




The image shows a close-up, low-angle view of a modern building's exterior. The upper portion features a glass curtain wall with a grid of dark frames, reflecting the sky and interior lights. Below this, a dark purple horizontal band spans the width of the image, serving as a background for the title. The lower portion of the image shows a section of the building's facade made of light-colored, rectangular stone or concrete panels, also with a grid pattern. The overall lighting is bright and warm, suggesting a sunny day.

**WOMEN AND THE VENTURE  
CAPITAL INDUSTRY IN CANADA  
AND THE UNITED STATES**



Ethical Digital is an award-winning social enterprise and digital marketing agency with a mission to change the trajectory of the internet. Recognizing the lasting impacts that the digital environment has on our daily lives, Ethical Digital expanded their digital marketing services to include research projects such as encouraging more Indigenous women into careers in technology and addressing how social media affects our well-being. The current research, part of a larger project called the Allyship, aims to increase the representation of women in venture capital across North America to 30%.

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The Diversity Institute conducts and coordinates multi-disciplinary, multi-stakeholder research to address the needs of diverse Canadians, the changing nature of skills and competencies, and the policies, processes and tools that advance economic inclusion and success. Our action-oriented, evidence-based approach is advancing knowledge of the complex barriers faced by equity-deserving groups, leading practices to effect change, and producing concrete results. The Diversity Institute is a research lead for the Future Skills Centre.

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## About the Project

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This literature review forms part of The Allyship initiative. The Allyship aims to increase the representation of women in venture capital across North America to 30%.

The Allyship is an initiative in collaboration with renowned venture capitalist Neal Dempsey, managing partner at Bay Partners in Silicon Valley. The Allyship as a movement aims to combat the underrepresentation of women in the venture capital industry through research and large-scale communications to accelerate the current pace of social change.

As part of The Allyship, Ethical Digital launched an intensive eight-month research project with the Diversity Institute at Ted Rogers School of Management to discover the barriers for women entering the profession. Results from the research will inform The Allyship's large-scale industry awareness and action campaign that will function as a roadmap for venture capitalists, entrepreneurs pursuing investment, and policymakers. This research project aims to promote gender parity in venture capital in order to secure a brighter and more diverse future for technology entrepreneurs, and the next generation of women entering the venture capital industry.





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# Executive Summary

## Introduction

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The venture capital (VC) industry is a dynamic and growing field that has significant contributions to Canada and the U.S.'s economic prosperity. Despite advancements in the field, barriers still exist for the career entrance, retention and advancement of women and their representation at all career levels. As the field continues to develop, researchers and practitioners alike are tasked with finding the “best practices” to remedying inadequacies that emerge, often coming short of a one-size-fits-all approach due to limited research.

This report aims to fill this knowledge gap by providing a synthesis of the current state of women's representation in the VC ecosystem in Canada and the U.S. It begins with a detailed overview of the extant literature on the VC ecosystem in Canada with comparisons to the U.S. and United Kingdom, situating the significance of women's representation and the need for change. Discussion continues by challenging current policies and practices in the field through the analysis of 15 interviews by key women VC senior leaders in Canada and the U.S. Findings that emerge call for judicious leadership for advancing the entry and advancement of women in VC firms and provide action-oriented recommendations at the societal (macro), organizational (meso) and individual (micro) levels of the VC ecosystem.

## **Barriers to Women's Entry and Advancement in the Venture Capital Industry**

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Women's representations in the VC industry are significantly affected by key barriers at the societal, organizational and individual levels.

### **Societal-Level Barriers**

Entry into the VC field depends heavily on networking and relationship-building, which present gender-based barriers for women. For instance, gender-based stereotypes and bias negatively impact the opportunities and advancements available for women in VC. As well, education requirements, effective leadership and skills requirements are barriers to capacity building for women in VC. The low representation of women and the limited regulation and interventions that aim to promote women's representation in the industry make it difficult for women in VC to seek entry or build capacity. Establishing a safe space for women and racialized women to enter this field requires the disruption of the white men status.

### **Individual-Level Barriers**

Barriers at the individual level are centred on the need to remedy educational requirement gaps that are necessary for advancement in the VC industry, shortage of skills, and the lack of effective leadership. Educational requirements for entering the VC field present barriers for women as the level of degree requirements continue to disproportionality exclude women as a result of social norms that gender stereotype specific fields to favour men. Even for women who successfully join VC firms, the shortage of skill requirements, and the lack of effective leadership and networking opportunities limit the effectiveness of EDI efforts that would create more opportunities for women and racialized groups.

### **Organizational-Level Barriers**

Barriers at the organizational level present significant implications for how women are represented in the VC industry. Specifically, the absence of a diversity and gender focus and the lack of respect toward women underline the men-dominated organizational culture that perpetuates the exclusion of women. Dismantling this norm requires a shift in organizational culture, specifically: changes in recruitment initiatives that attract women to entry-level positions, increased support for parental leave, and the implementation and communication of equity, diversity and inclusion (EDI)-specific practices and policies.

## **Promoting Women’s Representation in Venture Capital**

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The promotion of women’s representation is centred on six key drivers of success across societal, organizational and individual levels. Select intervention efforts include:

1. Monitoring and tracking team diversity
2. Mentorship, networking and learning opportunities
3. Commitment and support from management
4. Inclusive organizational culture
5. Inclusive hiring and requirement practices
6. Value through high performance



### **Societal-Level Interventions**

Government regulations and interventions play a crucial role in the promotion of women’s representation in the Canadian VC ecosystem as a result of VC industries and the Canadian government’s active financial engagement through tax incentives, Labour Sponsored Venture Capital Funds (LSVCFs), and government sponsored VC. Tasked with the responsibility to abide by the “comply or explain” regulation, distributing corporations have set voluntary targets for representation of women, racialized and Indigenous peoples, and persons with disabilities in leadership groups. The relative newness of the legislation presents challenges for classifying this approach as the “best practice” with limited data. However, Canadian government program interventions such as the Canadian Venture Capital Catalyst Initiative provide promising solutions for remedying the gender inequality that may be neglected through the Canadian Human Rights Act, provincial human rights codes, and provincial anti-harassment legislation.



## Organizational-Level Interventions

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Noticeable change at the organizational-level requires the acknowledgement of diversity as a priority and core value by industry leadership and umbrella organizations. As the organizational culture changes, commitment from those seated at the decision-making table is needed to advance the representation of women in the field. Select commitments include:

- The development of mentorship and sponsorship programs
- Improving access to women candidates
- Formalized hiring and advancement policies
- Elimination of gendered language in job postings
- Inclusion of gender-balanced shortlists for positions
- Data collection on diversity and inclusion within VC firms
- Acknowledgement of possible skills and experience gaps in the pipeline of women candidates.

### Individual-Level Interventions

At the individual level, effective interventions include the deployment of unconscious bias training and behaviour-based incentives for new employees. Notably, pre-existing programs are challenged to address broader systemic changes within the individual and social norms of VC firms as well as the achievement of diversity and inclusion targets.

### Conclusions and Recommendations

In this report we developed a better understanding of how the representation of women in the VC ecosystem can be improved in Canada and the U.S. Recommendations for improving the level of women's representation and impact in the VC industry are explicated at the societal, organizational and individual levels



A photograph of three women in professional business attire, overlaid with a dark purple gradient. One woman is seated in the foreground, while two others stand behind her. The image is used as a background for the title section.

# Recommendations

## Societal-Level Recommendations

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- Improve access to government funded programs supporting women and other equity-seeking groups.
- Attract young talent to the VC industry through the procurement of government subsidies for internship and/or co-op programs.
- Improve government initiatives for women-owned start-ups to provide market linkage support and supply chain connections.
- Design funded research programs that lead to action-oriented policy reforms within the VC industry.

## Organizational-Level Recommendations

- Challenge the social and cultural norms embedded in the status quo of post-secondary educational programs by increasing the representation of women, specifically in course-specific specialization such as financial due diligence.
- Enhance VC post-secondary courses by providing students with opportunities for job coaching, mentorship, and virtual and/or simulated professional development.
- Seek better access to scholarships that are geared towards women entering VC occupations, further improving the recruitment and retention of women in the field.
- Consider the role of cultural relevance and responsiveness when designing training and mentorship programs for diverse populations and vulnerable communities.
- Acknowledge the skills-and-needs gaps of certain cultural groups such as Indigenous communities in relation to VC education.
- Improve access to professional development, skills training and networks for knowledge sharing to build capacity among young professionals and students.
- Support the development of a funding pool for women startups with detailed due diligence that monitors and tracks the effective use of those funds.
- Improve work-life balance for employees on parental leave by maintaining communication and engagement with the VC firm on updates.
- Develop a return-to-work support system that details the professional development and mentorship support employees will receive when transitioning from and back into their roles.
- Continue to collect metrics for tracking and monitoring equity, diversity and inclusion practices and implement a system for regular reporting.
- Design and implement a strategic and purposeful hiring process that centres on the principles of equity and fairness.
- Set targets to increase the recruitment of student co-ops and interns to obtain the necessary experience for a career in the VC industry upon graduation.

## Individual-Level Recommendations

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- Consider increased representation of diverse investors and investment portfolios.
- Procure more capital through the assistance of a diverse group of investors.
- Formulate portfolio strategies that are reflective of EDI focused decision-making criteria
- Create stronger connections with role leaders and senior management to promote inclusion and diverse representation.
- Challenge bias by shifting investor mindset to be oriented with the principles of diversity and inclusion.



# Introduction

The venture capital (VC) industry in Canada and the U.S. is an important contributor to their respective economies. Venture capital investments in Canada and the U.S. continue to grow in size and significance. In 2020, despite the economic downturn associated with the pandemic, high-growth startups raised \$130 billion in the U.S. and \$4.4 billion was invested by VC into startups in Canada, which exceeded investments from previous years.<sup>1,2</sup> It has been suggested that venture capital (VC) investing, which involves investing in early stage and high-risk entrepreneurial ventures, can stimulate innovation and contribute to economic growth.<sup>3</sup>

However, these investments are distributed unevenly due to inequalities in the VC industry. Research shows that the firms favoured by VC investors in Canada and the U.S. are overwhelmingly led by men, which is correlated to the underrepresentation of women in VC.<sup>4,5,6,7</sup>

## FEMALE PARTNERS IN VC FIRMS

No dat...

**13% U.S**

No dat...

**15% CANADA**

For example, in 2019, women comprised just 13% and 15% of partners in U.S. and Canadian VC firms, respectively.<sup>8</sup> And despite the recent digitalization of economic activities in the hope of leading to more significant opportunities for women in VC, their participation remains low.<sup>9</sup>

1 National Venture Capital Association. (2021). NVCA 2021 yearbook.

<https://nvca.org/wp-content/uploads/2021/08/NVCA-2021-Yearbook.pdf>

2 Canadian Venture Capital Association. (2020). 2020 year in review: Canadian venture capital market overview.

[https://www.cvca.ca/files/reports/year-end-2020-canadian-vc-pe-market-overview/CVCA\\_VC\\_Q4\\_2020.pdf](https://www.cvca.ca/files/reports/year-end-2020-canadian-vc-pe-market-overview/CVCA_VC_Q4_2020.pdf)

3 BDC. (2017). Canada's venture capital landscape: Challenges and opportunities. <https://www.bdc.ca/globalassets/digizuite/17870-venture-capital-landscape-paper-en.pdf>

4 Brush, C., Greene, P., Balachandra, L., & Davis, A. (2018). The gender gap in venture capital-progress, problems, and perspectives. *Venture Capital*, 20(2), 115–136.

5 Female Funders. (2019). Canadian women in venture report 2019: A snapshot of gender diversity among Canada's early-stage investors. <https://femalefunders.com/women-in-venture/>

6 Balachandra, L., Briggs, T., Eddleston, K., & Brush, C. (2019). Don't pitch like a girl!: How gender stereotypes influence investor decisions. *Entrepreneurship Theory and Practice*, 43(1), 116–137.

7 Aidis, R., & Schillo, R. S. (2017). Gender, leadership, and venture capital: Measuring women's leadership in VC firm portfolios. *International Journal of Gender and Entrepreneurship*, 9(2), 110–135.

8 Dempsey, N. (2021, August 1). *Venture Capital Is Still A 'Boys' Club.' Let's Start To Change That.* Crunchbase News. <https://news.crunchbase.com/news/venture-capital-female-gender-diversity/>

9 Schillo, & Ebrahimi, H. (2022). Gender dimensions of digitalisation: a comparison of Venture Capital backed start-ups across fields. *Technology Analysis & Strategic Management*, 34(7), 733–745. <https://doi.org/10.1080/09537325.2021.1918336>

We know the representation of women in organizations offers benefits. Several studies consider the impact of leadership diversity on organizational efficiency and decision-making. Reports by McKinsey highlight that companies with over 30% women on leadership teams tend to outperform companies with fewer women in leadership.<sup>10,11</sup>

Likewise, in the VC industry, studies indicate there is an association between women in management and firm performance.<sup>12</sup> One U.S. study, for example, found that **a 10% increase in women partners at VC firms resulted in a 1.5% increase in annual financial returns.** Further, lowering the representation of women partners resulted in decreased financial performance.<sup>13</sup> Another study used a regression analysis to show that when male partners had more daughters, they were more likely to hire women at their VC firm, and this increased the likelihood of fund success.<sup>14</sup> There is evidence that increasing women's representation in VC firms' leadership positively impacts decision-making and hence, firm performance.<sup>15</sup>

The literature also explores the mechanisms through which greater representation for women within VC firms leads to greater financial success. It has been shown that gender diversity among VC investors improves the likelihood that ventures led by women and racialized people will receive funding.<sup>16</sup> Women and racialized entrepreneurs foster greater innovation in the economy by bringing previously excluded perspectives to the fore, meeting unmet needs, and catering to otherwise untapped markets.<sup>17</sup> In turn, this generates greater financial returns. **Women-led startups, for example, have been known to exhibit 35% greater returns on investment and 12% higher sales revenues, when compared with startups led by men.**<sup>18</sup> For example, Sheertex is a ground-breaking Canadian startup that produces “unbreakable” pantyhose, and is led by woman founder Katherine Homuth, who noticed a gap in the market for women’s pantyhose. The success of this startup, as shown by revenues of \$15 million in 2020, is mirrored by its success in accessing angel and VC funding from its inception in 2017.<sup>19</sup>

10 Dixon-Fyle, S., Dolan, K., Hunt, V., & Prince, S. (2020). Diversity wins: How inclusion matters. McKinsey & Company.

<https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

11 Hunt, V., Layton, D., & Prince, S. (2015). Diversity matters. McKinsey & Company, 1(1), 15–29

12 West River Group. (2021). The power of diversity: Why homogeneous teams in venture capital are bad for business.

<https://static1.squarespace.com/static/55a59a52e4b030d5436bdf26/t/5f69582bc1f59b06bbb2464c/1600739378928/WRG-The-Power-of-Diversity-9.21.20.pdf>

13 Chilazi, S. (2019). Advancing Gender Equality in Venture Capital. Women in Policy Program Harvard Kennedy School.

<https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

14 Calder-Wang, S., & Gompers, P. A. (2021). And the children shall lead: Gender diversity and performance in venture capital. *Journal of Financial Economics*, 142(1), 1–22.

15 Gompers, P., & Kowali, S. (2018). The other diversity dividend. *Harvard Business Review*.

<https://hbr.org/2018/07/the-other-diversity-dividend>

16 Calder-Wang, S., Gompers, P., & Sweeney, P. (2021). Venture Capital’s “Me Too” Moment (No. w28679). National Bureau of Economic Research.

[https://www.nber.org/system/files/working\\_papers/w28679/w28679.pdf](https://www.nber.org/system/files/working_papers/w28679/w28679.pdf)

17 de Laet, K. (2021, April 27). To improve funding for women entrepreneurs, start at the very front end of the investment pipeline. *The Globe and Mail*.

<https://www.theglobeandmail.com/business/commentary/article-to-improve-funding-for-women-entrepreneurs-start-at-the-very-front-end/>

<https://news.crunchbase.com/news/venture-capital-female-gender-diversity/>

18 Marigold Capital (2019). Moving mountains moving forward new power investing. [https://marigold-capital.com/wp-content/uploads/2020/06/Marigold-Capital-Signals-Report-Moving-Mountains-Moving-Forward\\_Nov-2019.pdf](https://marigold-capital.com/wp-content/uploads/2020/06/Marigold-Capital-Signals-Report-Moving-Mountains-Moving-Forward_Nov-2019.pdf)

19 Silcoff, S. (2021, April 5). Sheertex proves it's as tough as its groundbreaking tights. *The Globe and Mail*.

<https://www.theglobeandmail.com/business/rob-magazine/article-sheertex-tights-price-katherine-homuth-montrea/>

Bringing women into the industry can also promote innovation and new ways of thinking. Investors tend to invest only in the entrepreneurs, teams and companies they find relatable, which often look like them or have similar experiences. This is documented to reduce the likelihood of investment success.<sup>20</sup> **For instance, research has shown that women investors are 30% more likely to interact and engage with women entrepreneurs, rather than men entrepreneurs.**<sup>21</sup> Experimental research also showed that when the same idea was pitched to venture capitalists using men's and women's voices, more than two-thirds of investors chose to invest in ideas pitched by the man's voice.<sup>22</sup> By excluding women and other diverse people, the entrepreneurship ecosystem is more likely than not to overlook valuable ideas put forward. Overall, the participation of women in key VC positions helps facilitate higher access to funds and less barriers for women entrepreneurs.<sup>23</sup>

Other research, however, challenges this positive relationship between women's representation and venture investment or firm success. For example, one study showed that adding women to the boards of directors of new ventures decreased the performance of those ventures. However, it has been argued this is in fact due to the discrimination women experience on boards and the impact this discrimination has on their ability to make effective decisions.<sup>24</sup> Another study suggests that discrimination against women partners at VC firms leads to their exclusion from the VC networks of their colleagues, which leads to the investments selected by women partners being less successful. However, this effect was not found within larger firms and firms where there was greater representation of women partners.<sup>25</sup> Furthermore, when exploring gender differences in performance across VC investments in the U.S., research has found that the gender differences in investment outcomes of female VC investors having lower success rates is not attributed to their "lesser" skillsets, but rather, female investors receive less benefit from the track records of colleagues.<sup>26</sup> As a result, firms, industries and ecosystems must be diverse, and inclusive to reap the full benefits of women's representation in leadership positions and across organizations.

20 Gompers, P. A., Mukharlyamov, V., & Xuan, Y. (2016). The cost of friendship. *Journal of Financial Economics*, 119(3), 626–644.

