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NVCA–Deloitte Human Capital Survey

Second edition | June 2019

Contents

Executive summary

The US venture capital (VC) industry has made progress toward increasing diversity and inclusion (D&I), especially among firms that have adopted strategies in this area. Yet, much work remains for the industry to take full advantage of all the talent available. While the results from the survey in this report focused on professionals from all backgrounds, it uncovered particularly interesting findings related to women, Black, Hispanic, veteran, and disabled employees. VC firms will also benefit from efforts to create a more inclusive culture that actively solicits and values the contributions of each of its professionals.

This assessment is a key finding of the second edition of the ongoing survey series, first launched in 2016 and conducted by the National Venture Capital Association (NVCA) and Deloitte & Touche LLP (Deloitte) to assess the state of diversity and inclusion across the VC industry. The *NVCA–Deloitte Human Capital Survey* can provide an important source of information firms can use to benchmark themselves against industrywide practices and to identify promising approaches to tapping the innovation potential offered by a more diverse workforce.

The second edition of the survey collected information from 203 VC firms, representing an aggregate total of $149.4 billion in assets, on their talent management practices and on the demographics of more than 2,700 employees.

Although there have been other assessments of diversity in the VC industry, this survey provides a unique perspective. Unlike other research efforts in this area, it gathers diversity data from VC firms of all types and sizes, examines diversity for a variety of groups across all types of positions, and assesses firm talent management strategies.[1]

D&I is often an important ingredient of business success. Organizations with an inclusive culture are more likely to meet financial targets; to be high performing, innovative, and agile; and to achieve better business outcomes.[2] In the VC industry, one study found that firms that increased their proportion of female partner hires by 10% had, on average, an increase of 1.5% in overall fund returns each year and achieved 9.7% more profitable exits.[3]

Other industry studies and the findings presented in this report underscore the importance of initiatives by NVCA and other organizations to promote D&I in the industry. NVCA, through its VentureForward initiative, is committed to expanding opportunities as well as offering an inclusive culture and safe work environment that enable people of all backgrounds to thrive in the venture capital ecosystem. NVCA and Deloitte set out in 2016 to create an industry benchmark in the first edition of the *NVCA–Deloitte Human Capital Survey*.

This second edition of the survey found progress in pursuing these goals and also identified areas firms should consider to further increase diversity. Venture capital firms tend to be small, with a median of eight employees among those participating in the survey. They also have relatively low turnover in senior positions—7% in senior investment positions among firms surveyed. Yet, there remains much they can do to increase diversity and inclusion. In particular, D&I strategies as well as mentorship, recruitment, and retention programs are associated with more diverse leadership teams.

KEY FINDINGS

Despite progress, women remain underrepresented in investment positions and in leadership. Women comprised 45% of the workforce at participating firms, the same percentage as in the 2016 survey, but continue to have less representation in investment and leadership positions. Yet, there has been progress since the prior survey, with firms reporting that women accounted for 21% of all investment professionals (compared with 15% in the 2016 survey) and 14% of their investment partners (compared with 11% in 2016). Investment partners were defined as employees with the titles of managing general partner, managing partner, general partner, founding partner, or managing director, or were partners who were designated as senior-level employees and as investment professionals. Sixty-eight percent of firms did not report having any women investment partners (compared with 79% in 2016).

Black and Hispanic employees are underrepresented across all positions and in leadership. At participating firms, 4% of employees were Black, and they comprised 3% of investment positions and 3% of investment partner positions.[4] Firms participating in the survey reported that Hispanic employees accounted for 5% of their overall workforce and 5% of all investment positions, while only 3% of investment partners.

Millennials are moving into more senior positions. Millennials now constitute the largest generation in the workforce and are beginning to move into positions of more authority.[5] In the survey, 41% of employees in the VC workforce were between ages 22 and 35 as of June 30, 2018 (compared with 40% in the 2016 survey); they constituted 42% of investment professionals (compared with 35% in 2016), 20% of senior-level positions (the same percentage as in 2016), and 8% of investment partners (compared with 6% in 2016).

