DIVERSITY IN U.S. STARTUPS

A report on the diversity in U.S. venture-backed startups by RateMyInvestor, in partnership with Diversity VC.
INTRODUCTION

DIVERSITY IN VENTURE CAPITAL

As co-founders of RateMyInvestor, our mission is to provide equal opportunity and access of information to founders from all walks of life, so that they can select the best funding partners to fuel the future of their companies.

In order to help us and others in the industry better comprehend how we can achieve this goal, we needed to gain insight into the current diversity landscape. After extensive research, we had found some very enlightening reports (especially by The Information and Diversity VC) on the state of diversity within venture capital firms. However, we were astounded to find that no one had ever done any deep-digging into the diversity makeup of the founding teams that the venture capital firms had funded.

Austin Stofer & Bennett Quintard
Co-Founders, RateMyInvestor
We have spent months ensuring that our data is as extensive and accurate as possible, collecting hundreds of thousands of data points on nearly 10,000 founders and 135 of the most active venture capital firms in the world.

As we recognize that diversity is more than just skin deep, our analyses run across several diversity factors, including gender, size of team, ethnic background, location, and education.

We hope that our findings and recommendations will provide actionable insights on how the entire industry may move towards achieving greater diversity. Our goal is for LP’s to obtain a greater understanding of the VC’s they fund and for VC’s to become more aware of how diverse their portfolios actually are. For founding teams, we aim to provide greater insights on the investors they approach. Overall, we hope this report is not just about information but instead focuses on the actionable steps that can be taken by all members of the community.

Anthony Zhang
CGO, RateMyInvestor
We are pleased to be supporting this important piece of research from RateMyInvestor. As we continue to generate better data relating to diversity in the technology sector, we will be better able to adopt the most effective initiatives to address the challenge and to make serious progress. Whilst the conclusions of the study are disappointing, I’m optimistic that having more evidence of the severity and reach of this challenge is a helpful step in identifying the right way to tackle it. I look forward to seeing the industry taking positive action to promote diversity and inclusion in their companies and funds.

Thank you very much to Anthony and his team for asking us to collaborate on this study. We look forward to working with RateMyInvestor, and other partner associations, to shine an ever-brighter light on diversity and inclusion in the tech sector.

Travis Winstanley
Games Investment Director, Catalis Group
Research Lead, Diversity VC
A SHIFTING LANDSCAPE

Venture capital investment in the United States reached $84.24 billion in 2017, making it the strongest year of VC investment since the dot-com bubble, according to KPMG. We analyzed all publicly available venture-backed deals from Seed to Series D + in the past five years and selected the top 135 US firms by deal activity (# of deals). The full list of firms is included in the appendix.

These 135 firms invested in 4,475 companies over the last five years (January 2013 to December 2017). There are 9,874 founders who are included in this report.

Team Demographics

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

66% of founding teams have two or three people. A surprising 21% of venture-backed startups have a solo founder while 13% of teams have four or more founding members.
WOMEN ARE UNDERREPRESENTED IN VC-BACKED FOUNDING TEAMS

ONLY 9.2% OF STARTUP FOUNDERS ARE FEMALE

There is 1 woman to every 3.76 men at Big 5 tech companies.
MINORITY FOUNDERS ARE UNDERREPRESENTED

We used a combination of name analysis, photo analysis, and third-party demographic collectors to determine the ethnicities of the founders. *Over 3/4 of the venture-backed founders we collected data on were white*, and the remaining slice of the pie was largely dominated by Asian founders.
WHERE DO U.S. VCs LOOK?

Silicon Valley is still the preferred location for VC’s backing startups, with nearly half of all investments going to startups based in the Valley. Other tech hotbeds like LA and NYC account for a sizable number of deals, almost more than the rest of the United States combined.

- **Silicon Valley**: 42.26%
- **New York City**: 13.55%
- **Los Angeles**: 6.90%
- **Rest of USA**: 19.28%
- **Asia**: 6.79%
- **Europe**: 3.84%
- **Canada**: 1.29%
- **South America**: 0.53%
- **Australia**: 0.18%
- **Africa**: 0.14%

*RateMyInvestor*
Diversity in US Startups
EDUCATIONAL BACKGROUND
ALSO MATTERS

IVY LEAGUE HEAVY

Over 1/4 of invested capital is granted to founders who attended college at an Ivy League school.

- IVY LEAGUE 27.04%
- REST OF USA 50.25%
- INTERNATIONAL 15.86%
- NO COLLEGE DEGREE 6.8%
IVY LEAGUE FOUNDERS DOMINATE VC PORTFOLIOS

A TILTED SCALE

Over half of the firms in our report had 25% to 50% of their portfolio represented by Ivy League founders.
SIGNIFICANT NUMBER OF ALL MALE TEAMS

- 82% All Male
- 12% Mixed Gender
- 6% All Female

IMBALANCE
DISCUSSION

A STANDARD FORM

This information shows a staggering amount of selection bias for decision-making in U.S. VC’s. These investors are largely from the same gender, educational, ethnic, and location background as the founders they choose to invest in.*

*The Information’s VC Diversity Index.

The typical founding team across these 4,475 companies was a two person, “all male,” “all white,” U.S. university-educated team residing in Silicon Valley.
“Many investors make decisions based on pattern recognition, when nowadays there are more and more examples suggesting that successful startups are led by founders who don’t fit the traditional mold.”

Elissa Shevinsky
Serial Entrepreneur,
Co-founder @ SoHo Token Labs

“Building a diverse ecosystem starts with a concerted effort to be more inclusive at all levels. Startup team members today, become the next wave of founders. Successful founders become the next wave of Angels and VC partners. We all know the cycle, we just don’t focus enough on inclusion.”