21 Jetter, M., & Stockley, K. (2021). Gender match and the gender gap in venture capital financing: Evidence from Shark Tank. IZA Institute of Labour Economics. <https://docs.iza.org/dp14069.pdf>

22 Brooks, A. W., Huang, L., Kearney, S., & Murray, F., (2014). Investors prefer entrepreneurial ventures pitched by attractive men. *Proceedings of the National Academy of Sciences* 111(12) 4427–4431. <https://www.pnas.org/content/111/12/4427>

23 Jetter, M., & Stockley, K. (2021). Gender match and the gender gap in venture capital financing: Evidence from Shark Tank. IZA Institute of Labour Economics. <https://docs.iza.org/dp14069.pdf>

24 Hess, M., Siren, C. A., Wincent, J., & Grichnik, D. (2019). Venture capital and the effects of gender diversity in new venture board interlocks. In *Academy of Management Proceedings* (Vol. 2019, No. 1, p. 14909). Briarcliff Manor, NY 10510: Academy of Management.

25 Gompers, P. A., Mukharlyamov, V., Weisburst, E., & Xuan, Y. (2021). Gender gaps in venture capital performance. *Journal of Financial and Quantitative Analysis*, 1–29.

26 Gompers, P., Mukharlyamov, V., Weisburst, E., & Xuan, Y. (2022). Gender gaps in venture capital performance. *Journal of Financial and Quantitative Analysis*, 57(2), 485–513. <https://doi.org/10.1017/S0022109020000988>

While many VC firms are beginning to recognize that these inequalities require correction and are making efforts to hire and engage more women venture capitalists, progress is slow. Women owners and investors are often neglected or ignored as victims of gender discrimination within the financing ecosystem.<sup>27</sup> Recent events suggest that the underrepresentation of women in VC is no accident, and there are deeply entrenched barriers, including systemic gender discrimination within VC firms, for women seeking careers in the industry.<sup>28</sup> This literature review, therefore, advances the conversation about women in VC not just from an academic perspective, but also from a practical and industry-oriented one.



<sup>27</sup> Lipton, A. M. (2022). Capital Discrimination. *Houston Law Review*, 59(4), 35605.

<sup>28</sup> Hamlin, J. (2021, April 26). A high-profile gender discrimination case pushed VC firms to hire more women. It's hardly helped female entrepreneurs. *Institutional Investor*. <https://www.institutionalinvestor.com/article/b1rkyz9m7s7120/A-High-Profile-Gender-Discrimination-Case-Pushed-VC-Firms-to-Hire-More-Women-It-s-Hardly-Helped-Female-Entrepreneurs>





# Research Objectives

The goals of this review are to understand the state of women’s representation in the VC ecosystems in Canada and the U.S.; identify the individual, organizational or industry, and societal barriers to improving women’s representation in these VC ecosystems; and identify some levers and best practices at the individual, organizational or industry, and societal levels that will promote the representation of women in the VC ecosystems in Canada and the U.S.

This review found several gaps. Limited qualitative academic research explores women’s lived experiences entering and advancing in the VC industry in Canada and the U.S., although qualitative information in the form of news stories and editorials exists. Further, there is a dearth of research exploring the voices of women entrepreneurs and venture capitalists who are racialized or at the intersections of other marginalised identities. There was also limited quantitative or qualitative data available about the effectiveness and adoption of diversity and inclusion interventions within VC firms in Canada and the U.S. The actions taken by VC firms in Canada and the U.S. to promote women’s inclusion in the industry, and the resistance and challenges they might experience, have also not been explored. Additionally, it is unclear if any action has been taken to promote women’s engagement in the industry at the governmental level via policies and regulations. In the Canada and the U.S., limited research is also available on labour protections for women and other diverse workers in the VC industry.

The next section of this report provides an overview of the current VC landscape with a focus on the representation of women in the industry and the barriers and drivers mentioned in the literature, followed by an analysis of the 15 in-depth interviews conducted with representatives from Canada and the U.S. as a part of this study. This report investigates the perception of industry representatives with respect to the barriers, drivers and recommendations to improve the existing challenges faced by industry players.



# Literature Review

This section provides an overview of the VC ecosystem at the societal (macro), organizational (meso) and individual (micro) level. The same approach is followed to examine the existing barriers and challenges faced by women investors and entrepreneurs in this ecosystem. The final part of this section presents existing programs and initiatives available within the ecosystem to promote and drive higher women representation in the industry.

## The Venture Capital Ecosystem

Venture capital is a form of equity financing that invests in early-stage firms with high potential for growth, with the intention of profiting from the development and sale of their commercial products.<sup>29</sup> Venture capital is not required to come from an institutional investor; rather, it can be provided by private angel investors, angel groups, seed funds, VC companies, corporate venture firms and institutional investors.<sup>30</sup> Venture capital investments support companies to reach their projected level of profitability within a relatively short time frame.<sup>31</sup>

Venture capitalists tend to invest in firms that are considered high-risk, and which typically don't have access to financial capital from banks as a result. Because of this, VCs often demand a higher rate of return, or interest, on their investment.<sup>32</sup>

<sup>29</sup> Government of Canada (2021). *Venture capital catalyst initiative*. Innovation, Science and Economic Development Canada. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03052.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03052.html)

<sup>30</sup> Fackelmann, S. & De Concini, A. (2019). Why are women entrepreneurs missing out on funding? Reflections and considerations. The European Commission. [https://www.eib.org/attachments/thematic/why\\_are\\_women\\_entrepreneurs\\_missing\\_out\\_on\\_funding\\_summary\\_en.pdf](https://www.eib.org/attachments/thematic/why_are_women_entrepreneurs_missing_out_on_funding_summary_en.pdf)

<sup>31</sup> Fundthrough (n.d.). Venture capital in Canada: Is it the right choice for your business?. FundThrough. <https://www.fundthrough.com/blog/working-capital/venture-capital-in-canada-for-your-business/>

<sup>32</sup> Saks, I. (2013, November 28). *VC Insider: The four key players of venture capital*. Betakit. <https://betakit.com/vc-insider-the-four-key-players-of-venture-capital/>

## View From the Societal Level

The Canadian VC ecosystem has experienced significant growth in recent years. Venture capital investment in Canadian startups reached record highs of \$6.2 billion in 2019, marking a new record for the total investment. In 2020, \$4.2 billion was invested by VCs in Canadian startups, which was lower than in 2019, but is still high.<sup>33</sup> According to the Organization for Economic Cooperation and Development (OECD), Canada has the third highest level of VC investment in the world.<sup>34</sup>

The U.S. VC ecosystem also continues to perform well. The American VC industry is the largest in the world, representing over 50% of all the VC invested globally. It is important to note, however, its share in the global space has been declining, illustrated by the fact that, in 2004, the U.S. share of VC investments was much higher, at 84%. Nonetheless, the VC industry in the U.S. is booming. In 2019, high growth startups received \$133 billion in VC funding, and in 2020, \$130 billion was invested.<sup>35, 36</sup>



33 Canadian Venture Capital Association. (2020). 2020 year in review: Canadian venture capital market overview. [https://www.cvca.ca/files/reports/year-end-2020-canadian-vc-pe-market-overview/CVCA\\_VC\\_Q4\\_2020.pdf](https://www.cvca.ca/files/reports/year-end-2020-canadian-vc-pe-market-overview/CVCA_VC_Q4_2020.pdf)

34 Government of Canada (2021). Venture capital catalyst initiative. Innovation, Science and Economic Development Canada. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03052.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03052.html)

35 National Venture Capital Association. (2021). NVCA 2021 yearbook. <https://nvca.org/wp-content/uploads/2021/08/NVCA-2021-Yearbook.pdf>

36 National Venture Capital Association. (2020). NVCA 2021 yearbook. <https://nvca.org/wp-content/uploads/2020/03/NVCA-2020-Yearbook.pdf>

## Regulatory Environment in Canada

The regulatory context for the Canadian VC industry is shaped by several government agencies. For example, the Department of Finance manages issues impacting federal financial institutions including banks, trust and loan companies, insurance companies and credit unions. It also regulates pension plans. The department's role includes regulating these financial institutions, conducting an analysis of the Canadian financial sector, and developing and providing policy recommendations regarding the operation of domestic capital markets.<sup>37</sup> Other agencies that help determine the Canadian financial context include: the Bank of Canada; Canada Deposit Insurance Corporation (CDIC); Financial Consumer Agency of Canada (FCAC); Financial Transactions and Reports Analysis Centre of Canada (FINTRAC); and the Office of the Superintendent of Financial Institutions (OSFI).<sup>38</sup>

Venture capital in Canada is regulated by the Canadian Securities Commission and venture capitalists must comply with all regulations governing Canadian securities.<sup>39</sup> However, given that VC is not generally publicly traded, it is apparent that Bill C-25, which requires diversity disclosure of representation of women at the board and senior leadership level from all Canadian distributing corporations, does not apply.<sup>40</sup>

There are certain restrictions on who can make investments in Canada. These restrictions can be exclusionary toward those with limited access to income, investable assets and financial assets in general. Angel investors, for example, are typically wealthy individuals with business experience who make individual investments in startups. Their investments are often smaller than those of venture capitalists.<sup>41</sup> In order to be registered as an investor, angels are required to have earned at least \$200,000 annually in the last two years, possess at least \$1 million in investable assets or have net assets of over \$5 million.<sup>42</sup> Similarly, venture capitalists must invest at least \$3 million within a firm and exit within 10 years, once the firm experiences significant growth.<sup>43</sup>

37 Department of Finance Canada. (2021). *Department of Finance Canada*.  
<https://www.canada.ca/en/department-finance.html>

38 Department of Finance Canada. (2019). Financial Sector Policy.  
<https://www.canada.ca/en/department-finance/programs/financial-sector-policy.html>


39 Department of Finance Canada. (2019). Financial Sector Policy.  
<https://www.canada.ca/en/department-finance/programs/financial-sector-policy.html>

40 Jeffrey, J., MacDougal, A., & Valley, J. A. (2019, July 30). Canada is the first jurisdiction worldwide to require diversity disclosure beyond gender; Diversity disclosure rules will apply to federally incorporated public companies effective Jan. 1, 2020. OSLER.  
[canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc](https://www.osler.com/canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc)

41 Liu, Y. (2000). An overview of angel investors in Canada. MFA paper.  
<https://www.bis.org/publ/cgfs19boc1.pdf>

42 Won, S. (2018, August 21). Emergence of Canadian unicorns sparks momentum in angel investing. The Globe and Mail.  
<https://www.theglobeandmail.com/investing/globe-wealth/article-emergence-of-canadian-unicorns-sparks-momentum-in-angel-investing/>

43 Fundthrough (n.d.). Venture capital in Canada: Is it the right choice for your business?. FundThrough.  
<https://www.fundthrough.com/blog/working-capital/venture-capital-in-canada-for-your-business/>



The Canadian Securities Administrators (CSA) is the national umbrella organization whose objective is to coordinate, improve and support members in implementing Canadian securities regulations. Meanwhile, provincial and territorial securities administrators handle disputes and complaints regarding violations of securities regulations.<sup>44</sup> The CSA requires an annual diversity disclosure from its members, and recently used this data to undertake a review of women's representation on corporate boards and executive teams in the industry.<sup>45</sup> It is unclear whether VC firms are required to register with the CSA and whether these diversity disclosure requirements would apply.

It is also noteworthy that government involvement in the Canadian VC industry has historically been high. For instance, BDC Capital, as a form of government VC, manages VC programs for the Government of Canada, aimed at providing relief to new ventures during the COVID-19 pandemic.<sup>46</sup> The federal Venture Capital Catalyst Initiative (VCCI), initiated in 2017, further injects funds and promotes best industry practices in partnership with private and corporate VC, representing a form of mixed government VC. VCCI has a strategic focus on investing in the life sciences industry, private sector-led fund of funds, and on promoting diversity and inclusion—especially for women entrepreneurs—in the VC ecosystem.<sup>47</sup> It is unclear what impact this investment has had.

In Canada, one important way federal and provincial governments are involved in the venture capital industry is by providing tax credits for VC investors, including legislated labour-sponsored VC funds (LSVCFs).<sup>48</sup> These funds, created by legislative acts of the provincial government and governed by labour unions, are required to invest domestically in small and medium-sized enterprises (SMEs) and receive significant government tax subsidies.

44 Canadian Securities Administrators. (n.d.). *About us*. <https://www.securities-administrators.ca/about/>

45 Canadian Securities Administrators. (2021, November 4). Canadian securities regulators announce results of seventh annual review of representation of women on boards and in executive officer positions in Canada.

<https://www.securities-administrators.ca/news/canadian-securities-regulators-to-hold-upcoming-consultations-on-broader-diversity-in-corporate-leadership/>

46 McIntyre, C. (2020, October 19). CVCA asks Ottawa for \$350 million to top up venture capital funds. *The Logic*. <https://thelogic.co/briefing/cvca-asks-ottawa-for-350-million-to-top-up-venture-capital-funds/>

47 Innovation, Science and Economic Development Canada. (2021). *Venture capital catalyst initiative*. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03052.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03052.html)

48 Cumming, D., & Johan, S. (2019). Government venture capital research: fake science and bad public policy. *Venture Capital*, 21(1), 121-131.

Through such measures, governments aim to address the shortage of VC in Canada, although their success varies.<sup>49,50</sup> Tax credits which are already used by the Canadian government to incentivize investment in VC may be used to incentivize gender parity as well.

Other regulations which may be relevant to women's engagement in the VC industry include the Employment Equity Act (1995), the Canadian Human Rights Act and Ontario Human Rights Codes. The Employment Equity Act currently applies to federally regulated public and private sector employers, including banks. It is unclear if the Act currently applies to the different types of VC firms that presently exist. The Act requires employers to report on the representation of members of designated groups, including women, and measures taken to promote their representation to Employment and Social Development Canada's Labour Program annually.<sup>51</sup>



49 Ayayi, A. (2004). Public policy and venture capital: The Canadian labor-sponsored venture capital funds, *Journal of Small Business Management*, 42(3), 335–345, <https://doi.org/10.1111/j.1540-627X.2004.00115.x>

50 Colombo, M. G., Cumming, D. J., & Vismara, S. (2016). Governmental venture capital for innovative young firms. *The Journal of Technology Transfer*, 41(1), 10-24.

51 Employment and Social Development Canada. (2021). *About the workplace equity program*. <https://www.canada.ca/en/employment-social-development/corporate/portfolio/labour/programs/employment-equity.html>

## Regulatory Environment in the United States

In the U.S., there is similarly limited regulation. Venture capitalists and VC firms are required to register with the U.S. Securities Exchange Commission (SEC). They are expected to comply with many regulations that other types of private securities investments are also subject to. Venture capital financing that banks supply is required to comply with all regulations governing banking institutions.<sup>52</sup> However, most of the VC is “qualified” in the U.S. and is not subject to the Investment Company Act of 1940, which requires that companies disclose their investment policies to investors regularly.<sup>53, 54</sup> Qualified venture capitalists are not required to disclose data to the United States Securities and Exchange Commission,<sup>55, 56</sup> which may have implications for diversity disclosure.

Government VC is prevalent in the U.S. context as well, although there is a higher percentage of mixed structure government-sponsored VC funds in the U.S. compared to Canada. One example of government-sponsored VC in the U.S. is the Small Business Administration’s (SBA) guaranteeing of loans taken out by a select group of Small Business Investment Companies (SBICs), which supply equity financing to small businesses. Annually, SBICs invest about one million dollars into the U.S. entrepreneurial ecosystem.<sup>57, 58</sup> There may be an opportunity for the government to promote women’s representation among SBICs.

There are certain government policies and practices in the U.S. which facilitate particularly high returns for VC. This includes lower levels of union activity and minimum wage protections in the U.S., which may encourage entrepreneurial activity as they make skilled labour affordable for startups. The fact that there are few legal protections available to vulnerable workers, such as women and racialized people, in startups and in the VC industry is relevant to the current research.<sup>59</sup>

52 Ross, S. (2021, October 31). *How is Venture Capital Regulated by the Government?* Investopedia. <https://www.investopedia.com/ask/answers/013015/how-venture-capital-regulated-government.asp>

53 Kaplan, S. N., & Lerner, J. (2017). *Venture Capital Data*, 75, 413. University of Chicago Press.

54 US Securities and Exchange Commission. (2020). *Laws and Rules*. <https://www.sec.gov/investment/laws-and-rules>

55 Kaplan, S. N., & Lerner, J. (2017). *Venture Capital Data*, 75, 413. University of Chicago Press.

56 AngelList. (n.d). What is a qualifying and non-qualifying venture investment? <https://help.venture.angel.co/hc/en-us/articles/360048894632-What-is-a-qualifying-and-non-qualifying-venture-investment->

57 Dahaj, A. S., & Cozzarin, B. P. (2019). Government venture capital and cross-border investment. *Global Finance Journal*, 41, 113-127.

58 Entrepreneur. (n.d). Taking advantage of government venture capital. <https://www.entrepreneur.com/article/52740>

59 Cumming, D., & Li, D. (2013). Public policy, entrepreneurship, and venture capital in the United States. *Journal of Corporate Finance*, 23, 345–367.