A higher percentage of firms track diversity or have D&I strategies, but many still do not. Thirty-two percent of firms reported having a diversity strategy, while 31% said they have an inclusion strategy. Although low, these figures are higher than in 2016, when 15% of firms reported having a diversity strategy and 17% an inclusion strategy. Also, although 65% of firms reported having collected or having access to data on the race and ethnicity of their employees, one-third or fewer collected data on other dimensions such as veteran status, disability, or dependent care.

D&I strategies are associated with more women in leadership. Firms that have either a diversity strategy or an inclusion strategy or both had a larger percentage of investment partners who are women than those with neither: 20% at firms with at least one of these strategies compared with 11% at firms with neither.

Diversity and inclusion can drive better performance

DIVERSITY AND INCLUSION: WHAT IS THE DIFFERENCE?

Diversity can be described as the different skills, backgrounds, attributes, and perspectives that individuals bring to the table. In an organization, *diversity* often refers to the degree to which specific groups are represented in the workforce and in leadership. However, more firms now recognize that simply having a diverse workforce is not sufficient. They are broadening their horizons beyond a narrow focus on diversity to consider whether their firms have an *inclusive* culture, in which employees feel free to be themselves and to contribute their thoughts and ideas for solving business problems and creating value. Inclusion goes beyond representation. In our study, *diversity* among employees is used in reference to gender, race/ethnicity, age, level of education, career level, marital status, veteran status, people with disabilities, and dependent care responsibilities.

Although attracting and retaining a diverse workforce may be challenging, achieving inclusion can require a complete cultural shift. A survey by the Center for Talent Innovation found that 37% of Black and Hispanic employees and 45% of Asian employees said they "need to compromise their authenticity" to conform to their company's standards of demeanor or style at work.[6] Whether a company is inclusive often depends crucially on its culture and the behavior of its leaders, rather than on specific policies and programs.

Advancing D&I has been adopted widely as an objective across many industries. In a 2017 Deloitte global survey, 69% of executives rated D&I as important for their companies.[7] In addition to burnishing a firm's image by demonstrating the firm is "doing the right thing," D&I also brings a range of concrete business benefits.

For starters, studies have found that more diverse and inclusive companies have better financial performance. Having a more diverse investment team can improve a firm's ability to spot promising female or minority entrepreneurs, who are often overlooked. One study found that VC firms that increased their proportion of female partner hires by 10% had on average an increase of 1.5% in overall fund returns each year, as well as 9.7% more profitable exits.[8] To put the latter finding into context, the same study noted that only 28.8% of all VC investments have profitable exits.

Numerous social psychology research reports have found that diverse teams function more effectively, raising more relevant facts and processing them more carefully.[9] A study of companies in the United Kingdom found that companies with culturally diverse leadership teams were more likely to introduce new products.[10]

Diverse and inclusive firms have crucial advantages in the battle for talent. Recruiting from underrepresented groups and understanding the value they can contribute, these firms can benefit from a larger pool of professionals. They also often become more attractive to all workers. A recent Deloitte survey found that the majority of today's workforce indicated that inclusion was important when choosing an employer and could be a factor in determining whether they would remain at their company.[11] For organizations today, inclusion is beyond a nice-to-have, but a significant factor in attracting and engaging the workforce.

Despite its importance, D&I has generally been less prominent in VC firms. While VC firms are central to the startup ecosystem and the focus of this survey, limited partners, portfolio companies, and consultants/advisors also play important roles for capital, funding, and success in the industry. In the second edition of the survey, only 36% of VC firms said limited partners had requested their D&I details within the last 12 months, while only 9% of consultants/advisors and 3% of portfolio companies did so. In fact, 60% of the VC firms surveyed said *none* of these groups had requested this information from them. Further, only 19% of firms said they requested D&I information from their portfolio companies.

Gender diversity in the VC workforce

In the most recent *NVCA–Deloitte Human Capital Survey*, women comprised 45% of the overall VC workforce, the same percentage as in the 2016 survey (Figure 1). Women more often worked at larger VC firms, comprising 47% of employees at firms with 21 employees or more and 45% at firms with six to 20 employees, but only 33% at firms with five employees or fewer.

Although women accounted for nearly half of the overall workforce, their representation was lower in investment positions. Only 21% of the investment professional positions were held by women at the firms participating in the survey, although this was an increase from 15% in the 2016 survey. In contrast, women accounted for 95% of administrative positions and 74% of positions in investor relations/marketing/communications.

