



DIVERSITY

IN U.S. STARTUPS



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INTRODUCTION



DIVERSITY VC

Our mission is to restore balance to the startup ecosystem by leveling the playing field between investors and founders. The cornerstone to achieving that is ensuring that there is equality of opportunity for founders from all walks of life, regardless of race, ethnicity, gender or creed.

Historically the venture capital industry has not set a good example from a diversity, equity and inclusion perspective. However, we believe that change is possible and that the first step towards addressing the lack of diversity in our industry is to acknowledge it. The second step is to conduct in depth research and analysis into the current state of the DEI landscape in order to set about repairing the woeful gaps, inequity and disparity that continues to persist.

We are proud to present the second edition of this Diversity in US Startups report, therefore, and welcome your collaboration in creating a fairer, more resilient and more successful venture capital and startup industry of the future.

INTRODUCTION

DIVERSITY VC

Diversity VC exists to bring transparency to government and allocators of capital using original data and with thought-leadership on diversity and inclusion in venture capital and tech, and to empower communities with tools and resources to promote it.

We are pleased to be partnering with RateMyInvestor to produce this second installment of “Diversity in US Startups”. Our first report, covering data from 2013-2017, showed the disappointing disparity in funding to underrepresented entrepreneurs - and established a benchmark to learn from and compare against as we moved forward. As we look to the 2018-2019 data here, many of the insights we took from our last analysis unfortunately remain true: there are still stark contrasts between funding for founders of different backgrounds. Nevertheless, progress has been made on a handful of fronts.

More than ever, we believe this report represents an earnest call to action for VCs and the tech ecosystem more broadly to promote diversity and inclusion in their companies and funds. We look forward to working with RateMyInvestor and other partners to continue moving these insights into actions.

By the end of 2019, the venture industry had deployed \$136.5 billion into US-based companies over the course of the year, according to the PitchBook-NVCA Venture Monitor. Using publicly available data from Crunchbase, RateMyInvestor and Diversity VC analyzed **about half of that activity**. We selected the top 100 US firms by deal activity (absolute number of deals), which accounted for \$68 billion in US transaction volume and around \$3 billion worth of funding to companies abroad. These firms invested in **3,304** companies across 4,068 funding rounds from January 2018 thru December 2019, with **7,705** founders at the helm. These are the founders included in this report.

The diversity factors for the startups we included in this report were the size of the founding team, perceived gender*, perceived ethnic background*, educational background, headquarters location, and funding size by round. Due to the scattered nature of information related to the diversity of venture-backed startups, our team used a number of different sources and data gathering methods. This information was collected through a mixture of publicly available data from funding announcements, VC firm websites, and the public social media profiles of the founders.

\$68B

FUNDING

100

VC FUNDS

3,304

COMPANIES

4,068

ROUNDS

7,705

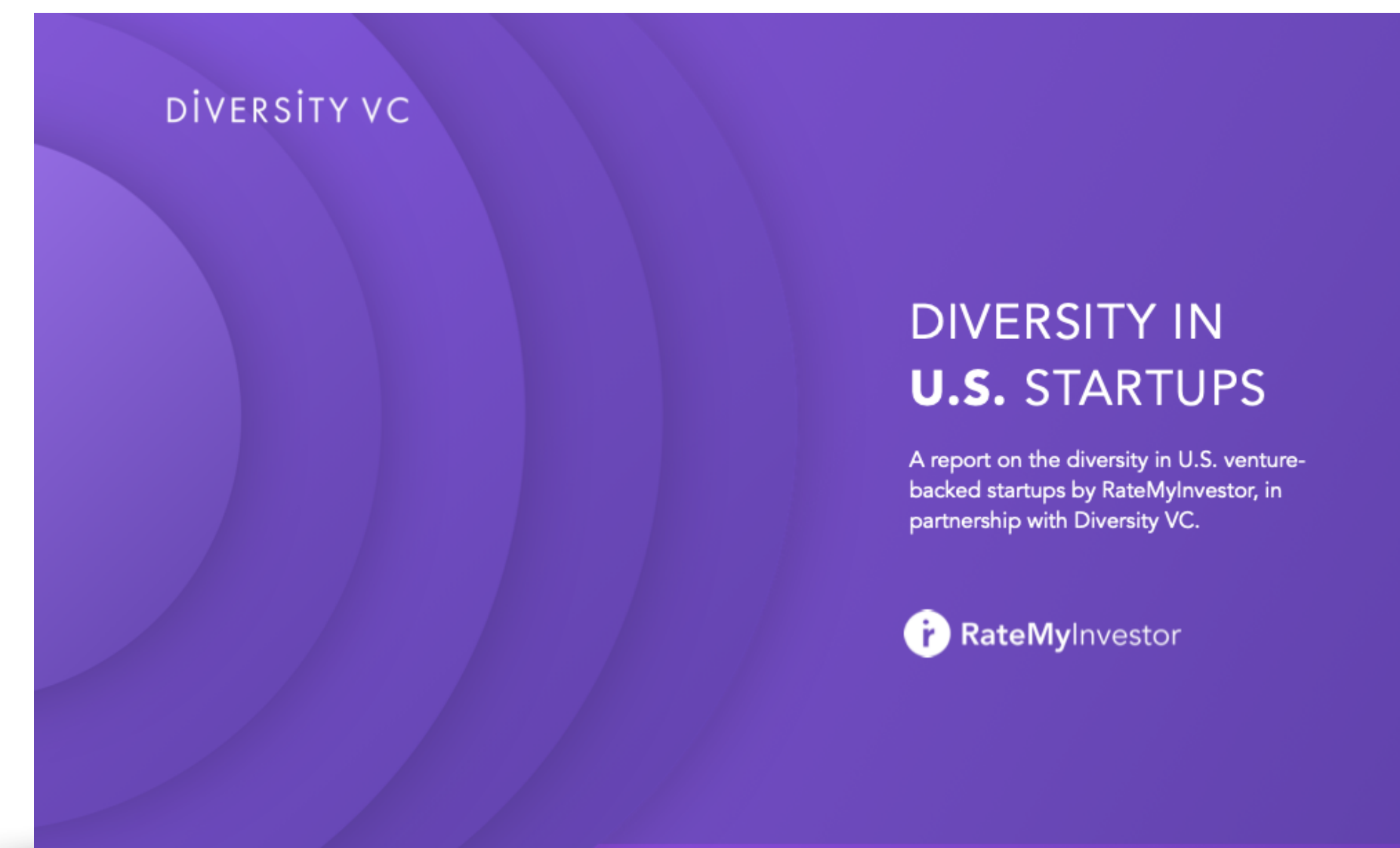
FOUNDERS

*Perceived race and gender data was populated by multiple analysts based on publicly available photographs and biographies. Each founder was evaluated by multiple analysts and reported data is the mode value of the evaluated profiles.