## View From the Organizational Level

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The major players in the VC industry are venture capitalists, entrepreneurs, limited partners and attorneys. Venture capitalists within VC firms can be analysts, principals and general partners. They are required to identify and follow through on possible investment opportunities. Often, venture capitalists hear from hundreds of entrepreneurs each year, and select just a few to invest in. Venture capitalists don't simply invest; they also tend to provide guidance to entrepreneurs and, in some cases, will make decisions about the companies they invest in, and occasionally will be appointed to a board seat within the company.<sup>60, 61</sup>



## The Structure of Venture Capital Firms

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Venture capital firms are often structured in a specific way. In terms of the chain of command, general partners within VC firms raise capital, are responsible for hiring staff, and make decisions about the startups that receive funding. Often, general partners will be required to contribute a small amount of their own personal capital to the VC fund. Principals, on the other hand, act as middle managers within the firm and liaise with general partners to provide direction to analysts and associates. The analysts and associates within the firm conduct much of the research and background analysis on trends and deals to assist the general partners and principals in making their decisions. Meanwhile, limited partners are the main investors in the VC fund, and thereby contribute to the investments being made into the entrepreneurship ecosystem.<sup>62</sup> The most recent survey by the National Venture Capital Association (NVCA) notes that many VC firms have an overall flat structure and are generally small with a median size of six employees.<sup>63, 64</sup>

60 Saks, I. (2013). *VC insider: The four key players of venture capital*. Betakit. <https://betakit.com/vc-insider-the-four-key-players-of-venture-capital/>

61 Fundthrough (n.d.). *Venture capital in Canada: Is it the right choice for your business?*. FundThrough. <https://www.fundthrough.com/blog/working-capital/venture-capital-in-canada-for-your-business/>

62 Saks, I.(2013). *VC insider: The four key players of venture capital*. Betakit. <https://betakit.com/vc-insider-the-four-key-players-of-venture-capital/>

63 National Venture Capital Association & Deloitte. (2021). *NVCA-Deloitte Human Capital Survey, Second Edition...*

64 National Venture Capital Association & Deloitte. (2021). *NVCA-Deloitte Human Capital Survey, Second Edition...*



## Types of Venture Capital Firms

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A review of the literature reveals the many different forms that VC firms can take. These include private VC; government VC, such as the Business Development Bank of Canada; corporate VC; institutional VC, such as pension funds and endowments; bank VC; and retail VC, such as labour sponsored funds established through government tax credits to individuals.<sup>65</sup>

It is also important to note that educational institutions, informal networks and umbrella organizations also play an integral role in the VC ecosystem.<sup>66</sup> In Canada, the major umbrella organizations include the Canadian Venture Capital Association (CVCA), while those devoted to promoting women in VC and investing in women-led firms include The51 and Stand Up Ventures.<sup>67,68,69</sup> In the U.S., the National Venture Capital Association provides advocacy and monitoring of the sector on a regular basis.<sup>70</sup>

## The Sectoral Focus of Venture Capital

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Venture capital firms tend to invest in specific sectors that drive innovation. In Canada, according to the CVCA, these include information, communication and technology (ICT), as well as the life sciences sector. In 2020, deals in these sectors accounted for over 80% of all deals in Canada. Other industries selected for investment in Quebec, Nova Scotia, and Newfoundland and Labrador include Cleantech, while in Ontario, British Columbia, Alberta, and Saskatchewan, Agribusiness have small shares as well.<sup>71</sup>

In the U.S. context, there are also particular sectors of interest. According to PitchBook,<sup>72</sup> these include enterprise technology, which constitutes nearly one-half of the deal value in 2021. U.S. VC firms are also investing in consumer technology, fintech, and biotech and pharma at a growing rate.<sup>73</sup> It is important to note that the industries VCs choose to invest in the most in Canadian and U.S. contexts may be similar and are categorized differently in various reports. The absence of standardized language in the industry across Canada and the U.S. can make such comparisons challenging.

65 Fancy, T. (2012, September 19). *Can venture capital foster innovation in Canada? Yes, but certain types of venture capital are better than others*. C.D. Howe Institute.

[https://www.cdhowe.org/sites/default/files/attachments/research\\_papers/mixed/e-brief\\_138\\_0.pdf](https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_138_0.pdf)

66 Foxall, H. M. (2020). *Gender in venture capital funding and finance* [Master of Technology, Entrepreneurship and Innovation thesis, Saint Mary's University].

67 Canadian Venture Capital Association (2021). *The 50: A guide to the Canadian venture capital ecosystem*. [https://www.cvca.ca/files/CVCA-TCS\\_The50\\_2021Edition-04132021.pdf](https://www.cvca.ca/files/CVCA-TCS_The50_2021Edition-04132021.pdf)

68 Stephenson, A. (2021). *Venture fund aims to unleash the power of female capital in the agri-tech space*. Toronto Star. <https://www.thestar.com/business/2021/10/10/venture-fund-aims-to-unleash-the-power-of-female-capital-in-the-agri-tech-space.html>

69 BDO Canada. (2018). *Minding the gender gap in tech funding*. <https://www.bdo.ca/en-ca/insights/industries/tech-life-sciences/minding-gender-gap-tech-funding/>

70 National Venture Capital Association & Deloitte. (2019). *NVCA-Deloitte Human Capital Survey, Second Edition*. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/us-audit-egc-nvca-human-capital-survey-2018.pdf>

71 Canadian Venture Capital Association (2021). *The 50: A guide to the Canadian venture capital ecosystem*. [https://www.cvca.ca/files/CVCA-TCS\\_The50\\_2021Edition-04132021.pdf](https://www.cvca.ca/files/CVCA-TCS_The50_2021Edition-04132021.pdf)

72 Pitchbook & NVCA. (2021). *Venture Monitor*. <https://nvca.org/research/pitchbook-nvca-venture-monitor/>

73 Pitchbook & NVCA. (2021). *Venture Monitor*. <https://nvca.org/research/pitchbook-nvca-venture-monitor/>

### View From the Individual Level

The literature notes that individual venture capitalists often come from specific racial, gender and socio-economic backgrounds. They tend to be drawn from exclusive schools like Harvard and Wharton, and have expensive professional degrees like MBAs, which points to their access to generational wealth. Additionally, the literature notes that those with entrepreneurial, financial and tech backgrounds tend to become venture capitalists.<sup>74, 75</sup> The literature also states that VC leaders are predominantly white and are men.<sup>76</sup>

However, some research argues that there is no shortage of women with these exclusive skills and education; **nearly one-third of all MBA holders in the U.S. are women, and a growing number of women are entering STEM occupations.**<sup>77</sup>



Rather, the supply of such women exceeds the demand in the VC industry.<sup>78</sup>



74 Saks, I. (2013). *VC insider: The four key players of venture capital*. Betakit. <https://betakit.com/vc-insider-the-four-key-players-of-venture-capital/>

75 Blum, D. A. (2015). Exploring gender disparity in US based venture capital firms. *Journal of Diversity Management*, 10(1), 33-42.

76 Chilazi, S. (2019). Advancing gender equality in venture capital. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

77 Blum, D. A. (2015). Exploring gender disparity in US based venture capital firms. *Journal of Diversity Management*, 10(1), 33-42.

78 Calder-Wang, S., Gompers, P., & Sweeney, P. (2021). Venture Capital's "Me Too" Moment (No. w28679). National Bureau of Economic Research.

## Women's Representation in Venture Capital

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Women are under-represented in leadership roles in the VC industry in the U.S. According to 2021 data from PitchBook, **women comprise 15.4% of all general partners at VC firms in the U.S. Although this represents an increase from previous years, when women comprised only 12% of all general partners at VC firms, it is still a small proportion of all partners in VC firms.**<sup>79</sup> The percentage of women general partners in VC firms also varies across the country. Between 2020 and 2021, the representation of women general partners at VC firms in Silicon Valley rose from 15.4% to 17.1%, while in Los Angeles, representation rose more modestly, from 12.1% to 12.9%.<sup>80</sup> Further, according to a 2020 report by Women in VC, only 4.9% of all partners at VC firms in their dataset were women. Of these women partners, 67% were white.<sup>81</sup> However, 2020 data from the National Venture Capital Association and Deloitte illustrates that women comprise 45% of the overall VC workforce, while representing 51% of the general American population.<sup>82</sup> Due to this underrepresentation of women and racialized women in decision-making roles at VC firms, women-led companies receive disproportionately less VC funding. One study showed that women-led companies in the U.S. received only 2.2% of all VC funding in 2018.<sup>83</sup> Further, just 13% of VC funds in the U.S. went to companies with a woman on the founding team.<sup>84, 85</sup>

In Canada, the statistics show a similar gender gap. A 2019 report from Female Funders and Highline Beta showed that **women comprise just 15.2% of partners at Canadian VC firms, 11.8% of managing partners, and just 10.3% of venture partners.** While this represents an increase of 1% from 2018, it is still a stark deviation from the goal of gender parity.<sup>86</sup> Further, on average, women-led companies in Canada were shown to raise just 66% of the capital raised by companies led by men.<sup>87</sup>

For policymakers, industry leaders and advocates, these disparities are concerning, as they impact the way women experience VC, the livelihoods of women entrepreneurs and the overall ability of the Canadian and U.S. economies to drive forward innovation and success. It is therefore necessary to explore the causes behind women's underrepresentation in this exclusive and high-profile industry.

79 PitchBook (2021). *All In: Female Founders in the US VC Ecosystem*.

<https://pitchbook.com/news/reports/2021-all-in-female-founders-in-the-us-vc-ecosystem>

80 PitchBook (2021). *All In: Female Founders in the US VC Ecosystem*.

<https://pitchbook.com/news/reports/2021-all-in-female-founders-in-the-us-vc-ecosystem>

81 Women in VC. (2020). *The untapped potential of women-led funds*.

[https://assets.ctfassets.net/jh572x5wd4r0/7qRourAWPj0U9R7MN5nWgy/711a6d8344bcd4fbe0f1a6dcf766a3c0/WVC\\_Report\\_-\\_The\\_Untapped\\_Potential\\_of\\_Women-Led\\_Funds.pdf](https://assets.ctfassets.net/jh572x5wd4r0/7qRourAWPj0U9R7MN5nWgy/711a6d8344bcd4fbe0f1a6dcf766a3c0/WVC_Report_-_The_Untapped_Potential_of_Women-Led_Funds.pdf)

82 Deloitte & National Venture Capital Association (2021). *VC human capital survey*.

<https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html>

83 Malmström, M., Wesemann, H., & Wincent, J. (2020). How women can improve their venture pitch outcomes. *MIT Sloan Management Review*, 61(2), 1-3.

84 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School.

<https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

85 Women in VC (2021). *The Untapped Potential of Women-led Funds*.

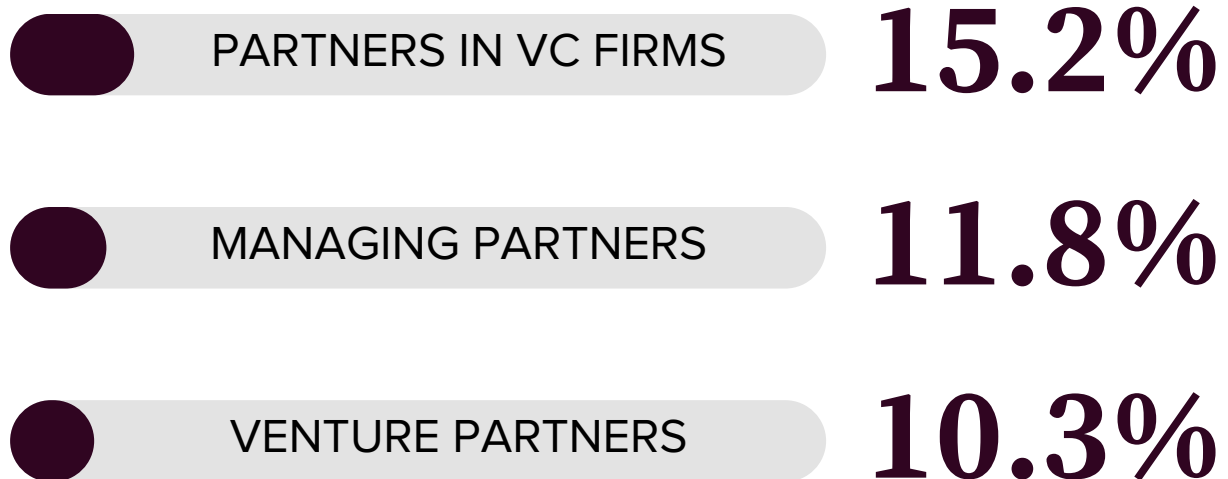
[https://assets.ctfassets.net/jh572x5wd4r0/7qRourAWPj0U9R7MN5nWgy/711a6d8344bcd4fbe0f1a6dcf766a3c0/WVC\\_Report\\_-\\_The\\_Untapped\\_Potential\\_of\\_Women-Led\\_Funds.pdf](https://assets.ctfassets.net/jh572x5wd4r0/7qRourAWPj0U9R7MN5nWgy/711a6d8344bcd4fbe0f1a6dcf766a3c0/WVC_Report_-_The_Untapped_Potential_of_Women-Led_Funds.pdf)

86 Highline Beta (2019). *Women in venture report 2019*. <https://highlinebeta.docsend.com/view/9dyprfw>

87 Highline Beta (2019). *Women in venture report 2019*. <https://highlinebeta.docsend.com/view/9dyprfw>



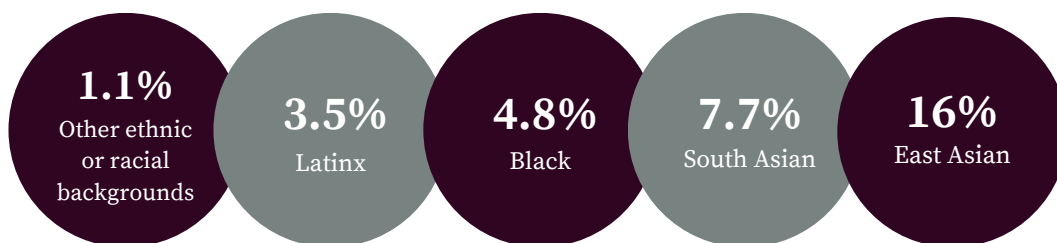
## Percentage of Female Partners in Canada



### A Note on Women in Venture Capital and Intersectionality

There is a dearth of research on gender diverse and nonbinary people in VC, as well as research on women who are racialized and/or experience other vulnerabilities. According to a 2020 report by Women in VC, of the 4.9% of partners at surveyed American VC firms who were women, just 16% were East Asian, 7.7% were South Asian, 4.8% were Black, 3.5% were Latinx, and 1.1% identified as belonging to other ethnic or racial backgrounds.<sup>88</sup> There are a few news articles that explore this phenomenon in the U.S., with one survey of 110 VC firms in Silicon Valley showing that in 2018, 73.4% of all leaders were white and 23.8% Asian, while just 1.5% were Hispanic and 1% Black. The article argues that anecdotally, gender, ethnic and racial diversity has increased among these firms considerably at the associate and analyst levels. Yet, there remains a stark absence of data on pay equity, although several leaders in the industry note a disparity in how men and women and racialized men and women are compensated for the same work in the industry.<sup>89</sup> Comparable data on racialized women in the Canadian VC industry could not be found at the time of writing this review.

## Of the 4.9% of partners at surveyed American VC firms who were women



<sup>88</sup> Financial Alliance for Women (2020). *Women in VC: The untapped potential of women-led funds*. Financial Alliance for Women. <https://financialallianceforwomen.org/download/women-in-vc-the-untapped-potential-of-women-led-funds/#:~:text=This%20report%20explores%20the%20nuances,to%20move%20the%20conversation%20forward.>

<sup>89</sup> Bernard, Z. (2019, April 18). *Silicon Valley's most and least diverse venture capital firms*. The Information

However, the experiences of Ellen Pao, a racialized woman who launched a gender-based discrimination lawsuit against her employer, Silicon Valley VC firm Kleiner Perkins, may provide additional insight into the barriers experienced by racialized women. The lawsuit was filed to fight against the sexism Ellen experienced at the firm such as getting passed over for promotion opportunities, “boys club” culture and being excluded from important meetings that are necessary to succeed in her role. However, the firm reasoned that, the later termination of Ellen was due to her lack of leadership and interpersonal skills for the role. Despite the case was to shed light on issues of sexism and gender-based discrimination in the workplace and the VC industry, Ellen was faced with retaliation which caused significant damage to her reputation and the loss of her job. Some academic literature considers the impact of this case on hiring and decisions about who receives capital in the VC industry, although the exploration of race and ethnicity factors are minimal.<sup>90, 91</sup>

Several insiders from within the industry advocate for improved distribution of capital among Black, Indigenous and racialized entrepreneurs in Canada. In two separate editorials, Kim de Laat and Narinder Dhami both argue that in the Canadian context, VC firms underserve companies led by women, Black, Indigenous and racialized people, and this is a business problem.<sup>92, 93</sup> Another report considers the career trajectory of Lise Birikundavyi, the principal and fund manager at Black Innovation Capital, which invests specifically in Black-led startups, although the piece doesn't specifically address barriers she may have experienced in the VC industry due to her identities.<sup>94</sup> Similarly, certain academic and grey literature in the U.S. context describes the phenomenon of Black and racialized entrepreneurs receiving disproportionately less funding due to the homophilic nature of a predominantly white and male-dominated VC industry.<sup>95, 96</sup> Further research is required to understand how barriers in the industry may be compounded for gender diverse and nonbinary people, as well as Black, Indigenous and racialized women seeking career advancement within VC firms. Additional research on Black, Indigenous and racialized women entrepreneurs seeking equity financing for their startups may also be helpful.

90 Calder-Wang, S., Gompers, P., & Sweeney, P. (2021). Venture capital's “me too” moment (No. w28679). *National Bureau of Economic Research*. [https://www.nber.org/system/files/working\\_papers/w28679/w28679.pdf](https://www.nber.org/system/files/working_papers/w28679/w28679.pdf)

91 Hamlin, J. (2021, April 26). A high-profile gender discrimination case pushed VC firms to hire more women. It's hardly helped female entrepreneurs. *Institutional Investor*. <https://www.institutionalinvestor.com/article/b1rkyz9m7s7l20/A-High-Profile-Gender-Discrimination-Case-Pushed-VC-Firms-to-Hire-More-Women-It-s-Hardly-Helped-Female-Entrepreneurs>

92 de Laat, K. (2021). To improve funding for women entrepreneurs, start at the very front end of the investment pipeline. *The Globe and Mail*. <https://www.theglobeandmail.com/business/commentary/article-to-improve-funding-for-women-entrepreneurs-start-at-the-very-front-end/>

93 Dhami, N. (2022, January 19). It's time to invest capital in currently undervalued diverse businesses. *Toronto Star*. <https://www.thestar.com/opinion/contributors/2022/01/18/its-time-to-invest-capital-in-currently-undervalued-diverse-businesses.html>

94 Didyk, L. (2021, July 22). Meet the woman at the helm of the first institutionally backed, Black-led venture fund in Canada. *Women of Influence*. <https://www.womenofinfluence.ca/2021/07/22/meet-the-woman-at-the-helm-of-the-first-institutionally-backed-black-led-venture-fund-in-canada/>

95 Sass Rubin, J. (2010). Venture capital and underserved communities. *Urban Affairs Review*, 45(6), 821–835.

96 Anglin, A. H., Courtney, C., & Allison, T. H. (2021). Venturing for Others, Subject to Role Expectations? A Role Congruity Theory Approach to Social Venture Crowdfunding. *Entrepreneurship Theory and Practice*, 10422587211024545.

# Barriers to Women's Entry and Advancement in the Venture Capital Industry

There are several barriers at societal, organizational and individual levels that prevent women from entering and advancing in the VC industry. While much of the research and media coverage on these barriers has focused on the VC industry in the U.S., it is likely that similar obstacles exist in other countries, including Canada. Therefore, we draw conclusions from this body of literature, including academic articles and grey literature, when examining the barriers to women in the VC industry in Canada. These barriers can operate at different levels and may include issues related to but not limited to cultural stereotypes, policies and regulations, organizational culture and skill levels.

## Societal-Level Barriers

### Cultural Biases

Socially constructed understandings of women's capabilities and roles influence women's entry and advancement in the industry. The literature notes that societal biases about women's capabilities and appropriateness for certain industries are widespread at the macro level. These include characterizations of women as weak, emotional, sensitive and lacking in leadership skills. These characterizations emerge in industries like VC, which are male dominated, and are adopted by individuals within the industry.<sup>97, 98, 99, 100, 101</sup> It will be necessary for further qualitative research to explore how these stereotypes emerge and are experienced by women working in VC industries in Canada and the U.S. and if there are any distinctions between the two contexts.