Damon Caiazza
Serial Entrepreneur,
Co-founder of Startups.co
VC QUOTES

“Silicon Valley has done a poor job of fostering diversity of all forms, especially diversity of thought. VCs and founders tend to back/hire people who are in their existing network who most likely share the same views as them, went to the same school as them, and shared similar life experiences as them.”

Kyle Lui
DCM Ventures

“VCs should make more of a deliberate effort to spend quality time with communities of color that are otherwise unfamiliar. Another tactical suggestion would be to co-host salon dinners community events with the growing group of early-stage venture funds managed by diverse investors, such as Cross Culture Ventures, Backstage Capital, Precursor Ventures, etc.”

Suzy Ryoo
Cross Culture Ventures
ACTIONABLE STEPS FROM RATEMYINVESTOR

FOR LPs
Look for more than just fund performance in VC pitches. Ask to see the gender and ethnic breakdown of the companies that they back, and compare them to other GP’s who are pitching you. This top down approach has the ability to rapidly impact the way money is invested across the entire ecosystem.

FOR VCs
Make a more purposeful effort to set aside a percentage of pitches each month for diverse and minority lead startup teams. Along with the ethical importance of this exercise there may also be financial opportunities that arise from better understanding problems faced by people of different cultures and backgrounds.

FOR FOUNDERS
Treat diversity as a core part of your hiring process, not as an afterthought. Recent studies show that higher diversity leads to higher company profits and long-term value creation*. If you are unable to find diverse full-time team members at the early stages, put together an advisory team which brings a more balanced set of input.

APPENDIX

SAM Ventures
AME Cloud Ventures
ARCH Venture Partners
Accel Partners
Alta Partners
Altos Ventures
Asset Management Ventures (AMV)
Altas Venture
August Capital
Avalon Ventures
Azure Capital Partners
Baseline Ventures
Battery Ventures
Benchmark
Bessemer Venture Partners
BioAdvance
BlueRun Ventures
Blumberg Capital
CRV
Chicago Ventures
Clearstone Venture Partners
Collaborative Fund
Columbia Capital
Compound
Crosslink Capital
DAG Ventures
DCM Ventures
Data Collective
Domain Associates
E. Ventures
Draper Associates
EPIC Ventures
El dorado Ventures
Emergence Capital Partners
Eniac Ventures
ff Venture Capital
F-Prime Capital Partners
FJ Labs
Felici Ventures
Fenox Venture Capital
First Round Capital
FirstMark
Flagship Pioneering
Flybridge Capital Partners
Focus Ventures
Formation 8
Foundation Capital
Founders Fund
Foundry Group
Funders Club
GGV Capital
General Catalyst
Granite Ventures
Great Oaks Venture Capital
Greycroft Partners
Grotech Ventures
Harris Group
Highland Capital Partners
Hyde Park Venture Partners
IVP (Institutional Venture Partners)
Icon Ventures
Ignition Partners
Innova Memphis
Innovation Endeavors
Insight Venture Partners
InterWest Partners
JumpStart Inc
Kleiner Perkins Caulfield Byers
LaunchCapital
Lerer Hippeau Ventures
Lightbank
Lowercase Capital
Lux Capital
MPM Capital
Modrona Venture Group
Marc Bell Ventures
Matrix Partners
Maveron
Menlo Ventures
Mercury Fund
Meritech Capital Partners
Morado Venture Partners
New Enterprise Associates
New Leaf Venture Partners
Nexus Venture Partners
Nokia Growth Partners (NGP)
Noro-Moseley Partners
Norwest Venture Partners (NVP)
Novak Biddle Venture Partners
ONSET Ventures
Oak Investment Partners
Osage University Partners
Pelon Venture Partners
Polaris Partners
Pritzker Group Venture Capital
RRE Ventures
Relax Ventures
Rembrandt Venture Partners
Rev1 Ventures
Rothenberg Ventures
SV Health Investors
Sapphire Ventures
Scale Venture Partners
Sequoia Capital
Serra Ventures
Shasta Ventures
Sherpa Capital
Sierra Ventures
Signatures Capital
Slow Ventures
Social Capital
Sofinnova Ventures
Spark Capital
Sprout Group
Storm Ventures
Streamlined Ventures
Sutter Hill Ventures
Tenya Capital
Thrive capital
Tiger Global Management
Trident Capital
Trinity Ventures
True Ventures
US Venture Partners
Union Square Ventures
Upfront Ventures
VantagePoint Capital Partners
Versant Ventures
Voyager Capital
Vulcan capital
VI Harper Group
Walden International
Wavemaker Partners
Western Technology
Investment
Worldview Technology Partners

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RATEMYINVESTOR
RateMyInvestor is a social enterprise founded in 2017. By improving access to information and transparency, RateMyInvestor focuses on creating a more balanced startup ecosystem and bringing greater efficiency to the fundraising process. We aim to be the first step to fundraising for founders and investors by providing a vetted and secure online platform for founders to do research and for investors, to manage their reputations. We believe access to honest information on both sides of the table enables founders and investors to work together more effectively.

DIVERSITYVC
Diversity VC is a non-profit partnership, formed in March 2016 to promote diversity and inclusion in VC. The organization is an independent body that helps venture capitalists, LPs and entrepreneurs better understand and address diversity and inclusion in their work. Diversity VC is an independent organization, not affiliated to any VC firm, supported by leading technology law firm Cooley LLP, ranked #1 Most Active Global Law Firm in Venture Capital.