BENCHMARKING

The VC industry has changed quite a bit since our first report:

there are more companies raising “mega-rounds” (>\$100mm), more funds raising “mega-funds”, and generally more deals being done. In fact, the amount raised in 2019 was nearly 3x that of 2013. As a result, our sample size changed as well. The primary difference between our last report and this one is the investors considered “most active”: while there is quite a bit of overlap between the two groups, there were a few new entrants and exits from one to the other. The second is the addition of fundraising data. We did not include capital raised in our last report given the wide variation in round sizes based on location and sector, while in this report we include some high-level funding metrics - with the caveat that the wide variation still very much exists. Finally, we included the international deals done by the most active VCs, as we believe these are a better representation of the overall funding landscape.



FEATURED IN

 **TechCrunch**

crunchbase news

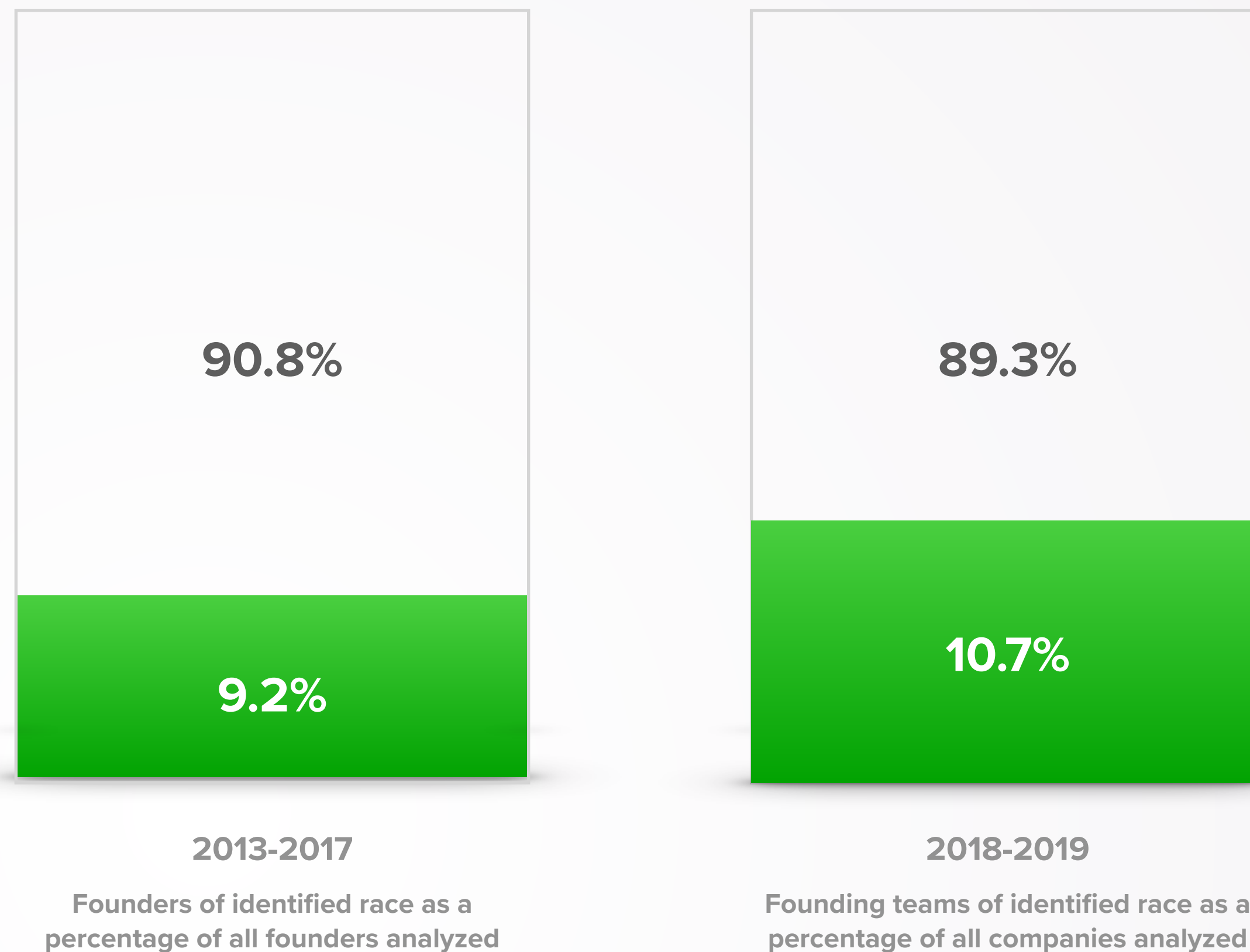
MarketWatch

Forbes

Institutional Investor

Women are still underrepresented on founding teams - but their numbers are slowly increasing