### Regulations Governing Investors

Existing regulations in Canada exclude those individuals with lower levels of income, investable assets and financial assets from becoming investors. This may restrict the angel investment pipeline significantly, as data shows the gender and racial wealth gap in Canada means that women and racialized persons are less likely to have higher incomes, and hence are significantly less likely to have the required levels of investable and non-investable assets.<sup>102, 103</sup>



97 Malmström, M., Johansson, J., & Wincent, J. (2017). Gender stereotypes and venture support decisions: how governmental venture capitalists socially construct entrepreneurs' potential. *Entrepreneurship Theory and Practice*, 41(5), 833-860.

98 von Hippel, C., Sekaquaptewa, D., & McFarlane, M. (2015). Stereotype threat among women in finance: Negative effects on identity, workplace well-being, and recruiting. *Psychology of Women Quarterly*, 39(3), 405-414.

99 Malmström, M., Johansson, J., & Wincent, J. (2017). Gender stereotypes and venture support decisions: How governmental venture capitalists socially construct entrepreneurs' potential. *Entrepreneurship Theory and Practice*, 41(5), 833-860.

100 Blum, D. A. (2015). Exploring gender disparity in US based venture capital firms. *Journal of Diversity Management*, 10(1), 33-42.

101 Baker, A., & McCormick, B. (2015). Gender inequality in the venture capital industry.

102 Pelletier, R., Patterson, M., Moysen, M. (2019). The gender wage gap in Canada: 1998 to 2018 <https://www150.statcan.gc.ca/n1/en/pub/75-004-m/75-004-m2019004-eng.pdf?st=emCv6OOT>

103 Block, S., Galabuzi-Grace, E., & Tranjan, R. (2019). Canada's colour coded income inequality. Ottawa: Canadian Centre for Policy Alternatives, pp. 1-26.

## Limited Regulation, Oversight and Interventions Aimed at Promoting Women's Representation in the Industry

The VC industry in the U.S. is not regulated significantly, and our scan of the literature did not find any interventions aimed at promoting women's representation in the industry.<sup>104</sup>

While oversight and regulation in the Canadian VC industry also appears limited, significant federal and provincial government engagement with the industry does exist. This may create opportunities for regulatory and other government initiatives to promote women's involvement in the industry. For example, the Canadian federal government announced in 2018 that the Venture Capital Catalyst Initiative would invest \$50 million in seven VC funds, with the objective of promoting gender and racial diversity.<sup>105, 106, 107</sup> It is important to note, however, there is a dearth of research on the impact and effectiveness of such programs within the VC ecosystem.



## Standards for Data Collection, Reporting and Proactively Addressing Barriers to Women's Involvement in the Industry

Based on our review of the literature, it does not appear that governments in the U.S. set any standards for firms within the VC industry to collect and report data on the representation of women. Given the overall limited regulation of the industry, it also appears there are no government and regulatory imperatives to address barriers to women's representation in the industry in the U.S.<sup>108</sup>

In Canada, the Employment Equity Act (1995) currently applies to federally regulated public and private sector employers including banks. The Act requires employers to report on the representation of members of designated groups, including women, and measures taken to promote their representation to Employment and Social Development Canada's Labour Program annually. It is unclear if the Act currently applies to the different types of VC firms that currently exist.<sup>109</sup> Similarly, Bill C-25, which requires diversity disclosure of representation of women at the board and senior leadership level from all Canadian distributing corporations, does not seem to apply, given that VC is not publicly traded.<sup>110</sup>

104 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapppp.hks.harvard.edu/venture-capital-and-entrepreneurship>

105 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapppp.hks.harvard.edu/venture-capital-and-entrepreneurship>

106 Rémillard, R. (2017). Government Intervention in Venture Capital in Canada: Toward Greater Transparency and Accountability. *CD Howe Institute Commentary*, 466. [https://www.cdhowe.org/sites/default/files/attachments/research\\_papers/mixed/Commentary\\_466.pdf](https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_466.pdf)

107 Government of Canada. (2018, November 5). Minister Ng announces federal venture capital investments focused on gender and diversity. <https://www.canada.ca/en/innovation-science-economic-development/news/2018/11/minister-ng-announces-federal-venture-capital-investments-focused-on-gender-and-diversity.html>

108 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapppp.hks.harvard.edu/venture-capital-and-entrepreneurship>

109 Employment and Social Development Canada. (2021). About the workplace equity program. <https://www.canada.ca/en/employment-social-development/corporate/portfolio/labour/programs/employment-equity.html>

110 Jeffrey, J. (2019, July 30). Canada is the first jurisdiction worldwide to require diversity disclosure beyond gender; Diversity disclosure rules will apply to federally incorporated public companies effective Jan. 1, 2020. OSLER. [canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc](https://www.osler.com/canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc)



## Levels of Legal Protections for Women in the Industry

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The limited labour protections available to women in the American VC industry are best illustrated through the high-profile gender discrimination lawsuit filed in 2012 by Ellen Pao, a former employee of Kleiner Perkins in Silicon Valley. In her case, Pao alleged she was excluded from important meetings and held back from promotions and advancement at the firm due to being a woman.<sup>111</sup> In a personal account after losing the lawsuit, Pao argued that the firm was characterized by a discriminatory workplace culture where women were objectified, harassed, rarely promoted and regularly assigned more menial tasks.<sup>112</sup> This lawsuit, and subsequent others relating to sexual harassment from men leaders in the industry, illustrate that improved labour protections against gender-based discrimination, sexual harassment and other forms of discrimination are required for the VC industry.<sup>113</sup> These lawsuits and allegations further illustrate that low representation of women in the VC industry is a symptom of a much broader problem. It will be necessary for qualitative research on the VC industry to explore whether any other policy and regulatory protections exist or have been initiated since the advent of this high-profile case.

In Canada, labour protections against gender-based discrimination includes the Canadian Human Rights Act, which applies to federally incorporated organizations, provincial human rights codes, and provincial legislation against sexual and other forms of harassment. While the literature does not point to similar gender-based discrimination cases in Canada, it is nonetheless possible that some have occurred. Further qualitative research is required to learn more about protections that exist and/or are required.



111 Hess, A.J. (2017, August 23). Ellen Pao: VC firms hire women to do 'menial tasks' and 'clean up all the problems. Make it. <https://www.cnbc.com/2017/08/23/ellen-pao-vc-firms-hire-women-to-clean-up-all-the-problems.html>

112 Pao, E. (2017). This is how sexism works in Silicon Valley: My lawsuit failed. Others won't. The Cut. <https://www.thecut.com/2017/08/ellen-pao-silicon-valley-sexism-reset-excerpt.html>

113 Albergotti, R. (2017, June 22). Silicon Valley Women Tell of VCs' unwanted advances. The Information. <https://www.theinformation.com/articles/silicon-valley-women-tell-of-vcs-unwanted-advances>



# Organizational-Level Barriers

## Limited Benchmarking and Tracking of Data on Women's Representation

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At the organizational level, there appears to be limited benchmarking and tracking of women's representation by individual organizations within the industry. In the U.S., the NVCA, in partnership with Deloitte, publishes a biannual Human Capital Survey which tracks industry-wide statistics on representation.<sup>114</sup> However, many individual VC firms do not appear to be tracking data. One report notes that more than one-sixth of VC firms fail to survey and track employee data on diversity and inclusion regularly. Additionally, even when organizations collect this data, it is typically not publicly accessible.<sup>115</sup>

Similarly, in Canada, it was difficult to find any publicly accessible documentation of staff diversity from major VC firms such as the Business Development Bank of Canada. This absence of data collection and sharing among individual VC firms makes it challenging to advocate for advancement in women's representation within organizations, as comparisons are difficult to make.<sup>116</sup> However, the CVCA, has been making some strides in this area, with a forthcoming human capital diversity and inclusion report for the sector. This report also includes a guide for firms to assist them in benchmarking and collecting diversity and inclusion data.<sup>117</sup>

114 Deloitte & National Venture Capital Association (2021). *VC human capital survey*. <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html>

115 Deloitte & National Venture Capital Association (2019). *VC human capital survey*. <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html>

116 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

117 Silcoff, S. (2022, February 17). Canadian private capital firms racked with 'pervasive barriers and biases' for women and diverse employees. *The Globe and Mail*.

## Organizational Policies and Practices

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There are questions about how existing policies and practices at VC firms impact women workers. In the U.S., there have been reports of firms developing and improving policies and practices to address the challenges of sexual harassment.<sup>118,119</sup> The most recent U.S. industry survey conducted annually by Deloitte and the NVCA showed that about 77% of all firms have human resources policies such as employee handbooks and codes of conduct. About 66% of firms noted an internal contact within the organization identified by the policy for resolution of complaints related to harassment and discrimination, while 28% of firms noted the policy identified an external contact for this purpose.<sup>120</sup> Other research focused on the U.S. landscape shows that **just 34% of all VC firms had staff specifically focused on promoting diversity and inclusion internally, and fewer than half had diversity and inclusion strategies in place.**<sup>121,122</sup> It is worth noting that these surveys do not necessarily address policies and practices around hiring, compensation, termination, performance review and advancement, all of which are areas in which systemic and interpersonal bias against women workers and candidates may emerge.

In the Canadian context, one 2019 study highlights that **just 11% of surveyed firms in Canada conduct a diversity and inclusion survey, although 53% of those surveyed indicated they were committed to diversity and inclusion. Further, 83% of firms surveyed responded that they had inclusive policies and practices, such as training for leaders on inclusion at their organization.**<sup>123</sup>

Given this limited data availability, it remains unclear how effective existing policies and practices are in improving experiences for women in the industry, and what additional policies and practices may be needed. This means obtaining more qualitative data on policies and practices at VC firms in Canada and the U.S. will be necessary.

118 Schleifer, T. (2018, March 10). Here's how 20 different venture capital firms are policing sexual harassment. Vox.<https://www.vox.com/2018/3/10/17102940/venture-capital-sexual-harassment-policies>

119 Hamlin, J. (2021, April 26). A high-profile gender discrimination case pushed VC firms to hire more women. It's hardly helped female entrepreneurs. Institutional Investor.

120 National Venture Capital Association & Deloitte. (2021). NVCA-Deloitte Human Capital Survey, Third Edition

121 Deloitte & National Venture Capital Association (2021). VC Human Capital Survey. <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.htm>

122 Chilazi, S. (2019). Advancing Gender Equality in Venture Capital. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

123 Canadian Venture Capital Association and BDC (2019). State of Diversity and Inclusion/ 2019. <https://www.cvca.ca/files/reports/2019-state-of-diversity/CVCA-State-of-Diversity-and-Inclusion-2019.pdf>

## The Network Driven Nature of the Industry

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Another industry-wide challenge is that the VC industry is driven by networks, since relationships and referral-based investment are considered essential to investment success.<sup>124</sup> These networks are homophilic in nature, dominated by general partners and limited partners at firms who are overwhelmingly white and are men.<sup>125</sup> Industry networks also exclude based on generational wealth and socio-economic background, with partners typically holding MBAs from institutions such as Harvard and Wharton.<sup>126</sup> However, recent quantitative research shows the historically low rates of women in the VC industry are not just an issue of women lacking the exclusive education, experience and credentials that are required; rather, the supply of women who meet these requirements exceeds the demand.<sup>127</sup> Further qualitative research on the sector is required to understand the full effects of exclusionary networks on women in both Canadian and the U.S.



## Organizational Culture

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Arising from organizational policies and practices is organizational culture. In many instances, the industry's culture can be toxic and hostile for women venture capitalists and entrepreneurs, as shown by several high-profile allegations. In 2015, Ellen Pao's landmark gender discrimination case highlighted that even in large, well-respected VC firms, women were often spoken of as sexual objects, women employees were regularly expected to complete menial tasks when compared to men employees, and were rarely promoted.<sup>128</sup> Similarly, in 2017, several women entrepreneurs came forward alleging sexual harassment from Binary Capital founder Brian Caldwell. Most of these women expressed a fear of retaliation in the industry and a fear that, because VC is an industry dominated by men, their experiences wouldn't be taken seriously.<sup>129</sup> Further, the overall lack of diversity in the industry signals to women, gender diverse, nonbinary and racialized people that the industry has barriers which will impact them negatively.<sup>130</sup> Qualitative research is required to determine the current form and extent of discriminatory organizational culture within VC firms in Canada and the U.S.

124 Chilazi, S. (2019). Advancing Gender Equality in Venture Capital. Women in Policy Program Harvard Kennedy School. <https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

125 Gompers, P. A., Mukharlyamov, V., & Xuan, Y. (2016). The cost of friendship. *Journal of Financial Economics*, 119(3), 626-644.

126 Brush et al. (2004). *Gatekeepers of venture growth*.

127 Calder-Wang, S., Gompers, P., & Sweeney, P. (2021). Venture Capital's "Me Too" Moment (No. w28679). *National Bureau of Economic Research*.

128 Hess, A.J. (2017, August 23). Ellen Pao: VC firms hire women to do 'menial tasks' and 'clean up all the problems. *Make it*.

<https://www.cnbc.com/2017/08/23/ellen-pao-vc-firms-hire-women-to-clean-up-all-the-problems.html>

129 Albergotti, R. (2017, June 22). Silicon Valley Women Tell of VCs' unwanted advances. *The Information*.

<https://www.theinformation.com/articles/silicon-valley-women-tell-of-vcs-unwanted-advances>

Chilazi, S. (2019). Advancing Gender Equality in Venture Capital. Women in Policy Program Harvard Kennedy School.

130 <https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

## The Size and Structure of Venture Capital Firms

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The size and structure of VC firms is also noted in the literature as a barrier to women's entry and advancement in the VC industry. This is because VC firms are generally small in terms of the number of employees and turnover tends to be low. This implies fewer opportunities for women to enter and advance to leadership roles within established firms.<sup>131, 132</sup> In the U.S., several reports note that following the Ellen Pao case, these demographics appear to be changing, especially in more junior roles.<sup>133, 134</sup> It will be necessary to explore the lived experiences of women leaders in the industry in Canada and the U.S. to determine the extent to which these constitute barriers to entry and advancement.

## Limited Access to Opportunities for Entry and Advancement

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Partially because of the structure and size of VC firms, which results in low turnover, but also due to the gender bias which emerges at the societal level, there are limited opportunities for advancement for women in the industry. In the U.S., for example, VC firms reported a turnover ratio of just 4% in senior investment positions and only 21% of firms projected increasing the number of senior level investment positions in the near future. Further, **just 46% of firms normally hire externally. This is relevant because nearly 50% of all women investment professionals in the VC industry were hired through external means.**<sup>135</sup>

In Canada, there appear to be similar barriers to women's advancement. In 2019, while 15.2% of partners at Canadian VC firms were women, only 11.8 % were managing partners, illustrating that women's representation often declines with seniority in the industry.<sup>136</sup> Another study showed that the number of women partners at American VC firms has declined from 10% in 1999 to 6% in 2014.<sup>137</sup>

## Informal Hiring and Advancement Processes and Practices

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Research focused on the VC industry in the U.S. also reveals hiring processes that are informal and unstructured, which plays a role in the underrepresentation of women in the industry. Most VC firms are small, their structure is flat and human resources departments are often lacking. Hiring and advancement in these situations often comes through referrals or other informal means, which allows unconscious bias to emerge.<sup>138</sup>

131 Ibid

132 Deloitte & National Venture Capital Association (2021). VC Human Capital Survey. <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html>

133 Hamlin, J. (2021, April 26). A high-profile gender discrimination case pushed VC firms to hire more women. It's hardly helped female entrepreneurs. Institutional Investor.

134 Bernard, Z. (2019, April 18). *Silicon Valley's most and least diverse venture capital firms*. The Information.

135 Deloitte & National Venture Capital Association (2021). *VC human capital survey*. <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.htm>

136 Female Funders. (2019). Canadian women in venture report 2019.

137 Brush, C. G., Greene, P. G., Balachandra, L. (2014). Diana report women entrepreneurs 2014: Bridging the gender gap in venture capital.

138 Chilazi, S. (2019). Advancing gender equality in venture capital. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>



# Individual-Level Barriers

## Absence of Role Models and Women's Levels of Self-Confidence

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It has been argued that the limited representation of women, gender diverse and nonbinary people in leadership roles in the industry perpetuates further low representation for women because role models are absent.<sup>139, 140</sup> Women are less likely to pursue careers in the VC industry because they may perceive themselves as less capable of doing so and may self-select out of such careers. This is described as the "confidence gap," and has been shown to have implications for women in related industries like STEM.<sup>141</sup> Qualitative research is required to understand how this plays a role in Canada and the U.S. VC industry.

## Unconscious Bias

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Given that most senior partners in VC firms are men, and senior partners often control hiring decisions, one American study illustrates that **senior partner's individual preferences and biases play a vital role in determining whether or not women candidates are hired.**<sup>142</sup> It will be necessary to understand the extent to which these findings of unconscious gender bias among general partners are generalizable to Canada and the U.S.

<sup>139</sup> Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapppp.hks.harvard.edu/venture-capital-and-entrepreneurship>

<sup>140</sup> Blum, D. A. (2015). Exploring gender disparity in US based venture capital firms. *Journal of Diversity Management*, 10(1), 33-42.

<sup>141</sup> Sterling, A. D., Thompson, M. E., Wang, S., Kusimo, A., Gilmartin, S., & Sheppard, S. (2020). The confidence gap predicts the gender pay gap among STEM graduates. *Proceedings of the National Academy of Sciences*, 117(48), 30303-30308.

<sup>142</sup> Calder-Wang, S., & Gompers, P. A. (2021). And the children shall lead: Gender diversity and performance in venture capital. *Journal of Financial Economics*.

## The Level of Skills and Experience Among Women Seeking to Enter the Industry

It has been argued that the low representation of women in the industry in the U.S. is not a problem of skills or education. Rather, these writers argue, the supply of women with exclusive education, experience in entrepreneurship and innovation, as well as connections simply exceeds the demand for such women in the industry.<sup>143</sup>

However, other scholars and industry insiders have argued that, given the strategic focus on specific sectors such as enterprise tech, consumer tech, fintech, biotech, pharma, ICT and life sciences, VC firms often require senior leaders in the industry to have pre-existing knowledge of, and experience in, these sectors.<sup>144, 145, 146, 147</sup> This poses challenges as data on women in STEM in Canada shows that women are under-represented, comprising less than one-quarter of employees in STEM occupations.<sup>148, 149</sup> The data shows a similar gap in the U.S., with women comprising just 27% of all STEM workers as of 2019.<sup>150</sup> Thus, there may be mismatches in the skills and experience demanded by VC firms, versus those among women candidates. This has implications for educational institutions and STEM workplaces.



