In particular, senior VCs and industry leaders can serve as diversity and inclusion champions and leverage social relationships to recruit their peers to push for ecosystem-wide change. VCs can thus amplify their impact by not only being individual role models for inclusive and respectful behaviors, but by also nudging others to adopt them.

**Evidence:**

Beshars, J., Bohnet, I., & Sanford, J. (2017). [Increasing Gender Diversity in the Boardroom: The United Kingdom in 2011 \(A\)](#) (Harvard Business School Case 918-006).

Bohnet, I. (2016). [What works: Gender equality by design](#). Cambridge, Massachusetts: The Belknap Press of Harvard University Press.

Gompers, P. A., & Kovvali, S. (2018, July-August). [The Other Diversity Dividend](#). *Harvard Business Review*.

Paluck, E., & Shepherd, H. (2012). [The Salience of Social Referents: A Field Experiment on Collective Norms and Harassment Behavior in a School Social Network](#). *Journal of Personality and Social Psychology*, 103(6), 899-915.

4

### RECOGNIZE THAT DIVERSITY AND UNCONSCIOUS BIAS TRAININGS ALONE ARE NOT THE SOLUTION

**One-off bias and diversity trainings will not by themselves bring about greater gender diversity and inclusion in VC.** Diversity trainings and unconscious bias trainings have become a popular “quick fix” for the lack of genuine diversity and inclusion. The evidence, however, strongly suggests that traditional diversity trainings and attempts to attenuate individual biases are not effective at generating individual behavior change *or* long-term systemic change. While emerging evidence indicates that those who are already most equality-minded can benefit somewhat from unconscious bias trainings, they generally do not influence the people and systems most in need of behavior change. Simply put, becoming aware of your biases is several steps removed from real behavior change. As such, for maximum impact, awareness-raising around unconscious bias should always be coupled with tangible tools that help people change their behaviors as well as other, more comprehensive organizational initiatives in the long term.

**Evidence:**

Alesina, A., Carlana, M., La Ferrara, E., & Pinotti, P. (2018). [Revealing Stereotypes: Evidence from Immigrants in Schools](#) (HKS Faculty Research Working Paper Series, RWP18-040).

Kalev, A., Dobbin, F., & Kelly, E. (2006). [Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies](#). *American Sociological Review*, 71, 589–617.