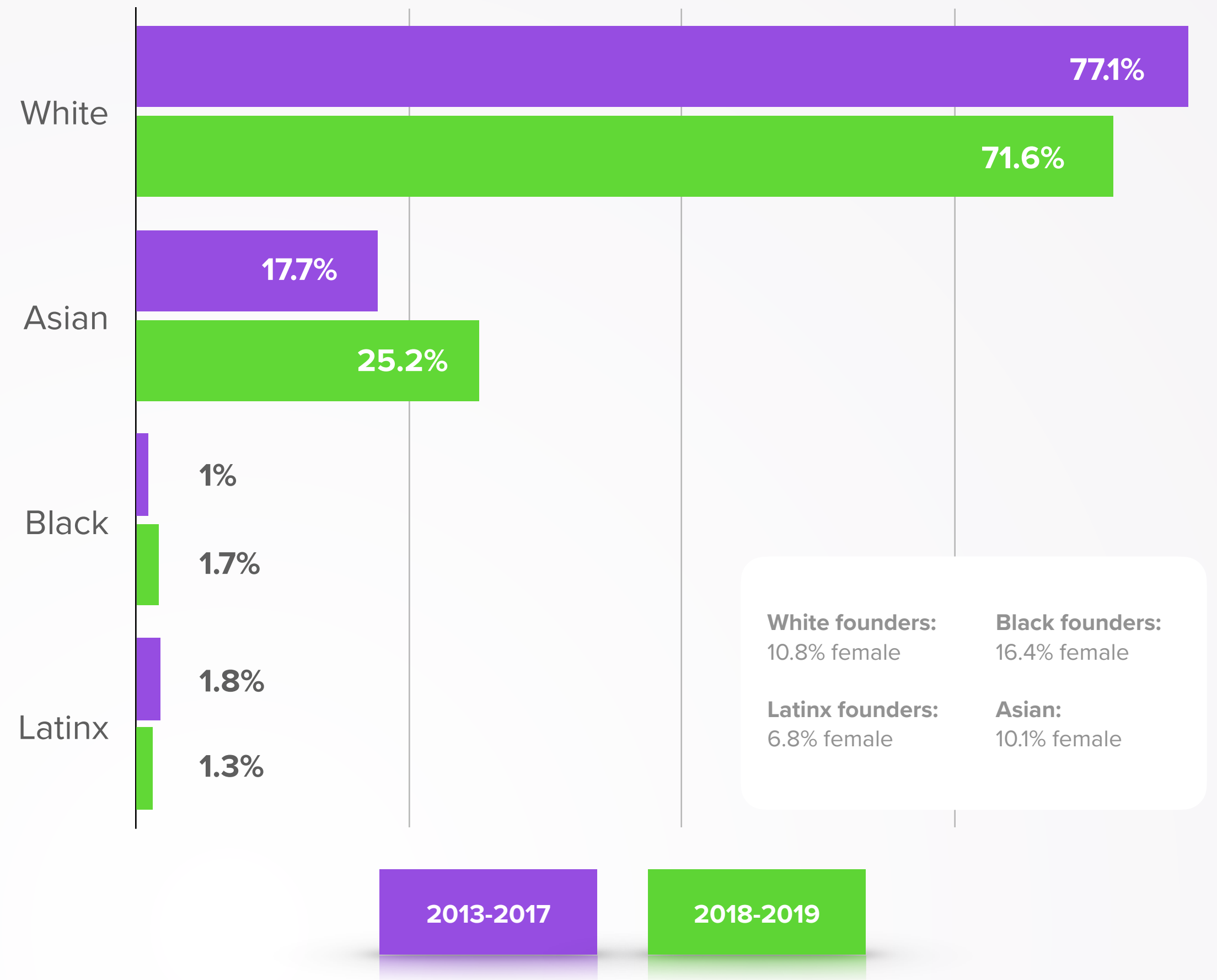
FEMALES AS A PERCENTAGE OF ALL FOUNDERS



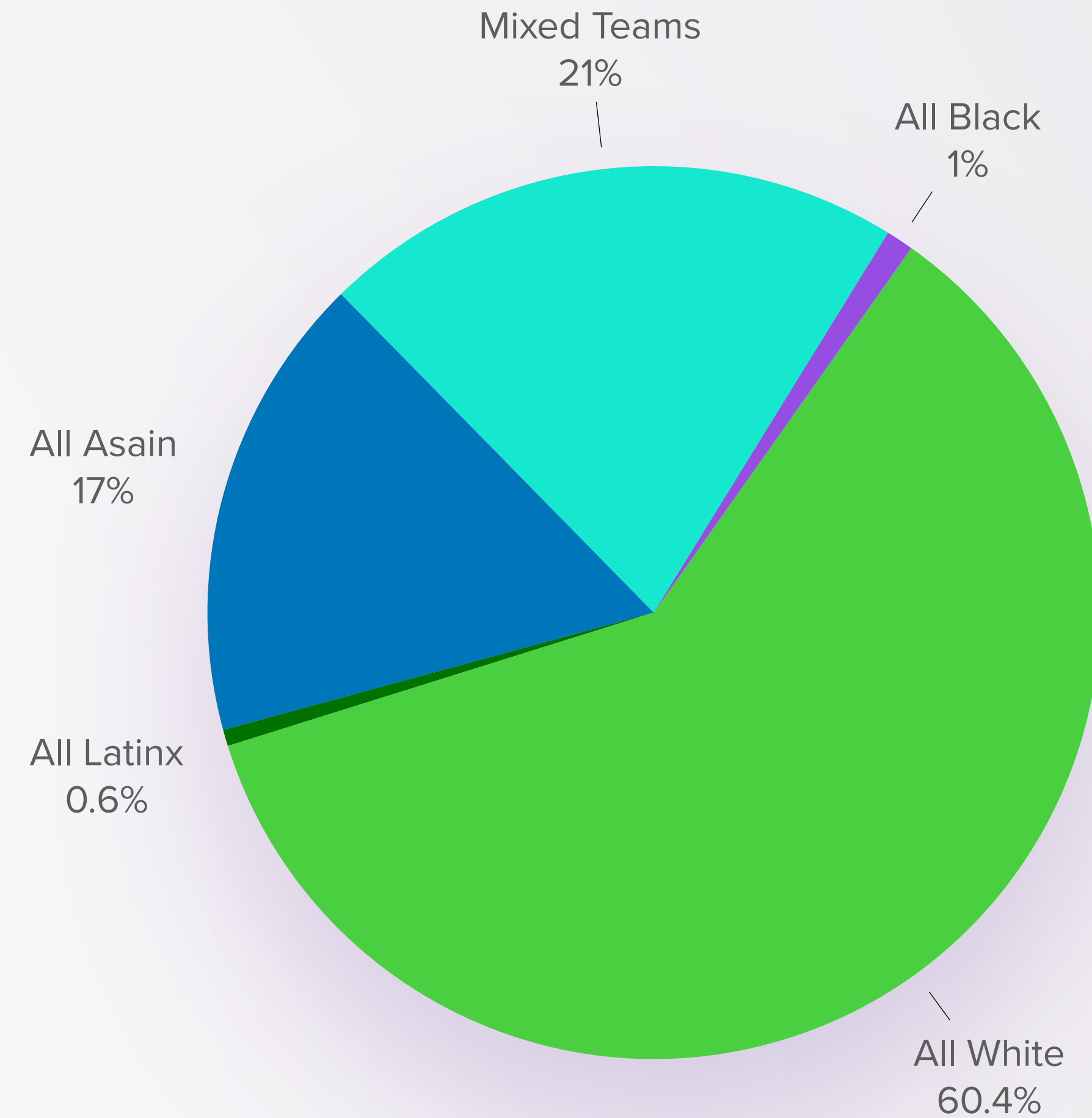
48% of women in STEM jobs report discrimination in the recruitment and hiring process.