143 Calder-Wang, S., Gompers, P., & Sweeney, P. (2021). Venture Capital's "Me Too" Moment (No. w28679). *National Bureau of Economic Research*.

144 Blum, D. A. (2015). Exploring gender disparity in US based venture capital firms. *Journal of Diversity Management*, 10(1), 33-42.

145 Pao, E. (2017). *This is how sexism works in Silicon Valley: My lawsuit failed. Others won't*. The Cut. <https://www.thecut.com/2017/08/ellen-pao-silicon-valley-sexism-reset-excerpt.html>

146 PitchBook & NVCA. (2021). *Venture monitor*. <https://nvca.org/research/pitchbook-nvca-venture-monitor/>

147 Canadian Venture Capital Association (2021). *The 50: A guide to the Canadian venture capital ecosystem*. [https://www.cvca.ca/files/CVCA-TCS\\_The50\\_2021Edition-04132021.pdf](https://www.cvca.ca/files/CVCA-TCS_The50_2021Edition-04132021.pdf)

148 Cukier, W., & Chavoushi, Z. H. (2020). Facilitating women entrepreneurship in Canada: The case of WEKH. *Gender in Management: An International Journal*.

149 Canadian Nuclear Safety Commission (2022). *Women in STEM*. <https://nuclearsafety.gc.ca/eng/resources/women-in-stem.cfm>

150 Martinez, A. & C. Christnacht (2021). *Women making gains in STEM occupations but still underrepresented*. United States Census Bureau. [women-making-gains-in-stem-occupations-but-still-underrepresented.html](https://www.census.gov/newsroom/releases/women-making-gains-in-stem-occupations-but-still-underrepresented.html)



# Promoting Women's Representation in Venture Capital

The following are areas of further consideration for governments, umbrella organizations, sector leadership and individual venture capitalists interested in promoting women's representation in the industry. These suggestions are based on pre-existing literature on women in finance, VC and leadership roles. Where there is evidence to suggest a recommendation should be considered a "best practice," we have noted this in our analysis. Many of these considerations will require further research with sector leaders and women workers in the VC industry to determine appropriateness.



# Societal-Level Interventions

## Targeted Regulations and Codes

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The role of government regulation and/or interventions in promoting women's representation may be more significant in the Canadian context, given that the Canadian financial and VC industries have more active engagement by the government overall in the form of tax incentives, LSVCFs, and government-sponsored VC.<sup>151, 152</sup>

In Canada, efforts have already been made to instate “comply or explain” regulations for distributing corporations. This includes the requirement that corporations set voluntary targets for representation in the leadership of women, racialized and Indigenous people, and persons with disabilities. However, given the relative newness of the legislation, sufficient evaluation data does not exist to classify this as a “best practice,” which can be expanded to include VC.<sup>153</sup>

In an effort to enhance diversity in the venture capital ecosystem, several regulatory bodies have recently introduced exemptions to the accredited investor category. For instance, the Alberta Securities Commission and the Financial and Consumer Affairs Authority of Saskatchewan proposed a Prospectus Exemption for Self-Certified Investors to expand the angel investor ecosystem on an interim, three-year basis. It permits self-certified investors to participate, provided they sign a Self-Certified Investor Statement and Acknowledgement affirming financial education or experience requirements, understanding of investment risks, and agreement to specific investment limits.<sup>154</sup> However, one particularly noteworthy example is the Manitoba Securities Commission's decision to allow non-accredited investors to participate in the Women's Equity Lab Manitoba. While such initiatives help reduce systemic barriers and encourage a diverse angel investing community, it's essential to ensure the Self-Certified Investor criteria is inclusive and does not solely focus on financial and investment credentials.<sup>155</sup> Ideally, a move to broaden this exemption across different regions would invite a greater number of women into the angel investing space, thereby promoting gender diversity in the VC industry

151 Government of Canada (2021). Venture capital catalyst initiative. Innovation, Science and Economic Development Canada.

152 Soleimani Dahaj, A., Cozzarin, B. P., & Talebi, K. (2018). Revisiting the Canadian public policy towards venture capital: Crowding-out or displacement. *Science and Public Policy*, 45(5), 719-730.

153 Jeffrey, J., MacDougall, A., & Valley, J. M. (2019, July 30). *Canada is the first jurisdiction worldwide to require diversity disclosure beyond gender; Diversity disclosure rules will apply to federally incorporated public companies effective Jan. 1, 2020*. Osler. [canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc](https://osler.com/canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc)

154 National Angel Capital Organization. (2022). Submission to Canadian Securities administrators on proposed prospectus exemption for self-certified investors — NACO Canada. NACO Canada. <https://nacocanada.com/news-2/submission-to-canadian-securities-administrators-on-proposed-prospectus-exemption-for-self-certified-investors>

155 Joseph, A. (2023, June 27). All-women angel investment fund clears hurdle. Canada News Media. <https://canadanewsmedia.ca/all-women-angel-investment-fund-clears-hurdle-winnipeg-free-press-winnipeg-free-press/>

There have been other efforts by the Canadian federal government to create voluntary programs to promote the inclusion of women and nonbinary people in the corporate sector. These include the **50 - 30 Challenge, which challenges organizations to improve the representation and inclusion of women and other diverse groups in leadership roles. In particular, the program calls for setting targets for 50% of all leadership positions to be held by women and nonbinary people.** Some angel networks, VC firms and capital management firms are already signatories.<sup>156</sup>

In the U.K., the government has created the **Women in Finance Charter, a voluntary pledge to ensure gender parity in senior management in the financial industry.** Launched in 2016, the Charter allows firms to set their targets for representation of women in senior leadership and pay equity for women in senior leadership, as well as creates a responsibility for them to publish their annual progress. This Charter has been highly successful, with more than 400 signatories as of 2020. An evaluation of the Charter published in 2021 showed that it had improved the industry, with nearly two-thirds (62%) of signatories increasing the proportion of women in senior management. Further, women's representation in the industry increased from 31% in 2019 to 32% in 2020. Seven of the nine sectors have increased their average level of women representation in senior management in 2020. Not only this, but in 2020, over 70% of the Charter's signatories achieved or were on track to achieve their targets, which ranged from 5% to 50% representation of women in leadership. However, it is important to note that as targets are self-determined, firms in the industry may have set targets that were not ambitious given pre-existing representation of women in the industry.<sup>157 158</sup>

**The Investing in Women Code is another U.K.-based voluntary initiative focused on promoting VC investments in women-led enterprises.** Signatories commit to having a member of the senior leadership team appointed to ensure equity and inclusion in all transactions with entrepreneurs; providing data on the gender distribution of all enterprises funded that can be made accessible to the public in the form of an aggregate report; and adopting practices that will support the success of women entrepreneurs as they grow their businesses.<sup>159</sup>

155 Joseph, A. (2023, June 27). All-women angel investment fund clears hurdle. *Canada News Media*. <https://canadanewsmedia.ca/all-women-angel-investment-fund-clears-hurdle-winnipeg-free-press-winnipeg-free-press/>

156 Innovation, Science and Economic Development Canada. (2022). The 50 - 30 Challenge: Your diversity advantage. <https://www.ic.gc.ca/eic/site/icgc.nsf/eng/07706.html>

157 Chinwala, Y., Barrow, J. & Deb, S. (2021, March) *HM Treasury women in finance charter: Annual review 2020*. UK Government. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/969905/HM\\_TREASURY\\_WOMEN\\_IN\\_FINANCE\\_ANNUAL\\_REVIEW\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/969905/HM_TREASURY_WOMEN_IN_FINANCE_ANNUAL_REVIEW_2020.pdf)

158 HM Treasury (n.d). *Women in finance charter*. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/519620/women\\_in\\_finance\\_charter.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/519620/women_in_finance_charter.pdf)

159 HM Treasury (n.d). *Investing in women code*. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/817133/Investing\\_in\\_Women\\_Code.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817133/Investing_in_Women_Code.pdf)

## Government Programs

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In Canada, interventions such as the **Canadian Venture Capital Catalyst Initiative, aimed at promoting gender balance in the industry, exist.** However, there is currently no corresponding publicly available evaluation data to determine if this constitutes a macro-level best practice for the industry.<sup>160</sup> More research with industry insiders is required to understand the likelihood these interventions will be adopted and will promote improved representation for women.



## Legal Protections for Women in the Industry

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In Canada, the Human Rights Act, provincial human rights codes and provincial anti-harassment legislation exists to provide redress when gender-based discrimination occurs; however, it will be necessary to determine the extent to which these are sufficient for women workers in the Canadian VC industry.<sup>161</sup> To determine whether legal protections can be implemented in the U.S. context, canvassing the industry will be required. Additionally, given that research shows legal and other protections for workers often correlate with a decrease in VC returns and hence, density of available VC, a more in-depth social cost-benefit analysis of such legal protections for workers may be required.<sup>162</sup>

160 Innovation, Science and Economic Development Canada (2021). *Venture Capital Catalyst Initiative*.

161 Burczykca, M. (2021). Workers' experiences of inappropriate sexualized behaviours, sexual assault and gender-based discrimination in the Canadian provinces, 2020. *Juristat: Canadian Centre for Justice Statistics*, 1-50.

162 Cumming, D., & Li, D. (2013). Public policy, entrepreneurship, and venture capital in the United States. *Journal of Corporate Finance*, 23, 345-367.

# Organizational-Level Interventions

## Organizational Culture

The literature argues that, to see results, industry leadership and umbrella organizations will need to make diversity a priority and a core value as early as possible. Numerous accounts show that creating inclusion from the ground up is much easier than reforming established industries and organizations with entrenched norms.<sup>163</sup> **The earlier industry leadership, including limited partners, makes diversity and inclusion a core value, the faster we see improved outcomes for women's representation in the industry.**<sup>164</sup>



## Organizational Leadership

Several reports also highlight the importance of “tone at the top,” or a commitment among leadership, like general partners at VC firms, to promoting women’s representation and advancement in the industry. This is argued to create a supportive organizational culture for change. For example, hiring managers can only prioritize women’s recruitment if the resources and support to do so are provided by firm leadership.<sup>165,166</sup> Thus, interventions promoting women’s representation in the industry may need to focus on generating buy-in among firms and industry leaders, as this will be key to transforming culture, policies and practices.

Assigning leadership responsibility for diversity and inclusion efforts within organizations has also been demonstrated to have a significant positive impact on outcomes for women and racialized people in the corporate sector. This is recommended for the VC industry as well.<sup>167,168</sup>

163 Gompers, P., & Kowali, S. (2018). The other diversity dividend. *Harvard Business Review*.

164 McBane, M. & Robinson, L. (2018). Venture capital firms have a gender problem. Here's how to fix it. *The Globe and Mail*.

165 International Finance Corporation. (2019). *Moving toward gender balance in private equity and venture capital*. International Finance Corporation, Oliver Wyman, and RockCreek Report.

166 Gompers, P., & Kowali, S. (2018). The other diversity dividend. *Harvard Business Review*.

161 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.

168 International Finance Corporation. (2019). *Moving toward gender balance in private equity and venture capital*. International Finance Corporation, Oliver Wyman, and RockCreek Report.

## Platforming Women in Venture Capital to Challenge Stereotypes

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Some literature suggests that platforming women leaders in VC is an appropriate response to the stereotypes about women in the industry. This may look like ensuring that industry events have a gender-balanced approach.<sup>169</sup> This can further address the “confidence gap” among women already in the industry or those who are thinking about entering the industry. Further, research shows that even a small number of women in leadership positions within an industry can bolster, over time, successful outcomes for women in that industry overall, given the homophilic effect, where individuals are drawn to others who are like them.<sup>170</sup>



## Mentorship and Sponsorship Programs for Women to Address Network, Skills, and Confidence Gaps

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The literature argues that the mentorship of women already in the pipeline is a practice that has mildly positive effects.<sup>171 172</sup> This is because it can help equalize access to informal knowledge, which is an important component of the VC industry. This includes supporting women in accessing previously homophilic networks biased towards men investors and improving their access to collective knowledge highlighted by the literature as necessary for investment success.<sup>173</sup> Not only this, but mentorship and sponsorship can address the “confidence gap” previously highlighted in the literature.

**Mentorship programs that exist for women in VC include the Canadian Women in Private Equity (CWPE) Mentorship Program.** Launched in 2017, this program provides a platform for women interested in senior leadership positions to network, share information and exchange ideas on what works in the industry.<sup>174</sup> Yet the impact of this program in promoting women in the industry still need to be clarified. Further qualitative research with industry insiders can assist with determining impact.

169 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

170 Gompers, P., & Kowali, S. (2018). The other diversity dividend. *Harvard Business Review*.

171 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

172 Srivastava, S. B. (2015). Network Intervention: Assessing the Effects of Formal Mentoring on Workplace. *Social Forces*, 94(1), 427-452.

173 Dzikowski, R. (2018). Women in financial leadership. *Strategic Finance*, 100(3), 38-43.

174 CVCA Central. (2018). CWPE launches second cohort of its mentorship program [cwpe-launches-second-cohort-mentorship-program](#)

## **Facilitate Access to Women Candidates to Address Barriers to Entry**

The literature also notes that umbrella organizations in the industry can help address barriers to entry by facilitating access to talent. This can improve VC firms' access to the pre-existing supply of qualified women candidates.<sup>175</sup>



## **Formalize Hiring and Advancement Policies and Practices to Address Barriers to Entry and Advancement**

The literature suggests that VC firms should formalize their talent acquisition and management processes, as this can reduce the opportunities for unconscious bias to emerge. This formalization may include having written job descriptions and rubrics, policies and practices surrounding hiring and promotions, and the formal advertising of job postings, instead of hiring through informal networks.<sup>176</sup>

<sup>175</sup> Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

<sup>176</sup> Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

### **Address the Use of Gendered Language in Job Postings Which may Pose Barriers to Entry and Advancement**

It has been argued in the finance industry that job postings should assess and address the use of gendered language, which inherently excludes women applicants and deters them from applying.<sup>177</sup>

### **Gender Balanced Shortlists to Address Barriers to Entry and Advancement**

Having gender and racially balanced shortlists for positions, especially leadership positions, within firms, is considered a best practice, as this has been shown statistically to increase the likelihood that women and racialized people are hired.<sup>178 179</sup>



## **Data Collection and Benchmarking**

Several research reports highlight the importance of regular data collection on diversity and inclusion within VC firms at all levels. This data can help focus attention within teams and create the case for mobilizing resources. Beyond simple representation of gender and racial diversity by the level at the organization, it has been argued by various scholars that data collected should include: the number of men versus women and non-racialized versus racialized people hired, promoted and exiting the organization on an annual basis. Research suggests data collection should include starting pay and compensation data by gender and racial identity.<sup>180</sup> Connected to this, it is recommended that VC firms set internal targets for achieving gender and racial parity at their organizations, and that they track and communicate the achievement of those targets internally and externally.<sup>181 182</sup>

<sup>177</sup> Oldford, E., & Fiset, J. (2021). Decoding bias: Gendered language in finance internship job postings. *Journal of Behavioral and Experimental Finance*, 31, 100544.

<sup>178</sup> Johnson, S. K., Hekman, D. R., & Chan, E. T. (2016, April 26). If There's Only One Woman in Your Candidate Pool, There's Statistically No Chance She'll Be Hired. *Harvard Business Review*

<sup>179</sup> Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

<sup>180</sup> Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

<sup>181</sup> International Finance Corporation. (2019). *Moving toward gender balance in private equity and venture capital*. International Finance Corporation, Oliver Wyman, and RockCreek Report.

<sup>182</sup> International Finance Corporation. (2019). *Moving toward gender balance in private equity and venture capital*. International Finance Corporation, Oliver Wyman, and RockCreek Report.

## Advancing Women in STEM to Address Skills and Experience Gaps in the Pipeline of Women Candidates

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Women are under-represented in certain educational and career tracks that can lead to careers in VC. This includes computer science, software development and engineering. However, research shows the low levels of women in VC is not predominantly a skills and experience issue. This is because, over the years, the representation of women in STEM education and careers has been increasing, while the representation of women in VC careers has remained stagnant.<sup>183</sup>

### Participation of Women Angel Investors

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According to the 2023 annual report on angel investing in Canada by the National Angel Capital Organization (forthcoming), the involvement of women in angel organizations has shown a consistent rise since 2017, marking a notable trend towards improved gender diversity in the venture capital sector. In 2022, women made up 37% of angel organization members, a marked increase from 27% in the previous year and over twice the figure from 2019. This proportion is in line with international norms, outperforming several countries, such as the UK, and matching the USA.<sup>184 185 186</sup> A significant contributor to this progress has been the creation of angel organizations with high representation of women or exclusively comprising women, predominantly investing in women-led businesses.

The annual report also mentions that regional discrepancies exist in the distribution of women angel investors, with the highest percentages found in Central Canada (34%) and Western Canada (48%), and significantly lower numbers in Eastern Canada (13%). Interestingly, the investment behaviour within angel organizations correlates with the proportion of women investors. Those with 25% or more women members typically make smaller, but substantially more frequent investments compared to the average for all angel organizations. However, organizations with the majority of women members (90% and above) make fewer investments, indicating the extent of women's participation could influence investment patterns within these groups.

183 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wappp.hks.harvard.edu/venture-capital-and-entrepreneurship>

184 UKBAA (2022). *Women Angel Insights: The impact of female angels on the UK economy*. September <https://ukbaa.org.uk/wp-content/uploads/2022/09/Women-Angel-Insights%E2%80%94The-impact-of-female-angels-on-the-UK-economy%E2%80%942022-report-final.pdf>

185 Jeffrey, S. (2022). *The Angel Market in 2021: Metrics Indicate Strong Market*, Center for Venture Research, University of New Hampshire. [https://paulcollege.unh.edu/sites/default/files/resource/files/fy\\_2021\\_analysis\\_report\\_final.pdf](https://paulcollege.unh.edu/sites/default/files/resource/files/fy_2021_analysis_report_final.pdf) 33.6% in US in 2020

186 Forbes, (2022). *Women Angel Investors: A Movement That Has Taken Off*. <https://www.forbes.com/sites/geristengel/2022/08/03/women-angel-investors-a-movement-that-has-taken-off/>





# Individual-Level Interventions

## Unconscious Bias Training

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Historically, many interventions in the corporate sector have focused on addressing challenges at the individual or micro level. While these interventions, which include unconscious bias training for managers and senior leaders, are noted to have a minimal positive impact, researchers argue **real improvement requires sustained organizational and industry-wide change**. It may be argued that these broader systemic changes lead to alteration in individual behaviour and social norms within firms. <sup>187 188 189</sup>

## Incentivising New Employee Behaviours

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Certain research highlights the importance of incentivising new behaviours among individuals within VC firms.<sup>190</sup> This may include rewarding those who contribute to achieving firms' diversity and inclusion targets. As previously noted, firms must take action to formalize processes where bias may otherwise impact individual decision-making. <sup>191</sup>

187 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.