The representation of women in investment positions varied across different types of firms participating in the survey. Fewer investment professionals were women at firms principally focused on the growth/equity investment stage (10%) compared with firms focused on other stages (20% or greater), while firms that described themselves as generalists had a higher percentage of women in investment positions (30%) than those focused on life sciences (20%) or technology (19%).

There were also differences by location. Firms headquartered in the South had a smaller percentage of investment positions held by women compared with those headquartered in other regions.

Women were also underrepresented at senior levels, although there has been some progress since the 2016 survey. Women accounted for 29% of senior-level positions across all functions (compared with 26% in 2016) and 14% of investment partners (compared with 11% in 2016). The percentage of women investment partners did not vary significantly across firms of different sizes based on their number of employees. Sixty-eight percent of firms said they did not have *any* female investment partners, compared with 79% in the 2016 survey. Among firms with women investment partners, 74% reported they only had a single woman partner. VC firms should intensify their efforts to continue to diversify leadership roles and avoid complacency with having a single woman investment partner.

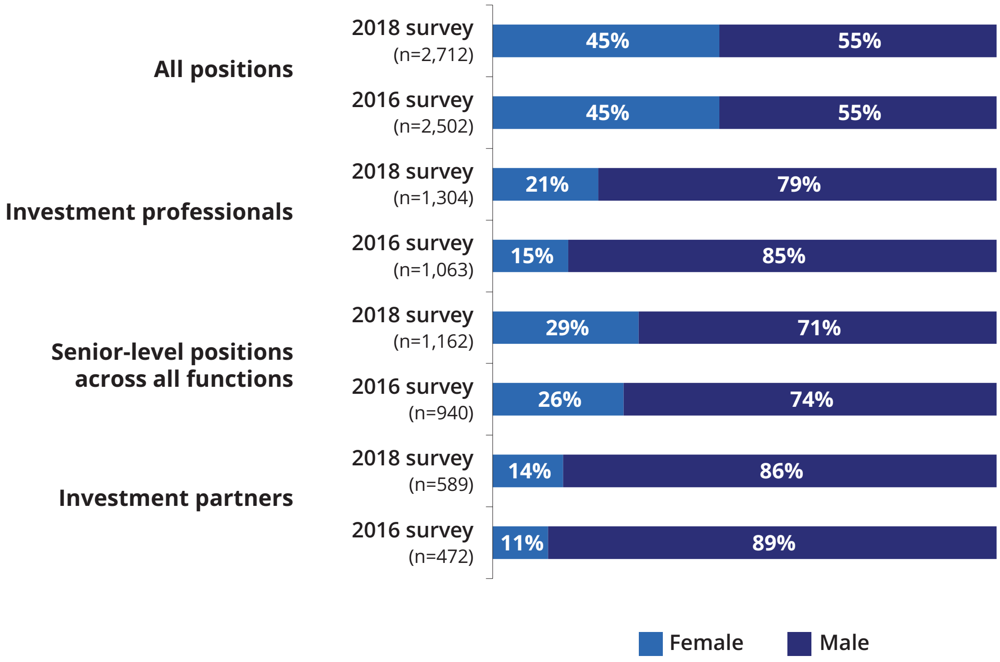
Regarding the investment sector focus, women comprised a larger percentage of investment partners at firms that described themselves as generalists (22%) compared with those focused on life sciences (14%) or technology (13%). A larger percentage of investment partners were women at firms created less than 10 years ago (18%) compared with older firms (12%).

Increasing the representation of women in investment positions may help VC firms identify promising investment opportunities, particularly among startups with a female founder. An analysis by All Raise found that only 15% of VC funding goes to startups with at least one female founder.[12]

When it came to their academic credentials, women employees at VC firms were less likely to have graduate or postdoctoral degrees. Only 29% of women in the survey sample had a graduate or postdoctoral degree, compared with 58% of male employees.