Black and Hispanic women, who majored in computer science or engineering, are less likely to be hired into a tech role than their White counterparts.

Minorities are also underrepresented, with some groups making more progress than others

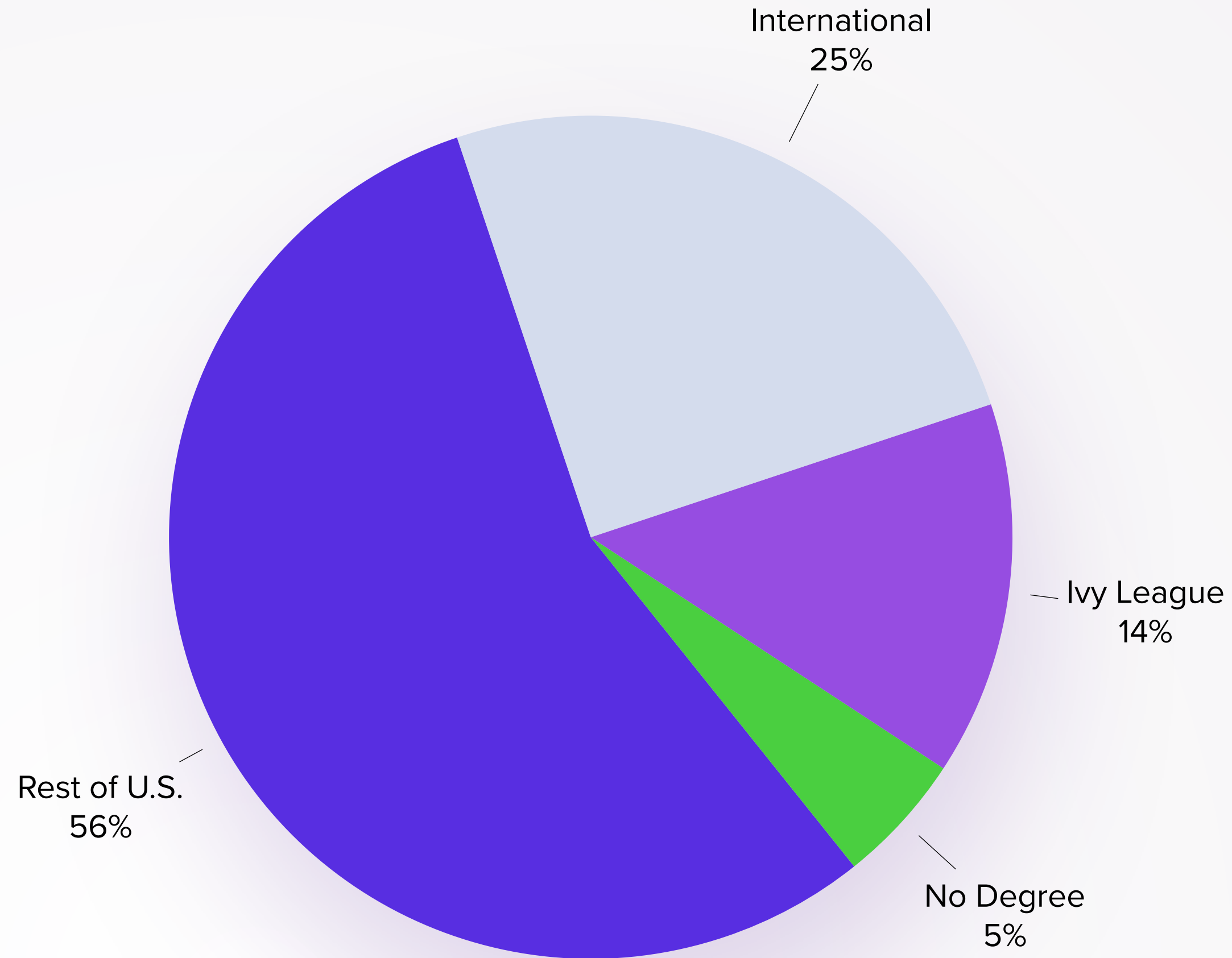


Founders by perceived race as a percentage of all founders



Founding teams by perceived race, as a percentage of all companies

U.S. VCs are diversifying away from Ivy League founders and moving towards more international educational backgrounds