188 Chilazi, S. (2019). *Advancing gender equality in venture Capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>

189 Dobbin, F., & Kalev, A. (2016). Why diversity programs fail. *Harvard Business Review*, 94(7), 14.

190 Dobbin, F., & Kalev, A. (2016). Why diversity programs fail. *Harvard Business Review*, 94(7), 14.

191 Chilazi, S. (2019). *Advancing gender equality in venture capital*. Women in Policy Program Harvard Kennedy School. <https://wapp.hks.harvard.edu/venture-capital-and-entrepreneurship>



# Methods

Given the exploratory approach of our research question and our interest in the unfolding of a social phenomenon in its usual context, we adopted a qualitative approach using semi-structured interviews with 15 senior leaders and women staff at Canadian and U.S. VC firms to gain insight into their lived experience with diversity and inclusion in the industry. The interviews were conducted via Zoom and lasted between 45 and 60 minutes each. **These interviews aimed to explore the subjective experience of VCs leaders and staff and to understand the barriers and drivers to women's representation in the VC industry.**

## Data Collection

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Before data collection during the spring of 2022, the research protocol was approved by the Research Ethics Board at Toronto Metropolitan University (Approval # REB 2021-564). An Informed Consent document was provided to participants in advance of the interview and their approval was obtained before proceeding. The interviews explored the multiple subjective experiences of VC firms' leaders and staff to understand how those experiences may help unfold the barriers and drivers of women's representation in the industry. We adopted a qualitative research approach that involved the presumption of participants who are knowledgeable agents, openness to the emergence of themes from the data (without preconception as to theoretically relevant constructs), and constant comparison and iteration of provisional conclusions.

Our semi-structured interviews were intended to gain deeper insight into women's representation in the VC industry. Interviews were conducted by one of the researchers, using real-time and retrospective data, and following a predetermined interview guide that covered the following areas: Participants were asked to provide some demographic information including gender, age, socio-economic status, education, racial or ethnic identity, and city of residence. We then asked about their journey within the VC industry. We asked about the VC firm they work with in terms of the size of the firm, their investment portfolio and the types of companies they invest in. We then asked about the number of women in varying roles at the firm. They were also asked about the challenges and barriers to improving the representation of women at their VC firm. Finally, they were asked to explain their strategies to improve women's representation in their firm concerning several factors including, but not limited to, HR policies and practices, leadership and governance, data collection and management, organizational culture, etc. The interviews were conversational in style to allow participants to speak organically and to focus on the material most important to their experience. Interview durations were between 45 minutes and one hour. Interviews were audio recorded and transcribed.



## Sampling

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In order to provide a deeper understanding of how women’s representation can be improved in the VC industry, we recruited interview participants through a process of purposive sampling to ensure they represent multiple stakeholders in the VC arena, including corporate directors and staff. Inclusion criteria focused on two types of participants: senior leaders and women staff at VC firms. **The participants were recruited by Ethical Digital through its professional networks within Women in Capital Markets, Bay Partners, StandUp Ventures, Halogen Ventures and FUSE Capital. The combined reach of these networks included 60 venture capitalists or senior leaders in VC firms across North America.** Ethical Digital sent study information and the recruitment message to these partners via email. The Diversity Institute also shared the call for participants on Diversity Institute social media.



# Data Analysis

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The qualitative analysis is based on transcripts of interviews. Interviews were professionally transcribed to initiate an open coding procedure for identifying common themes that emerged from the data.

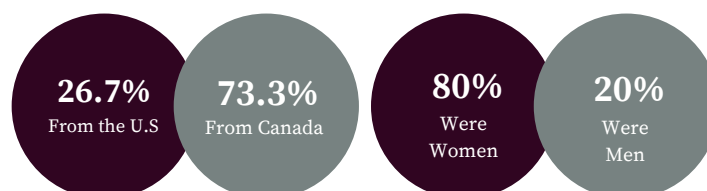
In the first step, two researchers conducted open coding of the interview transcripts. They followed a set of qualitative procedures to identify the core themes that emerged from the data. The process proceeded iteratively as researchers reviewed the initial interview transcripts and collectively developed and refined a set of thematic codes that captured the participant's viewpoints (e.g., barriers, drivers, recommendations, etc.) in improving women's representation in the VC industry. A codebook comprising codes was ultimately identified. The interview transcripts were all coded by two of the researchers. The coded data was then transferred to an Excel spreadsheet with column headings for each code and rows containing the associated interview quotes.

In step two, we proceeded with axial coding. Using the spreadsheet prepared in the previous step, each member of the authorship team was assigned a subset of the first-order codes and tasked with identifying emergent subthemes. Through this process, we identified some themes that cut across the codes used in step one. We then worked in pairs to review each other's thematic analysis and discuss the interpretation, grouping and labelling themes into aggregate categories until an agreement was reached.

To ensure that the category labels were mutually exclusive across the entire dataset, the data was sorted by category label. Two team members reviewed all the data by iterating again between the category labels and the actual interview quotations. Similar categories were identified, combined and relabelled to create a common category. The final categorization of data was reviewed by other team members.

Of the 15 participants, four (26.7%) were from the U.S. and 11 (73.3%) were from Canada. Among interviewees, 12 (80%) identified as women and three (20%) as men. Descriptive information of the individual participants is provided in Table 1.

## Of the 15 participants...



# Table 1: Description of the Participants

Respondent	Country	City	Gender	Race	Position
RES1	Canada	Ottawa	Woman	White	Investment Lead
RES2	U.S.	Seattle	Woman	East Asian	Principal
RES3	Canada	Toronto	Woman	East Asian	Analyst
RES4	Canada	Saskatoon	Woman	White	Executive Vice President
RES5	Canada	Vancouver	Woman	White	Associate
RES6	Canada	Regina	Man	White	Managing Director
RES7	Canada	Calgary	Man	White	Co-Founding Partner
RES8	Canada	Toronto	Woman	White	Analyst
RES9	Canada	Toronto	Woman	South Asian	Intern
RES10	Canada	Toronto	Woman	White	Intern
RES11	U.S.	San Francisco	Woman	East Asian	Founding Partner
RES12	Canada	Montreal	Woman	East Asian	Managing Partner
RES13	Canada	Toronto	Woman	South Asian	Corporate Partner
RES14	U.S.	Seattle	Man	White	Partner
RES15	U.S.	Austin	Woman	White	Founding General Partner



# Findings

Our findings reveal that multiple factors affect women's representation in the VC industry. We now elaborate on these findings in three subsections: barriers, drivers and recommendations. These perspectives were chosen abductively because they aligned with insights from the data analysis and provided useful lenses for sensemaking and theorizing the themes.

## **Barriers**

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Participants identify barriers to women's representation in the VC industry at each of the three levels (micro, meso and macro). At the micro-level, education requirements, effective leadership, lack of networking and learning opportunities, and skills requirements were identified as barriers to capacity building for women in VC. At the meso-level, EDI, organizational structure and culture, and HR issues were discussed. Lastly, at the macro-level, societal barriers, representation of women in the industry and industrial culture were identified and discussed.



# Societal-Level

## Entry Barriers

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Participants suggest that VC is a challenging industry for individuals to gain entry to, especially for women. One of the reasons is the **dependency on networking and relationship-building within the space**. For instance, one participant:

*"They're [the barriers] not maybe unique to women, but women will feel them. I think heightened. But it's just that there aren't many positions and it's entirely a relationship-based position... It was nurturing a relationship for three years and I know that's the case for a lot of my friends or colleagues who have moved into this space. So it's really about who you know. And if your network is limited, then like, kind of, 'good luck.'" — Participant from Canada*

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*"This is one of the most gate-kept industries I've ever tried to break into. I think there are a lot of these old networks where people just know other people who refer them to jobs. You don't even hear about jobs before they're filled." — Participant from Canada*



Furthermore, there needs to be more of understanding of what VC is from their education, making it a difficult field to get introduced to.

*"At that time, I wasn't sure. I heard of venture capital from textbook but nothing like no networking, no alumni, it's basically no other knowledge besides a textbook definition."* — **Participant from Canada**

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*"I guess to go back a step further, it would be pretty easy to not even know that venture capital is an option. Like, I think of my graduating class of my PhD, I don't think most people knew it, or able to describe what venture capital was."*  
— **Participant from Canada**

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*"I wonder how many women actually know that VC exists. You know, because you're just not going through that educational background as well or going into those jobs as much as men are."* — **Participant from Canada**



## Industry Culture

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The industry culture, comprised mostly of white men, can create an environment that feels unsafe by racialized individuals and women. Therefore, survey participants believe that **having a safe space is important when it comes to networking opportunities for women and diverse individuals**. One participant recalls:

*“And so I was there [at a Canadian conference for startups and VCs] and I got to see a lot of very interesting talks and I was lucky that I got to see all these talks... who didn't get a lounge were male partners... they went to the one most vulnerable place that they knew they couldn't get kicked out of, which was which was women's lounge... they [students of colour security guards] were afraid to make these like six feet tall white men leave. And all of the women, you know, just kind of looked at them, but were also afraid to say anything ... There were quite a few misses that made it a vulnerable event and less safe event to be with women, and to talk about our projects, collaborate, share ideas, those kinds of things.” — Participant from Canada*

*“And he takes whatever he wants because he just felt like ‘this was my arena’ ... And just by doing that, it changes the dynamics to all the pains that you have inherited for many generations that you have never been equal.”*

— Participant from Canada

Furthermore, One participant reports finding that adopting a specific tone of voice gained her more respect in male-dominated spaces. She states:

*“I would also say when I'm presenting, or having to speak with certain founders ... I tend to, that was a trick that I learned from Elizabeth Holmes when ... she said, she lowers her tone of voice when she's talking to people, which research proves that if you have a lower tone of voice, you're more likely to be listened to. So, I do that when I'm speaking, sometimes in presenting.” — Participant from Canada*

## Low Representation of Women in the Industry

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In addition to the difficulty of gaining entry to the industry, participants find a low representation of women.

*“Like maybe a handful. You know, like there's hardly any. And so it's just such a slow, slow process for women to be able to start their own fund and really get to the scale where they can really start moving the needle in terms of the bigger VC cheques, or, you know, the institutional dollars.” — Participant from US*

## Societal Barriers

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On a larger scale, societal barriers also affect individuals from marginalized groups' engagements in VC. **Marginalization is a vicious cycle that requires understanding of the systemic barriers that these communities face.** For example:

*“We need to engage our Indigenous population and get them working ... The youth of that community are malnourished and not getting the food that they need. And so you've got kids going into kindergarten class with rotten teeth, because they don't have access to dental care, they don't have the nutrients that they need. And so they don't learn to smile, because everybody laughs at them and makes fun of them when they smile. And they learn to really hate school and being around other people, because, you know, people are making fun of them. And so now you're going to go into that community and you're going to say, ‘You know what, we need engineers for high paying jobs that are mining companies’. And you're going to take that kid out of Black Lake and you're going to throw them into a five- or seven-year engineering program at the University of Saskatchewan, and then wonder why the success rate is lower than non-Indigenous successes. So when you put it into perspective like that, I think it really starts to show some of the challenges”. — Participant from Canada*



# Organizational Structure & Culture Issues

## Absence of Diversity Focus

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At the organizational level, there has been an absence of focus on diversity within the organizations. One Canadian participant acknowledges that **the experience of working with diverse cultural groups allows for better understanding**. She explains:

*“Because we don't have much diversity in terms of race within our organization. I have yet to have the opportunity to build some of that [diversity] in. But because of the work I've done with Indigenous groups, there is an appreciation for the specific attributes that different races bring to the table. For example, when we're investing with First Nation Métis partners, we look at generational investing. So, it's not just about the returns ... but it's what returns that investment will provide for the next generation ... It's different measures of success, and we definitely have a better understanding having dealt with different cultural groups as a result.”* — **Participant from Canada**

Another participant describes finding it difficult to know what is or is not appropriate to ask when engaging with potential investors, especially in regard to their identities. She explains:

*“We're always trying to increase the diversity of our investments or the founders, but it's really hard to know until we're at a point where it's appropriate to ask ... usually, we take a deal-screening call first so we don't even see them. You can look them up on LinkedIn, but we can't tell half the time ... I can see that people in different contexts can be uncomfortable identifying their ethnic or racial identity as well.”* — **Participant from US**

## Absence of Gender Focus

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Participant 9 describes the challenges in diversifying the hiring pool, including conscious or unconscious biases against diverse founders:

*“But then you have to take active efforts to hire outside of the typical kind of circles and there's like this myth. I had someone ask me, “What if you had a diverse team with a not-so-good product, but then a non-diversity with a stellar product, like what would you invest in the diverse team?” I felt that the insinuation in that question was that the diverse founders can't create good products, which is not the case. Every diverse owner I've talked with has been phenomenal, but there is still that implication that you'll have a lower return on your investment if you prioritize diversity.”* — **Participant from Canada**



## Lack of Respect Towards Women

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There have been incidents described by participants of the lack of respect towards women. For example, one participant describes:

*"There was another girl and she had a certain set of responsibilities taken away from her and given to that new director. She found out about it in a meeting ... that the new director would be taking on these roles and she wasn't even told that beforehand. [Her role] drastically changed. Really minimizing..."*

— **Participant from Canada**

Furthermore, she details a particular example of her and other women's opinions being minimized and disregarded by their men counterparts:

*"There's [other colleagues who are] male and they don't listen to her [female director] ... And, for example, when we were hiring new staff ... the four females [colleagues and interviewers] all thought that this [the interviewee] is not the right person, we should not hire this person. The two males [colleagues and interviewers] felt that she should be hired. And so they hired this person. So, just a general lack of consideration of female opinion, is what I see."*

— **Participant from Canada**



## Male-Dominated Organizational Culture

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Participants note that there is a sense of exclusion when it comes to the relationships between the men and the women in the company. For example, she describes:

*"We have one female director. And she has told me that she feels like there's a boy's club ... The relationship between the male ... directors and the male staff is different. You get on a call, and they talk about football. I hear the female sitting there on the call, it's uncomfortable because sure, I like sports, but I can't contribute to the conversation. So you end up sitting sort of quietly on the side. And not able to participate in ... making those relationships deeper."*

— **Participant from Canada**

Moreover, one participant observed differing expectations for men and women staff members. She expands:

*"I do feel that I'm treated differently than the male staff. The male staff seem to be able to ... say, 'Oh, I'm too busy.' And they're [other male staff] like, 'Oh, yeah, cool. That's fine, whatever.'" But I ... I don't get the sense that is easily accepted from the female staff. We're [female staff] expected to be a little bit more accommodating. Whereas the male staff seem to be able to say no to things more easily."*

— **Participant from Canada**



## Unfair Treatment of Women

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Women have identified the lack of fairness in their organizations, making retention of women at their companies difficult. One Participant suggests:

*“We lost two of our female colleagues recently ... Because ... they felt a lack of fairness ... at the organization ... Retention [of women] was poor at the organization in general.”* — **Participant from Canada**



## Building the Pipeline

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When asked about the challenges in building the pipeline and recruitment, one Participant finds a general lack of diverse representation in applicants for applying to the company. He further suggests that the first step to increase gender representation should start with getting more women interested in the industry. He explains:

*“Yeah, I would say that ... the lack of racial diversity for our fund would be reflective of something that's not working, or something in the hiring process ... where we are not choosing them or they're not choosing us. Whereas the lack of women representation, I would say is proportionate to our application base ... we could solve the problem by getting more women in, wanting to be in this industry. And I would like to think that our hiring practices [and outcomes] would then start reflecting that...”* — **Participant from Canada**



Participants find it most difficult to hire more women at senior or leadership levels. Some participants suggest that the lack of opportunities for women at the entry and associate levels contributes to an overall lack of experience accumulated for women compared to men, especially in the senior or leadership levels. Therefore, **companies must ensure that women are equipped with the same resources and opportunities from the start of their careers.** One participant explains:

*"I mean, even by the time you get to two years of experience hiring an associate instead of an analyst, the landscape has completely changed because women haven't had the same opportunities, so your pipeline is going to be 80 percent men, even just two years into the career ... the men have actually had more opportunities for growth and now when I look at the candidate slate, it's 80-20 [80% men, 20% women]. Let alone five years in. So, you know... the promotion weeds out women ... I mean, two years ago, our intake was 100 percent women ... I almost have to hire 100 percent women at the analyst level for it to work out by the time we get up to up the principal. Because it's extremely hard to hire women at the VP and principal level. They're just very few in the community."*

— **Participant from Canada**



## Career Advancement

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In terms of career advancement, participants describe seeing their men counterparts being able to bypass formal hiring process and given opportunities that were otherwise inaccessible for other equally capable and skilled employees:

*"[When the organization had] grown enough, we needed a third director. He was appointed, there was no competition process. They sort of hand-picked him ... and just gave him the role. And I do feel like it was because of-, I mean, as a capable person, but...there was other equally capable people that were not ... given the opportunity to...to apply."* — **Participant from Canada**

When asked about some of the barriers they observed for women looking to advance their careers, another participant reports:

*This is something interesting that I found with some of my other women friends in corporate levels right now is, even if you're doing the best job, when you get your performance review, they'll find something that you haven't done yet, that needs to be the case before you make it to the next level."* — **Participant from Canada**





One participant further describes the competition she observes from her male colleagues, and the need for her to undermine her achievements due to underhanded comments that isolate her. She explains:

*There was never an anticipation of growth or progression. I think the challenges that I'm anticipating was... The first one is competition against promotion. Male colleagues feel threatened when I'm doing well. I feel the need to always undermine my own accomplishment. And I have had very underhanded comments, like 'You're doing so much better than me.' I have never gotten a comment like that from a female ever. It's always been from a male. They're like, 'Oh like you're doing well,' as if this is a surprise." — **Participant from Canada***

Another participant observes a **discrepancy between the level of diversity at the entry or management levels and the level of diversity at the senior or leadership levels**. She describes:

*"I noticed that the manager or the earlier career levels, there's a lot more racial diversity than a more senior level. But I feel like the trend that I'm seeing at least is a lot more younger women in venture are racialized women but not so much in the more senior positions." — **Participant from Canada***

## Organizational Culture

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Participants propose that there is still an exclusive culture in how men are participating in the organizational space as compared to women within the VC industry. For example:

*“The challenges are the stereotypical ones that you think of, and you hear of, when you talk about, you know, people that identify as female, in roles within venture capital firms, it is very much a boy’s club. A lot of these transactions happen on the golf course, a lot of them are relationship driven. Which means that if you can’t talk about the ball game, or the hockey game, that you just don’t have anything to talk about with your target clientele.”* — **Participant from Canada**

A different participant also shares similar observations regarding the exclusive organization culture. She expands:

*“I feel like some of the things that you need to do to feel part of the, like it is literally a club, to be honest. I’ve been in a lot of networking events where it’s only been me, and maybe one or two other women. [I am] Muslim. I don’t drink; I don’t smoke. But that’s the [organizational] culture. The drinking culture is one that I really struggled with because I actually have never been asked so much about whether or not I drink until I started working full-time. I find it’s like if you’re not in those environments where, like, people say the golf course is where deals get done, I don’t play golf.”* — **Participant from Canada**



## Policies and Practices

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**Despite having the EDI-related policies and practices in place, participants find that they are not informed about them.** For example, one participant says:

*“But if you really dig into what are you doing about [diversity and inclusion], there's almost nothing that people do about it. They just go, but we should just be aware. And I, as a person who advocates for a lot of things, I've never found a good answer.”* — **Participant from Canada**

Another participant describes the lack of formal process that comes with EDI policies and questions their legitimacy.

*“I think we just had a conversation about this [sexual harassment policy], but we just hit a size [a certain number of employees]. . So, I think you're legally required to have certain policies in place when you have X number of people and we're in the process of putting that together. But is there a formal process today? I don't believe so.”* — **Participant from Canada**



## Type of Business

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With regards to the industries women tend to be a part of, it has been found that they are more likely to be involved with companies with a focus on environmental issues or human health. However, those companies are not commonly funded or invested. One participant describes:

*"I realized women are starting or joining companies improving the environmental or human health more than any other. They're not getting funded. These markets, in particular, aren't happening, are not being invested in taxes."* — **Participant from US**



## Parental Leave

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Although increasing attention has been given to parental support in organizations, participants suggest that **parental leave is still a barrier for many in the workplace**. Furthermore, the consequences are often implicit. For example:

*"I mean, it's hard to say penalized, but you get overlooked. You get forgotten, almost. I've not been around for a year [on parental leave] and when I came back, I had to beg for work. It took about six months before I actually had what I would consider a full workload again. And so, that was frustrating as well. And, it's like not only did I lose the time that I chose to take for parental leave, I lost months on the return side of things as well."* — **Participant from Canada**

There is also a difference in expectations observed between men's and women's parental leaves. One participant explains:

*"We don't treat a father and mother the same under our laws, or expectations for parental leave. I will say that a lot of our founders, and our men investors within [VC firm] have taken parental leave as they have a child. But there isn't symmetry here in how society thinks about parental leave for men and women."* — **Participant from Canada**

Furthermore, some participants describe the pressure that comes with taking time away from work. For example, another participant describes:

*"The industry has been really fast. And if you're not in it consistently, you are at a disadvantage. So it's the constant pressure of staying involved and staying and having a pulse on what's going on."* — **Participant from Canada**

And for women VC investors, they are often met with the decision of when to have children. One participant recalls:

*“When I was first getting into the family office, a different investor from a VC fund in Canada, he’s a higher up, he’s a senior principal or a partner or something. I asked him what advice he had for me as an investor. And he looked at me and said, ‘Well, I don’t know exactly how old you are, but you might want to think about freezing your eggs.’ And he said, ‘I’m only telling you this because that is what other women around certain ages have been telling me that they wish that they did this so that they can have their freedom, they can have their choice later or whenever they want, but that is time.’ I was like, that’s a very odd specific thing to say.”* — **Participant from Canada**





## Hiring Practices

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### Unconscious bias remains a major barrier in hiring for diversity:

*“What I notice is, we are still at the stage broadly and thinking about this as a community that feels like affirmative action, and that is offensive... And I think there are two important things happening that are not part of the conversation. The first is the recognition in ourselves that we are subjected to significant biases in that evaluation of [candidates]. We all have more significant unconscious biases than we're aware of. And this diversity, this is not going to change until we do that.” — Participant from Canada*

As a result, one participant believes that **bias training is crucial**. She states:

*“There is no bias training, which is something that I've suggested that they do, but we haven't actually done it yet. I think that's pretty important to have.”  
— Participant from Canada*

Another participant suggests that while diversity should be considered in hiring practices, **we should also be mindful of the number of diverse people interviewing with each company**. She expands:

*“I was at a Women in Tech in France last year in March during Women's International Month. One of the things that they said about general hiring for diversity practices was, you can hire whoever you want for any position. But if somebody were to ask you, ‘How many women did you actually interview for this position, what would you say?’ So it wasn't even that they weren't hiring, they weren't actually even interviewing the right amount to have a meritocracy forward-based system.” — Participant from Canada*

# Individual Level

On the topic of individual level barriers, participants identified challenges related to educational requirements necessary for career advancement in the VC industry, poor leadership, lack of networking and learning opportunities for women, and shortage of skills necessary to excel in this industry.



## Educational Requirement

On the micro-level, **education remains a major factor for career opportunities in VC**. Overall, the industry is occupied by highly educated individuals. This participant describes the level of education at the workplace:

*"Most of us are engineers with at least an undergraduate degree in engineering. I would say the majority [of my colleagues] has a master's degree. However, there's a split between a master's degree in either business or a more technical field. And a couple people have PhDs, so a very educated group of individuals for sure."* — **Participant from Canada**

Furthermore, the type of degree may impact who gets into the industry and who does not:

*"I know educational background is a barrier, even like what you studied in schools. You'll find a lot less in liberal arts backgrounds versus those with engineering or computer science backgrounds."* — **Participant from Canada**

Two participants believe that an MBA degree is very useful for career advancement and networking opportunities. This participant states:

*“Credentially, I got my executive MBA and it was one of the best experiences I’ve ever had. It is a personal investment. It’s opened up a lot of doors that would not have been available to me, I think, including getting into venture and angel investments, post engineering.”* — **Participant from US**

Another participant further suggests that an MBA degree opens up opportunities in senior or management positions:

*“It definitely takes time to get moved up from a junior position to a senior position, and after seeing the backgrounds that most people have as a senior or even as a managing partner, you kind of need an MBA. It’s not a requirement, but you see people who have an MBA in more senior role. So that definitely makes you think more about how you want to advance your career. You get a sense that you have to get some sort of higher-level education if you want to move forward.”* — **Participant from Canada**



## Effective Leadership

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One participant suggests that although EDI efforts should come from the leadership level, she has not seen much change within her organization. Moreover, **conversations around gender equity and representations of women have been met with resistance or a lack of interest.** She describes the reactions she received as discouraging:

*“The leadership side of things hasn’t been very proactive. I’ve also done some research or looked into some research that was sent to me by some behavioural economists on our other team from our sister company, and wanted to pass that along [to senior leadership] and open up discussion around how we can track diversity in our portfolio fund but there was just never really any pickup around it. So, again, I don’t want to push further because of the first reaction I got the first time around.”* — **Participant from Canada**



## Networking and Learning Opportunities

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In terms of networking and learning opportunities, one participant suggests that there is favouritism towards those who have the best relationships with the directors. She explains:

*“In terms of opportunities for networking, and for special types of work, again, I do feel like it's the kind of people that have the best relationships with the directors.”* — **Participant from Canada**



## Skills Requirement

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One participant explains that **just having the skills isn't enough; having the opportunity to showcase those skills is equally important.** She expands:

*“It's not about your race or your gender, but it's the skills that you bring to the table. Then, you know, the opportunities also need to be available for you to showcase those skills. That's where I feel like there is a responsibility for people like myself who have been in the industry and have been lucky enough to have mentors that supported me.”* — **Participant from Canada**



## Drivers

In addition to the barriers, the respondents also highlighted some of the key drivers for women representation and success in the VC industry. The biggest drivers reported by the respondents are the monitoring and tracking of team diversity (28.8%), followed by mentorship, networking and learning opportunities (15.1%), management commitment and support (13.7%), and inclusive organization culture (12.3%). Inclusive hiring and recruitment practices (11%) as well as delivering value through high performance (8.2%) were also cited as important factors driving higher women representation in the VC industry.



## Key Drivers

Monitoring and tracking of team diversity

**28.8%**

Mentorship, networking and learning opportunities

**15.1%**

Management commitment and support

**13.7%**

Inclusive organization culture

**12.3%**

Inclusive hiring and recruitment practices

**11%**

Delivering value through high performance

**8.2%**


# Tracking Team Diversity Data

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**Monitoring and keeping track of internal team diversity status have been reported as the biggest driver for the implementation of inclusive policies and practices by 80% of the VC firms interviewed.** Some of the VC participant firms have mentioned dedicated metrics for monitoring the EDI status of the management team of their current portfolio companies, and also as a part of the due diligence process of potential organizations that are in the investment pipeline. Some participating VC firms have special capacity building and awareness programs for promoting a diverse team in the startups as well as VCs, and have internal KPIs for determining their investment portfolio composition with respect to representation of women and other minority groups in the founding team or the board. One participant's VC firm has made it mandatory for the portfolio firms to report EDI progress as a part of the annual audit report. A big reason for these initiatives is that many of the institutional investors of the participant's VC firms are pushing for collecting, tracking and improving the EDI status of the portfolio firms as well as improving the respective VC's internal EDI situation.







*"So we do track that and, and we have those numbers. We pretty clearly have strong diversity or representation of different groups...in our investment team, so I think that's the qualitative goal. We track and report on the diversity of all of the boards of our portfolio companies, and that's primarily observational data although we're trying to shift that to survey data."* — **Participant from Canada**

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*"There has been an effort. They're trying to have more female representation on the companies that we fund. There are surveys that we do around our investment portfolio to see how many female CEOs we have and how many management teams of these companies actually have women in high C-suite positions."* — **Participant from Canada**

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*"With our investments in where we are, over half of our portfolio has women founders, or at least one women founder in that area and over half were people of colour. And we also were trying to look at diverse locations. We actually intentionally wanted to make sure that we were tracking..."* — **Participant from US**

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*"Our firm does complete surveys for our institutional investors. And so the consequences of not committing to a DEI strategy are that the next time we raise capital, that investor won't reinvest with us...There are financial consequences there. We are interested in sort of looking at our portfolio companies, and kind of quantifying and creating the DEI story around those."* — **Participant from Canada**

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*"We have our diversity, equity and inclusion policies... They have full mandate reporting, they report annually in the annual report on progress and any measurable objectives that have been set toward achieving what they said."* — **Participant from Canada**

## Mentorship, Networking and Learning opportunities

**Mentorship, networking and learning opportunities from internal and external sources have been cited by 53% of the respondents as one of the key drivers for higher women representation in the VCs.** Coaching and mentoring from direct managers as well as internal training programs were reported as effective tools for supporting the learning and career growth in these firms. One respondent talked about attending conferences to broaden their knowledge about the ecosystem and expand their connections.



*"I've been very lucky in the fact that all my managers have been very, very supportive of me, have opened doors. This team in particular, they're spending a lot of time on the things that I said I wanted to learn. They've given me a lot of opportunities; I've been very blessed. I was trying to learn something completely new and our principal investors sat with me so many times, like, I called them three times in one day. And each call was half an hour to 45 minutes, and he would answer all my questions. Even though they're like the stupidest questions ever. And I was just thinking about them, like I don't know what I did to deserve people like that, who are willing to invest so much airtime." — **Participant from Canada***

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*"I would say everyone is very active in mentorship. Just about everyone on the team in some capacity mentors, regardless of gender. I know [leader's name] was quite deliberate in building out the team and in doubling in size, to do so by adding diversity to the team." — **Participant from Canada***

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*"In terms of the mentorship angle, we've brought on some strong resources last year, and I think we'll have the structure in place where we can be hiring analysts that are, you know, really smart and driven. We can bring them into the fold and they'll be trained really well. And what I love about that long term is, if you do a good job of working with them and you train them well, not all of them stick around and a lot of them want to go; we'll have all these good allies spread across Canada and understand, you know, the value we bring to the table." — **Participant from Canada***

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*"If my manager was invited to any conferences, he will definitely bring us with him. So in that sense, definitely have lots of opportunities in that work to expand my personal or professional VC connections, and also to broaden my view on VC in general. That's something that we're really grateful for, those opportunities. Mentorship-wise, our managing partner is really open to offering help at any stage. So, I will say that that's a really unique position. I think that the opportunities that we have to network, to attend events, those are, I guess, higher or about average, than larger firms." — **Participant from Canada***

## Management Commitment and Support

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Without management commitment and constant support, it is impossible to implement any positive change and sustain it in the long run. **One-third of the participants' VC firms have recognised the contribution and support of the management team and mentioned the importance of their engagement as one of the primary drivers of making the VCs and the portfolio organizations more inclusive.**





*"It all depends on your management director or your supervisor. Our supervisors are really being more like everything that if you are open to talk with, he will be really happy to chat. And then he really promotes work life balance. In that sense, I guess I don't really feel the gender difference that much. I am really glad that I'm surrounded by a really supportive managing partner as my supervisor; the care that he showed, really makes me feel comfortable. So he's really cognizant of the situations in terms of ethnicity." — **Participant from Canada***

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*"I was talking to the managing director and she was like, 'Look, even if you don't take this job, I will help you negotiate your other salaries and I'll talk you through how to do stuff like that, if that's what you're interested in. I care a lot about your career.' And this is before I even had signed the paper." — **Participant from Canada***

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*"They're currently running a mentorship program. I've done a lot of fellowships, front row ventures, housing mentorship programs. I just got really lucky my direct manager is a woman and she's been incredible in every single way." — **Participant from Canada***

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*"I don't know if this is factual for our fund, but just in general, a lot of the companies that we invest in have very strong diversity and inclusion compositions or policies in place. And so it's a little bit where it's like a downstream and upstream, I'm sure. Upstream being investors, downstream being companies that want to get funded by us, right? So, there's a little bit of, probably push from both ends." — **Participant from Canada***

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*"Rather than like, oh, hey, founders aren't talking to you because you don't have any women on your investment team. Like that's a real problem. And that can only happen socially because, you know, hey, we don't like your politics. I think that power waxes and wanes depending on how well the venture market and the public and all of this stuff is doing. But I mean, we have founders in the [redacted] portfolio who work with us and don't want to work with one of our competitors, specifically because there's a partner there who is not aligned with their values. And that is, at some level, a competitive advantage...or disadvantage. Where you can only be so awesome at being a venture capitalist, but if you're a shitty person, there are lots of people who won't work with you. You can probably still do very well, but, yeah, you know, reputations matter." — **Participant from US***

## Inclusive Organization Policies and Culture

**Around 47% of the participants' VC firms acknowledged the significance of having an inclusive organizational culture as an important factor for supporting and promoting EDI practices within the firm and for the portfolio companies as an integral part of the investment process.** Many participants' VC firms mentioned having flexible work hours and accommodating work culture, particularly regarding the company policies related to maternity leave and work-life balance. Some participants talked about the “people-first” culture to support the team and lift the team morale in these VC firms.



*"We let both dads and moms take parental leave. The company supported me because I knew that I couldn't be away for a full maternity leave. And so the company topped up my salary. I worked through my whole maternity leave, but I was at home with my baby, and I continued to move projects forward. So, I think it's just the flexibility more than anything."* — **Participant from Canada**

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*"So for us, we're kind of people first. So, we support our team. We are virtual team, So we have, in a sense, flexible hours. Really giving kind of that balance to take care of family and being caregivers. We are family friendly and flexible from that standpoint."* — **Participant from US**

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*"We moved offices and put a maternity room into the new office. That was something that was pushed for by the women on the team and I thought it made total sense."* — **Participant from US**

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*"In terms of parental leave, it's entirely flexible and accommodating. And certainly around childcare, you see that with a number of members of our team, we are aware that life doesn't follow a nine to five and nannies are on different schedules than your meetings. There's a really accommodating workplace, I would say, from what I've observed."* — **Participant from Canada**

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*"[On the DEI committee at the firm] It's actually coming up with the action plans of how we're dealing with internal policies, and I think there are more plans being implemented around how do we make sure that we have an inclusive culture."* — **Participant from Canada**

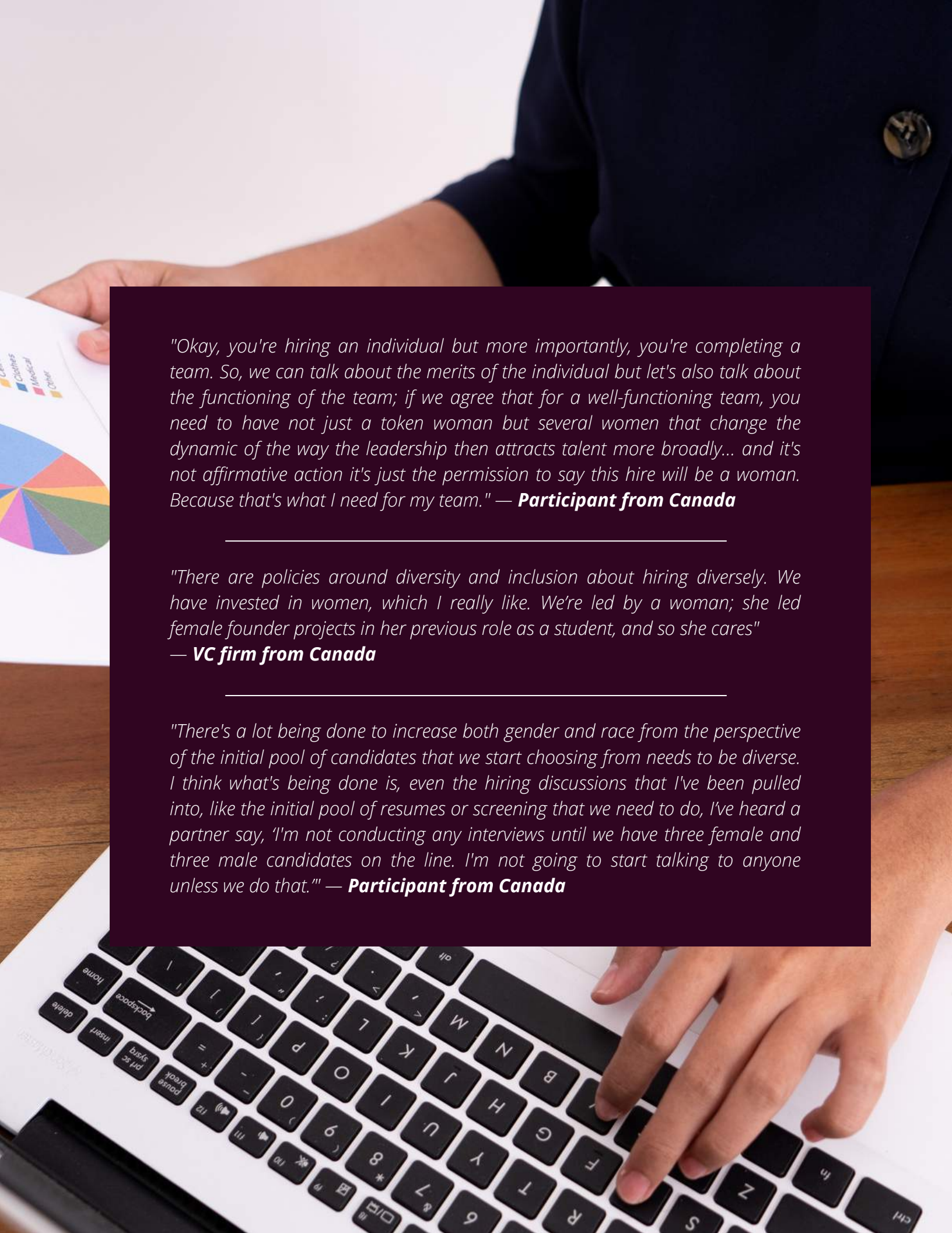
## Inclusive Hiring and Recruitment Practices

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**One-third of respondents' VC firms highlighted inclusive hiring and recruitment practices as an important driver of higher women representation in these VC firms.** Inclusive hiring and recruiting practices refer to building a high-performing team driven by management support for EDI factors at the forefront of decision-making. Creating a transparent and inclusive recruitment policy, and more importantly, implementing these policies into the organization's hiring practices is very important in building a diverse and inclusive workforce.