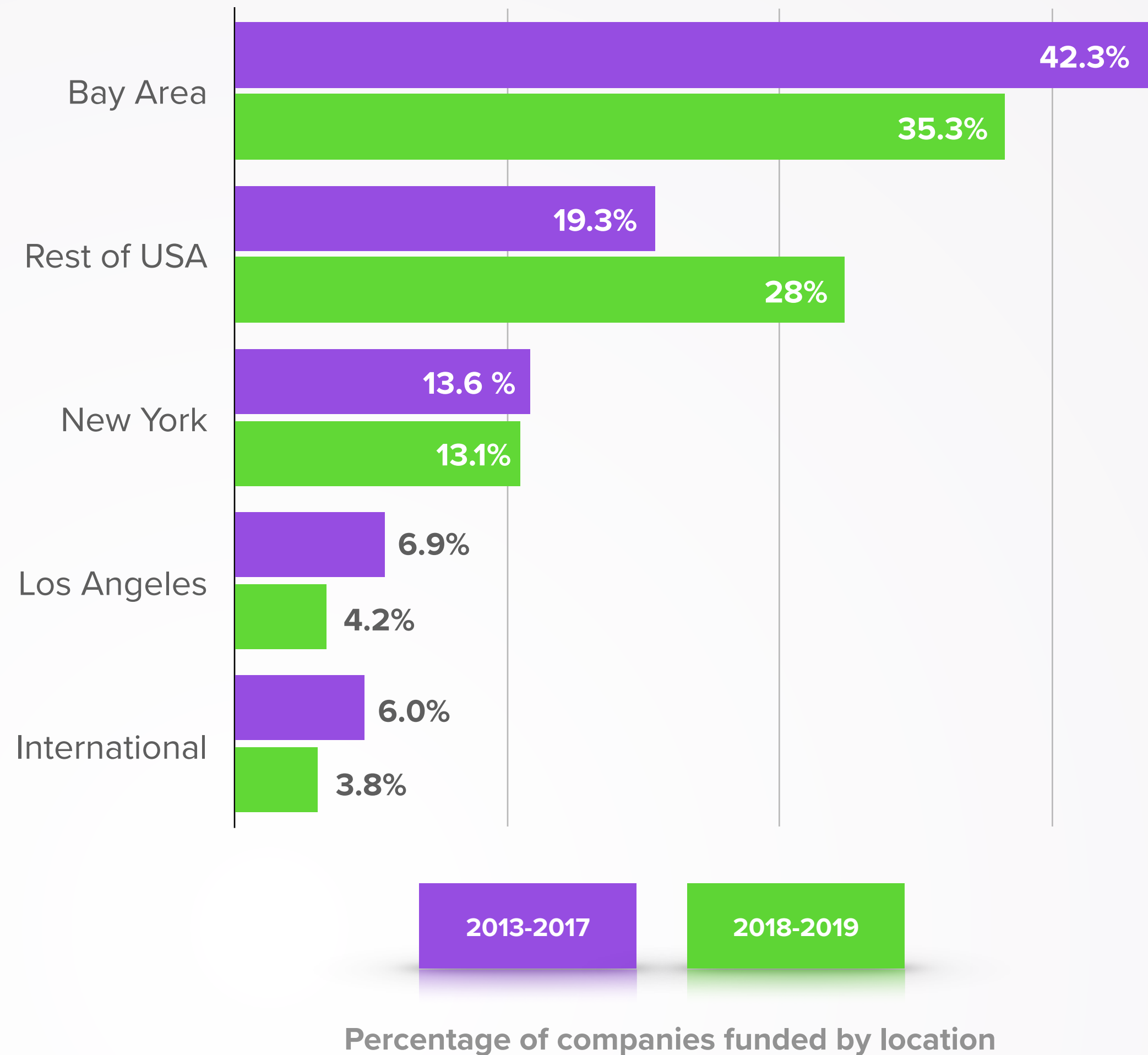


Educational Background - All Founders

23.8%

Nevertheless, 23.8% of companies counted an Ivy League Alumni as a founder.

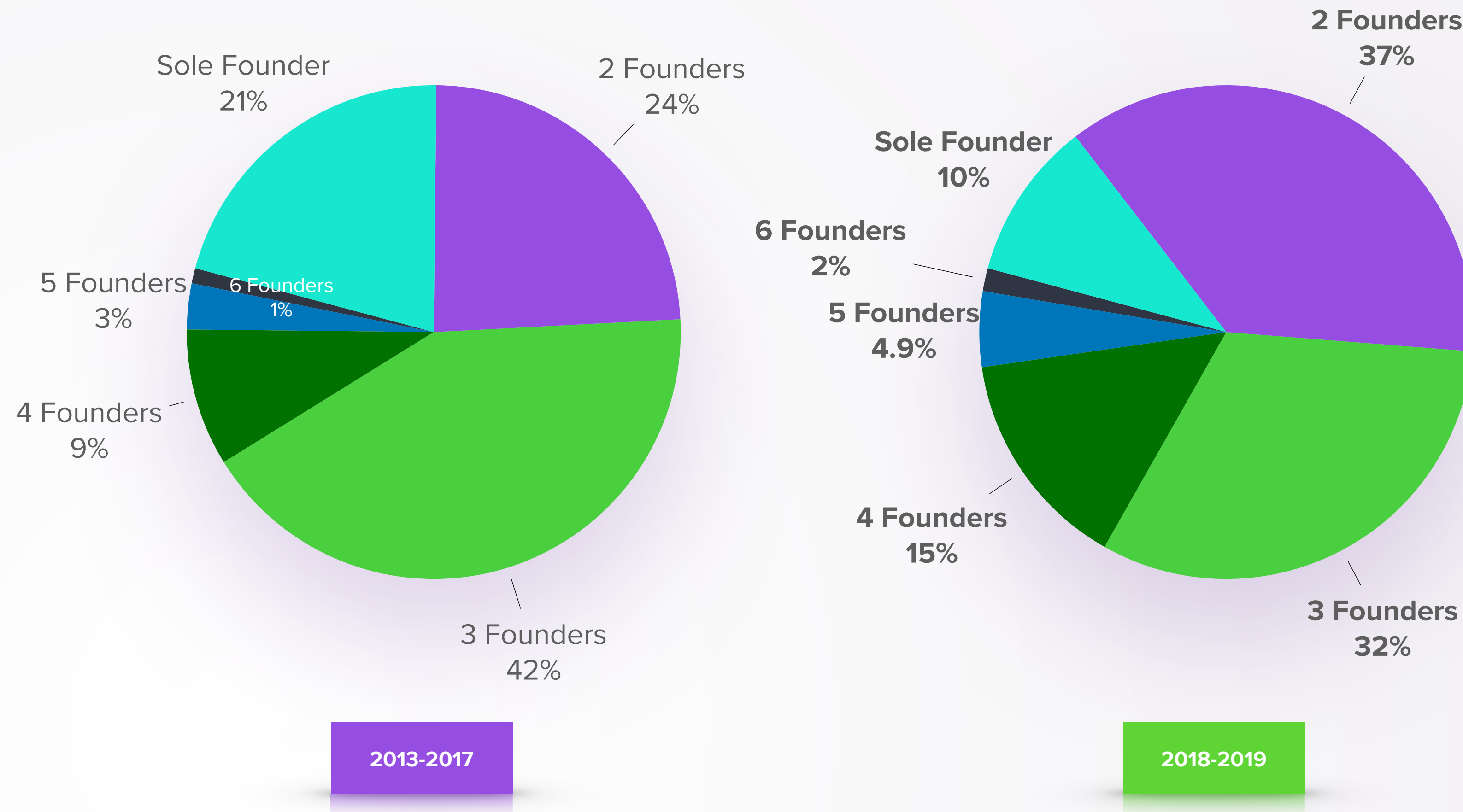
The Bay Area still holds a firm grip on funding, but VCs are increasingly looking elsewhere for opportunities.