*"Okay, you're hiring an individual but more importantly, you're completing a team. So, we can talk about the merits of the individual but let's also talk about the functioning of the team; if we agree that for a well-functioning team, you need to have not just a token woman but several women that change the dynamic of the way the leadership then attracts talent more broadly... and it's not affirmative action it's just the permission to say this hire will be a woman. Because that's what I need for my team." — **Participant from Canada***

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*"There are policies around diversity and inclusion about hiring diversely. We have invested in women, which I really like. We're led by a woman; she led female founder projects in her previous role as a student, and so she cares"*  
— **VC firm from Canada**

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*"There's a lot being done to increase both gender and race from the perspective of the initial pool of candidates that we start choosing from needs to be diverse. I think what's being done is, even the hiring discussions that I've been pulled into, like the initial pool of resumes or screening that we need to do, I've heard a partner say, 'I'm not conducting any interviews until we have three female and three male candidates on the line. I'm not going to start talking to anyone unless we do that.'" — **Participant from Canada***

## Delivering Value at Workplace Through Merit

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The participants' VC firms mentioned that the representation of women is not just to achieve metrics or comply with the investor demands. Women contribute significant value to these organizations through their knowledge, high performance and sincere hard work.

**A venture capital firm has reported that women tend to be more creative and willing to take innovative, outside-the-box approaches compared to men, who are typically more process-oriented.** Women professionals in these VC firms often go above and beyond the financial metrics, focusing more on the bigger picture and the social contributions. Women founders are also cited as better performers as leaders and founders and reported spending less money than their men counterparts.

*"We were very cognizant of making sure we were interviewing both men and women. It was interesting. We got a lot of men applying. There are a bunch of women who really exceed the qualifications and a ton of men who don't even meet the qualifications and still applying, but we didn't have any women applying that didn't meet the qualifications."* — **Participant from US**

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*"I think that's more of a personality type than a gender identity piece. So, and maybe just by virtue of what I do for a living, like identifying gaps, I launched new funds. I'm never doing anything where there's a playbook for it. I'm creating a playbook. So, you know, maybe it's just my personality; I am all about risk. I'm good with that. Whereas my male counterparts are very process-driven, you know, every deal that they do goes through the same process in the same steps. The other thing is, I've definitely noticed the difference in how I approach things as a female versus my male counterparts. I'm much more interested in the bigger picture and the long-term success and brand, doing the right thing. You know, there's enough in this for everybody, which is not your stereotypical venture capital mindset."* — **Participant from Canada**

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*"There are lots of lots and lots of stats in VC about how female founded companies outperformed male companies founded companies by a lot. Not even by a little. And they also ask for way less money. They also ask for less; I'm saving a ton of money, but, you know, this is why you got to do more."*

— **Participant from Canada**

## Other Drivers

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Few other drivers mentioned by the participants include improving capacity building opportunities and educational degrees, EDI awareness, the need for a diverse investment portfolio, and women entrepreneurs asking women investors to invest in their firms.

Two participants highlighted the importance of education and personal development in the VC industry.

*"Credentially, I got my executive MBA, and it was one of the best experiences I've ever had. It is a personal investment, like no brainer would do it again. It's opened up a lot of doors that would not have been available to me, I think, including getting into venture and angel investments, post engineering."* — **VC firm from the U.S.**

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*"A bigger part of our mission is to educate and invite more women to invest in the ecosystem. We do lots of co-investments as well, and so far they [women] have invested an additional 50% on top of what the fund has invested in our deals."* — **Participant from US**



Another participant mentioned the importance of increased awareness about the importance of EDI in the workplace as a driver for the VC industry.

*"We do not have a specific policy. I will say that we have changed the way we deal with that, but I think as more awareness has been created within the general public and the market, the more females we get in different roles. That has definitely stemmed and so there's definitely more awareness, but not a specific policy."* — **Participant from Canada**

The importance of having a diverse investment portfolio was also highlighted by a participant as an important factor driving the VC industry. Requests made by women entrepreneurs to women investors to invest in their women-owned startups was also mentioned by the participant as a driver.

*"We were able to go after some programs that we knew were incubating a pipeline of Black and brown women for venture. So that was perfect, you know. Then, we could be like, 'Here's our profile; please have anybody interested apply.' And we had to do this in our profile, actually in our job screenings..."*

— **Participant from US**

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*"So few women entrepreneurs getting the VC dollars, of course. You know, a lot of those women aren't being asked to invest so we ended up being more proactive about inviting women to invest, and we've been doing some more educational things about here's how capital calls work, and here is what the Two & Twenty model means and, you know, just why it's important to change the gender dynamic in the VC ecosystem."* — **Participant from US**





# Recommendations

The discussion with the 15 participants generated a few recommendations for improving the level of women's representation and their impact in the VC industry. The recommendations are grouped into three levels: societal (macro) level, organizational (meso) level and individual (micro) level. The following sections delve deeper into the recommendations suggested by these participants.

# Societal-Level

## Government Initiatives

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At the societal or macro level, the participants made some recommendations and suggested policy improvement initiatives. **Government funded programs supporting women and other minority groups were a common theme among the participants' discussions.** Two participants discussed the potential of government initiatives similar to Innovation, Science and Economic Development Canada's Venture Capital Catalyst Initiative (VCCI) program that could provide government subsidies for internship or co-op programs to attract young talents in the VC industry.



*"Venture capitalists are about what makes it easier for us to do business, and what makes us more successful in our business. So, I think even programs like the government's VCCI program, where they have fund focused on under-represented so whether that's female, Indigenous, regional, you know, they've got funds that that they're looking to invest. And so I think programs like that are good, paying for positions. So, if there was an internship that was paid for that, you know, reduces the risk even further for an organization."*

— **Participant from Canada**

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*"I think most of the funds definitely leverage student co-op, kind of that part of the reimbursement all that sort of tax credit. I think some banks have designated like Woman's Discovery Program... If there's some extra benefits or compensations for the VCs (like some accelerator programs do), like Black only, or women's only funding. Like Femtech, for example. It's like a big buzzword in the startup world because there's like designated benefits for that kind of industry. So something with women to be entitled with, I guess that will help with the recruitment or not. So trying to get another lens in the VC world. ."*

— **Participant from Canada**

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*"If there's ever another VCCI initiative in the next couple of years, making sure it's embedded directly into that. It's a big injection of taxpayer money. We have a small allocation this year towards diversity. But that's trying to create new arms with funds within the industry operating by new rules. Whereas I think if we wanted to go down this path, the bulk of the funding, \$350 million of it is going into the old industry it doesn't really come with those stipulations. Is there something there where they can say , instead of creating a whole bunch of new fund managers, which creates its own set of challenges and risks, but I do like that approach. What if we forced the old boy's club to construct itself differently?"* — **Participant from Canada**

One participant mentioned that **government initiatives, particularly during the early stages of funding, that provide women-owned startups with the necessary market linkage support and supply chain connections to build their network is much needed.**

*“What could be interesting is I know a lot of startups that we work with look to government for support at the earliest stages. So I should have mentioned that to where we're working at seed in series A level so still quite early in the process... I think support for programs such as women in VC could be really interesting. How do we build that network? How do we connect that across Canada, but also across like, the different industries. And I think that network is going to be huge. So not sure how that could lead back to government reform. But how do we maintain women lifting each other up type of thing?” — Participant from Canada*

Another participant also highlighted the importance of **funding research programs that lead to action-oriented policy reforms within the VC industry.**

*“Government could fund research into understanding people of colour and those demographics that you mentioned. Like funding the research to understand where exactly it is, and I guess this might be what we're doing right now. But I think we don't truly understand the root of the problem. And before we get to that point, you have to know what works right. And I mean, there's that one thing I like research is great until someone doesn't read it, and doesn't know how to make it actionable. Maybe that's something that has to be coming from the government side to some sort of initiative that forces and like institutions to listen and make a change.” — Participant from Canada*





# Organizational Policies and Practices

From the organization level, some of the recommendations suggested by participants for the higher representation of women and other minority groups in the VC industry are training and knowledge mobilization initiatives, specialized institutional funding pool for VCs to invest in startups owned by women and under-represented groups, undertaking thorough due diligence for managing funds, and suggesting positive reforms at the formal education level.



## Training and Knowledge Mobilization

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This Participant suggested the importance of knowledge sharing and training sessions to build the capacity of the young professionals and students working in the VC industry.

*"I found these VCs, like some capital founders and student cohorts where they're taking groups like emerging fund managers and you're actually giving them training. They also have a class that they can help support each other, to share leads. This help each other refine pitch decks or, you know, portfolio models, things like that, so I think that those are helpful as well."* — **Participant from US**

## Institutional Investors

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Another participant mentioned **the need for more dedicated funding for equity-deserving founders in the VC ecosystem** and suggested industry players to form a common funding pool to invest in startups founded by women and other equity-deserving groups.

*“There are funds that are dedicated to only funding women or funds that are dedicated to only funding under-represented founders, and I don't think we find that a lot in other industries. And so that's really awesome. But I think that there needs to be more partnership and more funding...and a lot of big venture capital funds have a fund of funds program. And I think it's imperative that we invest in funds that are smaller, that are focusing on the represented boundaries.” — Participant from Canada*



## Due Diligence

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Due diligence is an integral part of VC operations and this process helps filter out the right candidates for investment from the existing pipeline. One participant suggested the VCs to create a fund of funds for women startups and conduct detailed due diligence to monitor and track the effectiveness of the use of the funding pool.


*“There should be more of an effort around fund of funds, that if institutions aren't able to do diligence on such a small fund, it's under \$50 million or under \$100 million, under \$250 million then and understand why. Cause if they're managing your \$5 million and you've got five people, you can't do that. But you could do like the fund of funds, or leverage one and there's staffing, and I know there's a bunch of issues. But at least start moving the needle.”* — **Participant from US**

## Education Reform

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VC-related research studies as well as the formal education system continue to be dominated by the narratives and representations of men. By disrupting the social and cultural norms embedded in the status quo of post-secondary educational programs, the VC field and course specific specializations such as financial due diligence can begin to reflect increased representations of women. These programs can be further enhanced by providing students with opportunities for job coaching, mentorship and virtual and/or simulated professional development. Additionally, scholarships that are geared towards women entering VC occupations can be in improving the recruitment and retention of women in the field.

At the organizational level, One participant mentions that **it is important for VCs to be culturally relevant and responsive when designing training and mentorship programs for diverse populations and vulnerable communities.** Acknowledging the skills-and-needs gaps of certain cultural groups such as Indigenous communities in relation to VC education, can provide congruence between cultural expectations and occupational knowhow.



*"I think programs to get females interested in the type of work that VCs do. Whether it's on the technical due diligence side or financial due diligence side. Both of those fields, in universities, are male dominated, like one hundred percent. And in terms of racial diversity, maybe, maybe that's not quite as drastic as the, the female male divide but it's still exist. So any sort of like early coaching, exposure, scholarships, mentorship, anything like that, then kind of can get a young girl, or young person who identifies as female into the mindset that 'I belong in this space' would be incredibly beneficial." — **Participant from Canada***

## Organizational Culture and Policy

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As VC firms continue to improve the work-life balance of employees, one area in need of development is parental leave. Although tasked with responsibilities that require time away from the workplace, a participant identified a need for employees to maintain involvement with their organization, in particular through the development and implementation of a return-to-work support system or contingency plan. **Working in collaboration with the employee on parental leave, the contingency plan would serve as a roadmap detailing the professional development and mentorship support employees will receive as they transition from and back into their roles.** This should provide further opportunities for employees to maintain engagement with the organizational culture as it evolves.

*“A little bit of structure around how parental leave will impact a person. So, having a more of a plan of how you'll keep that person engaged, or in mind, or involved while they're on parental leave. I mean, to some extent, you want to be left alone because you're busy with your children and you want to focus on them. But at the same time, you don't want to be forgotten. So there should be some discussion, I think, before going on leave, like what does coming back look like? And, what development am I going to miss out on that year? And how could we make up for that either beforehand, or after? And maybe that's additional training, maybe that's some additional mentorships, something like that to help make sure that you don't get left behind when you come back.” — Participant from Canada*

Another participant emphasizes the importance of having metrics for tracking and monitoring EDI practices and reporting regularly.

*It's the big institutional players like BDC, RBC, BMO, that have a shareholder group that they need to report to. Because some of them are publicly traded, that's a requirement to report a DEI. And so, you know, they're looking for metrics to report and they roll that down through their organization. So again, you know, tied to their ability to do business, which then ties to our ability to do business.” — Participant from Canada*

## Recruitment and Hiring Processes

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When considering the best practices for organizational recruitment, finding and selecting candidates with suitable skills can be a tedious endeavour. Participants' VC firms aiming to hire the best candidate for a position are effective when they deploy a strategic and purposeful hiring process. One participant mentioned that **by designing a hiring process that centres on the principles of equity and fairness, VC firms facing resource and time constraints can optimize their recruitment and hiring processes.**

*"And it's just about the best candidate. So, the one that has the most fit skills for what we're looking for requirement wise, right? We try to be quite equitable and fair when it comes to process, design and thoughtful around how we approach these practices. Because the challenge with [organization name] is that nobody's full-time; we all have day jobs. This is like everybody's side gig. Where we all dedicate, you know, X amount of time per month..."* — **Participant from US**

Another participant suggested being more proactive in recruiting student co-ops and interns to start early at the VC firms and get a head start in this industry when they graduate.

*"I think that very much raises awareness that maybe we need to be more proactive, not just, you know, giving the same applicants the same chance, but actually proactively trying to reach out to that community, or, you know, doing something like sponsoring a scholarship within the local university. So that we get interns in. So, you know, we're not committing to you being part of the team or, you know, being a full-time employee. But for three months, we'd love to have you come in and see how you fit within everything and do some projects, and we get to kind of test drive you, you test drive us. And then when you graduate from that program, of course, that person is going to have a leg up over other applicants. So, I think some of the initiatives that are happening within larger organizations are causing us to think about things like that."* — **Participant from Canada**

# Individual-Level

At the micro or individual level, the participants provided several recommendations including more diverse investor demographics, pressure from investors to make more diverse investment portfolio, create better decision-making criteria and changing mindset of the investors.



## Diverse Investor Demographics

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Participants recommended **having a diverse group of investors as a first step towards creating a more diverse and inclusive VC ecosystem.** A diverse group of investors also helps raise more capital and build a strong pipeline with an EDI focus.

*“Representation is based on our investors. So look like the base of our investors, which is diverse. So I think where we landed with this non-traditional group, is that we are doing things a little bit differently.” — Participant from US*

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*“...Some of the programs that are out there from some of the larger firms, specifically institutional investors, around diversity, equity and inclusion. So now the questions are being answered. And those questions are relating to our ability to raise capital. So, our ability to do business is now tied to our answers around DEI. And so you know, that translates it into dollars and cents. And that's something a VC firm can understand... We have got a number of institutional investors.” — Participant from Canada*

## Leadership and Investor Pressure

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Another Participant discussed the important role leaders and senior management plays in the industry to make it more inclusive and increase the representation of women and minority groups.

*“Until you have the investors say, ‘We want to make sure that 25% is invested in women founders,’ or that more teams have X percentage of women make up your team, particularly at the investment decision level. Like I don't think we're going to see continuous and slow improvements, or meaningful change unless it's demanded from our investors in the industry because ultimately those are in leadership. If we're not being incentivized to abandon our biases then I think we're just going to continue down that path because everyone is making money right now.”* — **Participant in Canada**





## Decision-Making Criteria

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A couple of participants mentioned the importance of investors being more proactive and taking initiatives to ensure a more diverse investment portfolio through a more EDI focused and diverse decision-making criteria while formulating the portfolio strategies. A shift in the current investor mindset is needed to make this change more sustainable.

*“But then I think there's just an interesting pressure from investors themselves, right? So we've seen the BlackRock and other really large organizations say, ‘Here's what we're committing to.’ And I think that's where we need limited partners and private equity and investors saying, ‘Hey, we want to invest in diverse venture capitalists.’ And I think that only then is it going to really change.”* — **Participant from US**

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*“Money talks at the end of the day, so I think if investors care about this and even for us that if we care about it, we will impact other funds to do the same. It becomes kind of like a butterfly effect. And so, truly, it's just a matter of education and it's understanding what diversity does-, the positive benefits of diversity and what it does for the ecosystem as a whole. So whether it's investors or whether it's like influential funds, like ours, as soon as we take a stance on something, you know, I'm sure it's something that's noticed. The point doesn't go unnoticed at least.”* — **Participant from US**





## Conclusion and Recommendations

This literature review found limited academic research examining women's lived experiences as they navigated employment and leadership in the VC industry in Canada and the U.S. The research on the lived experiences of gender-diverse, nonbinary and racialized people was limited even further. Such research can clarify the prevalence of under-representation of these groups within the industry and can also assist with exploring the root causes of such trends within the industry.

Following the Ellen Pao case, there appears to be renewed interest in promoting women's representation in the industry. However, our literature review illustrated that there are gaps in our understanding of how women in VC experience stereotyping and bias throughout their careers. Further, the regulatory and policy protections available to women in the industry when things go wrong—which is inevitable as more women enter the industry—remain unclear. We also don't have a research-based understanding of the precise ways in which VC networks and firms can promote or inhibit career success for women in Canada and the U.S. Such knowledge would be helpful to understand the types of replicable interventions required.

**With respect to the interventions already in place, the types of diversity data firms in Canada and the U.S. are tracking—whether there are diversity targets, policies and practices in place—and accountability for such targets remain a question for further research to explore.** Not only this, but the effectiveness of changes in recruitment, hiring, and promotion policies and practices that have been initiated will be necessary for further qualitative research to consider.