According to PitchBook data, an average of 388 funds were launched outside of the Bay Area, New York, and LA in 2018 and 2019. Between 2013-2017, that number was just 180.

While correlation does not imply causation, there was a 115.5% increase in VC funds outside of the major metro areas since our last report - which may be why we are seeing increasing numbers of startups outside of the traditional tech hubs.

Teams with 2-3 founders are still the most popular; sole founders are becoming less frequent and larger teams more common.



Interestingly, **research** from NYU and the Wharton School shows that entrepreneurs who start a business on their own are likelier to succeed than those who do so with one or more partners.

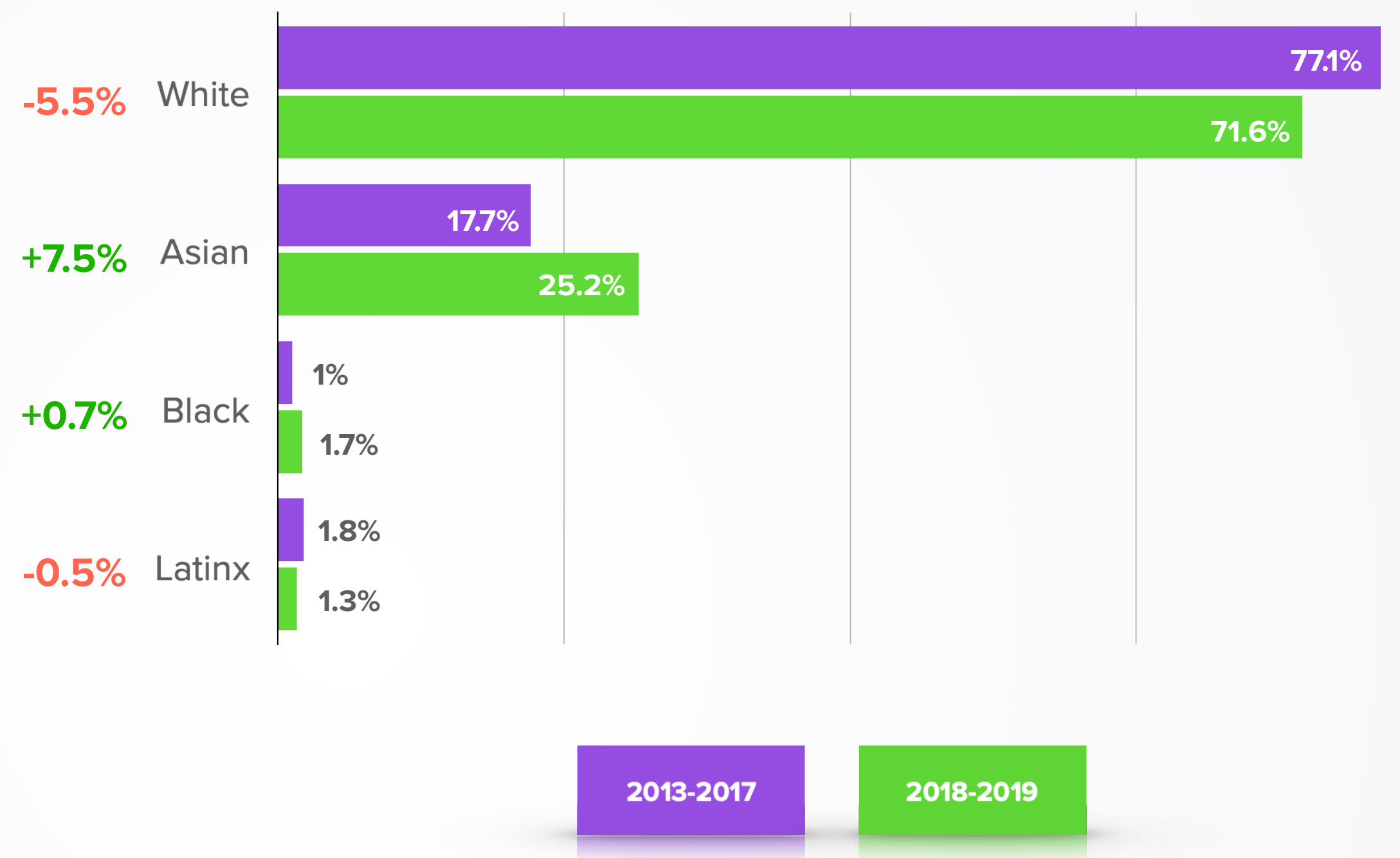
The more things change, the more they stay the same

Despite some progress towards more diversity on VC-funded founded teams, the “typical” team in our analysis looks very similar to that of the 2013-2017 era: 2-3 white men located in the Bay Area.

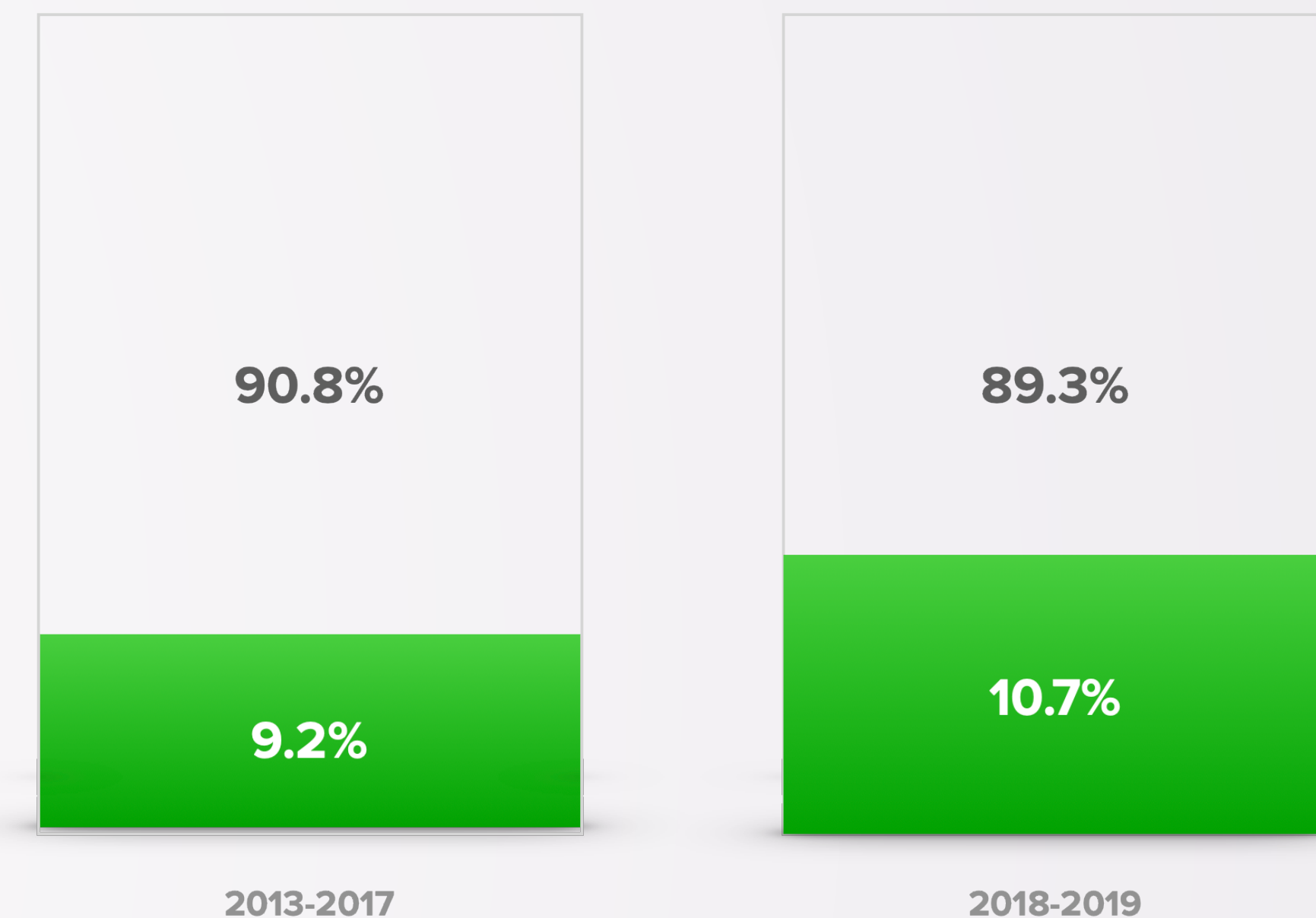
However, we should not discount the improvements made over the 24 months we evaluated. Women are increasingly present on

founding teams, as are people of color - though there is still much progress to be made. An increasing number of companies outside the Bay Area are drawing the attention of VCs, which will hopefully spread more opportunity to more metro areas.

INCREASE IN ASIAN AND BLACK



INCREASE IN FEMALE REPRESENTATION



Trending Positive

US FUNDS FOCUSED ON INVESTING IN DIVERSE FOUNDERS

BACKSTAGE
CAPITAL

BBG
[VENTURES]




Kapor
CAPITAL

BASE

UNSHACKLED
VENTURES

 **PRECURSOR**
VENTURES



 **Harlem Capital**


Zane Venture Fund

digitalundivided


ConcreteRose

chloe
capital

humble.

Gaingels 



We must also highlight that the data analyzed runs only through the end of 2019 - before the murders of George Floyd, Arnaud Arbery, and Breonna Taylor (among countless others), and ahead of many VC funds making public pledges to increase diversity both on their teams and in their portfolios. We hope this report serves not to establish a status quo, but a benchmark which we must strive to outperform.

We are encouraged by the efforts of investors and founders alike to integrate diversity and inclusion into their everyday operations. We hope the momentum continues, and that we continue to see capital and other resources directed to diverse founders.



SPOTLIGHT

Black Founders

- 3% of companies evaluated had at least one Black founder, while only 1.7% of founders were Black.
- 1% of companies had an all-Black founding team.
- Of the Black founders analyzed, 16.4% were female and 84.6% were male.
- 11.7% of Black founders were based outside of the US.

Out of all companies evaluated, 3% had a team with at least one Black founder. However, out of all founders evaluated, only 1.7% of the total number were Black.

***Out of all companies evaluated, 3% had a team with at least one Black founder. However, out of all founders evaluated, only 1.7% of the total number were Black - meaning that Black founders were often the minority on their own teams.**

Early in 2020, a group of Black founders, VCs, and tech professionals put together the most comprehensive list of US-based venture-backed Black founders ever. As of this report's release, there are nearly 400 founders on the list across approximately 350 companies. 29.3% of those founders were identified as women

Find the Black Founders list [here](#)



Camille Hearst
Head of Spotify for Artists



Aaron Samuels
COO & Co-Founder of Blavity



Chisa Egbelu
CEO & Co-Founder of PeduL



Toyin Ajayi
Co-Founder & CHO of Cityblock Health

SPOTLIGHT

Latinx Founders

- 3.1% of companies evaluated had at least one Latinx founder, while only 1.3% of founders were Latinx
- 0.3% of companies had an all-Latinx founding team
- Of the Latinx founders analyzed, 6.8% were female and 93.2% were male.
- 40.8% of Latinx founders were based outside of the US.

Out of all companies evaluated, 3.1% had a team with at least one Latinx founder. However, out of all founders evaluated, only 1.7% of the total number were Latinx.

The Latinx Founders Collective is an initiative to help create a high-impact community of 100 venture-funded Latinx founders by 2020.

Check out the Latinx Founders list [here](#)



Art Caines
Co-Founder at
ZestMama



Ivelyse Andino
CEO & Founder of
Radical Health



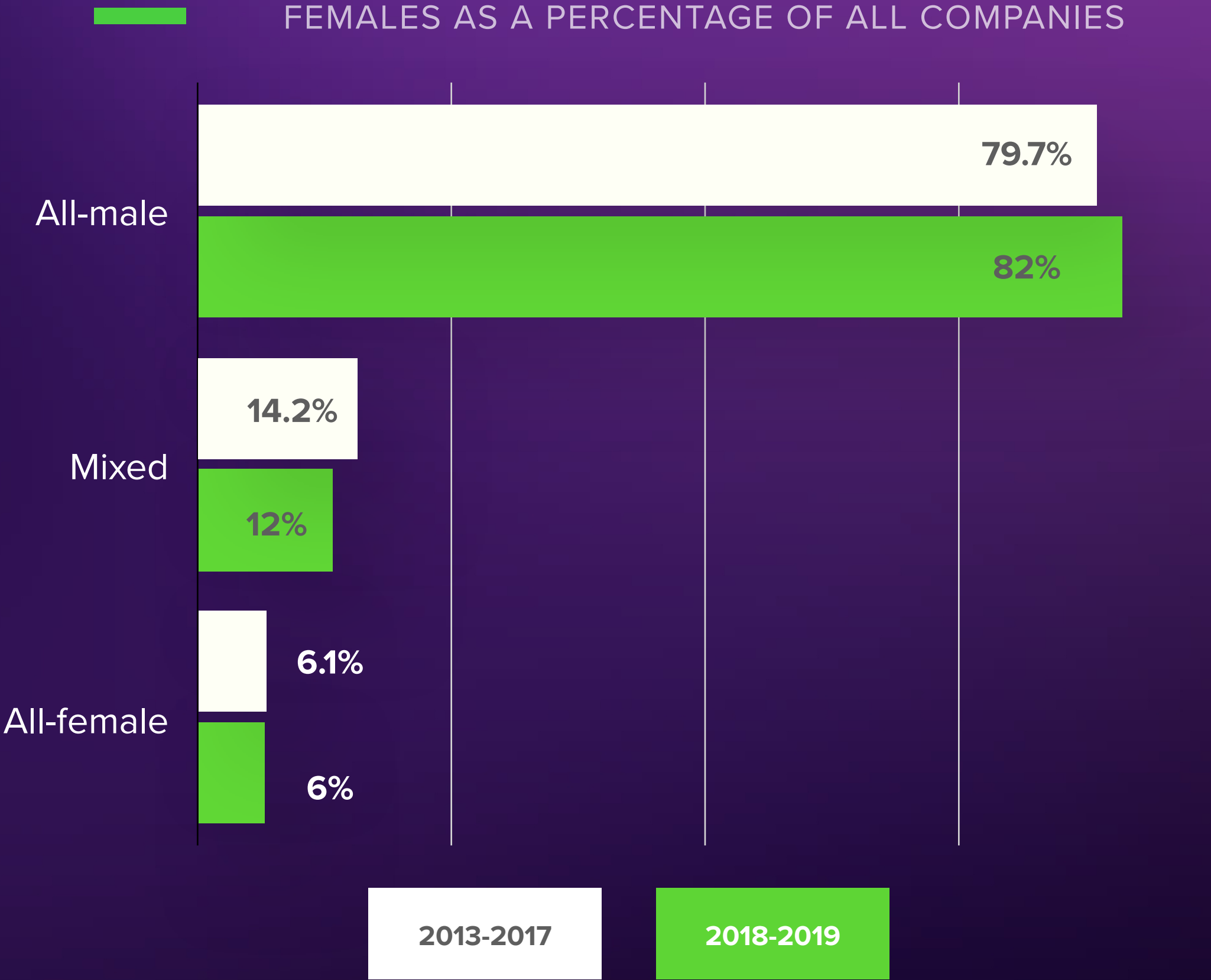
Elmer Morales
CEO & Founder of U
and Koder



Ernesto Pedroza
CEO & Co-Founder
of PromoShare

SPOTLIGHT

Female Founders



The Female Founded Club is a free resource that has connected hundreds of female founders and investors

Connect with founders and investors via FFC [here](#)



Osahon Ojeaga
Founder of
Aja Labs



Suzi Sosa
CEO & Co-Founder
of Verb



Johanna Dasteel
CEO & Founder of
The Loaf LLC



Hélène Guillaume
CEO & Founder of
Wild.Ai

A

FOR LPS

Ask questions about diversity in portfolio metrics, and hold them accountable to building diverse and inclusive teams and workplaces.

- Change is sometimes best made from the top down: if LPs require data and progress from their managers, data and progress will be achieved.
- The Diversity VC Standard was created for the purpose of assessing and certifying the diversity and inclusion practices, policies, and procedures of VC funds and their portfolios. You can learn more [here](#).

B

FOR VCS

Seek more opportunities from underrepresented founders and teams, and measure your progress.

- Partner with organizations that support these founders, including those mentioned in this report. Diversity VC is happy to help VCs make connections to some of our partners.
- Set goals around engagement with underrepresented talent in your pipeline. Review your progress on a regular basis - and fill in the gaps, even if it means changing your approach. This includes building a pipeline, mentoring, and writing checks.

C

FOR ENTREPRENEURS

Seek diverse talent and set diversity and inclusion goals for your team from the beginning.

- It is fundamental for entrepreneurs to build diversity & inclusion into their business from the outset. Seek out talent or recruiters that focus on underrepresented populations, and hire them early.

Diversity VC is working to create a more equitable, inclusive tech ecosystem. There are multiple ways to engage with us and support our efforts:



DIVERSITY VC

FOUNDERS

- We implore you to continue leaving reviews on the [RateMyInvestor](#) platform. This will enable us to document and understand your fundraising experience and, in turn, enable us to collectively hold investors accountable for **how** they engage with you as well as **who** they engage with more broadly.

INVESTORS

- Please claim your profile on the [RateMyInvestor](#) site. We want you to be part of this exchange. You play a critical role in creating a transparent, equitable & inclusive VC ecosystem.

I FROM THE FOUNDERS

RateMyInvestor was founded in 2017 by the team at Sieo.

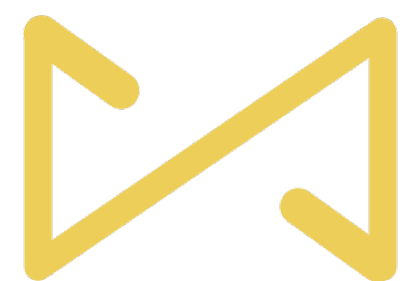
We built RateMyInvestor to create transparency, accountability, and equity. Now more than ever, we have a responsibility to fight against the inequities in our beloved startup ecosystem. It'll take a lot of work from both sides. We hope this report can serve as a source of truth, a means of education, and in turn, we can all find ways to act.

Sieo is a Startup Studio and marketing agency with a global portfolio. To learn more about Sieo, our mission, and our journey with RateMyInvestor, visit sieo.io.

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FOUNDERS NOT

Thank you to our distribution partners for helping us spread the word on this important report



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 **VISIBLE**

[B L C K V C]


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