Another factor is the difference in managing both work and family responsibilities between men and women in the industry. Of the population of firms surveyed, 33% of female employees provided care for children or other dependents compared with 50% of male employees. The need to care for dependent children may have a large impact on the ability of workers to manage both professional and family demands and may discourage them from seeking positions in the industry. Providing programs and benefits that help all employees manage the demands of both career and family and promoting those benefits externally may help attract a broader pool of talent, including women. For example, NVCA has released model HR policies for attracting and retaining diverse talent that include sample policies for childcare leave and flexible work arrangements.[13]

Figure 1. Gender diversity



Racial and ethnic diversity in the VC workforce

Although there appears to have been some progress since the 2016 survey, the current survey again found that racial and ethnic groups are often underrepresented in the VC workforce. Racial and ethnic minority groups are projected to comprise a majority of the overall US population by 2045, and of those ages 18 to 29 by 2027.[14] The ability of VC firms to attract talent from racial and ethnic minorities, who will constitute an ever-larger portion of the labor force,[15] will likely be important to their continued success.

RACIAL DIVERSITY

Among the overall VC workforce represented in the survey, 4% of employees were Black and 17% were Asian (Figure 2).[16] Smaller firms had a higher representation of Black employees than larger organizations: 8% of the employees were Black at firms with one to five employees, 4% at firms with six to 20 employees, and 3% at firms with 21 employees or greater.

Three percent of investment positions were held by Black employees in the survey sample. Firms reported that Black employees comprised 3% of senior positions overall and 3% of their investment partner positions, while 93% of firms did not report having any Black investment partners.

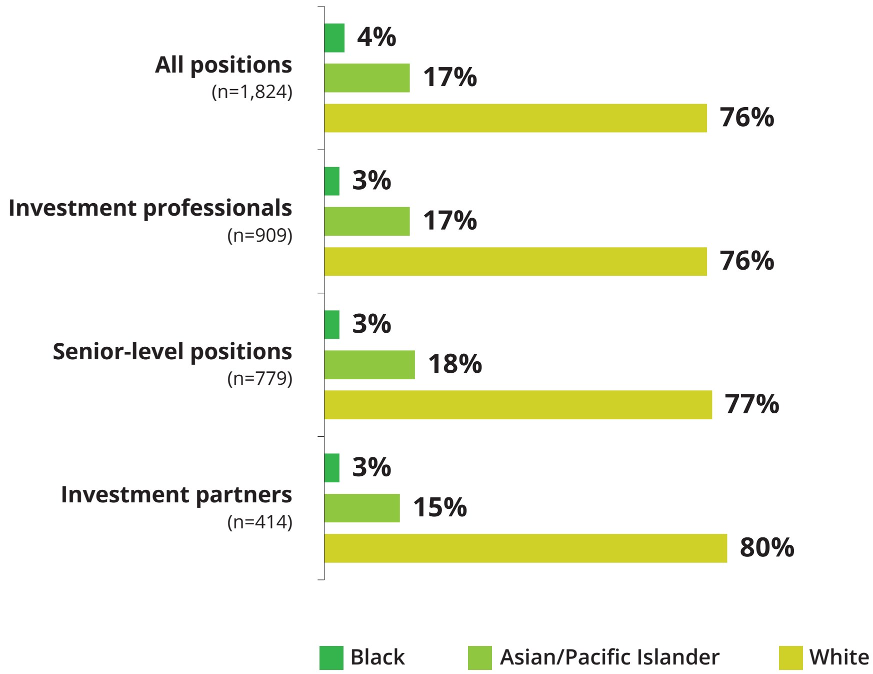
Although the underrepresentation of Black employees is a challenge in many industries, they are significantly better represented in other similar fields such as consulting and investment banking. A study of hiring from 2010 to 2015 found that Black employees accounted for 8.8% of the new hires in consulting and 6.1% of those in investment banking compared with less than 1% among investment professionals in VC.[17]

While the percentage of Black employees reported by firms participating in the survey was low, those in the survey sample were well represented in investment positions. Among all Black employees, 49% were in investment positions, roughly the same percentage as for White employees (53%) and Asian employees (51%).

Black employees also had roughly similar levels of education compared with White employees—42% of Black employees had graduate or postdoctoral degrees, which compared to 47% for White employees, although farther behind the 54% for Asian employees.

Black professionals in the industry appear to be roughly as likely as White employees to work in investment positions. The challenge for the industry is to increase interest in and access to the profession and build a diverse pool of qualified future talent.

Figure 2. Racial diversity
Base = Employees



Note: Employees may be in more than one racial category.

ETHNIC DIVERSITY

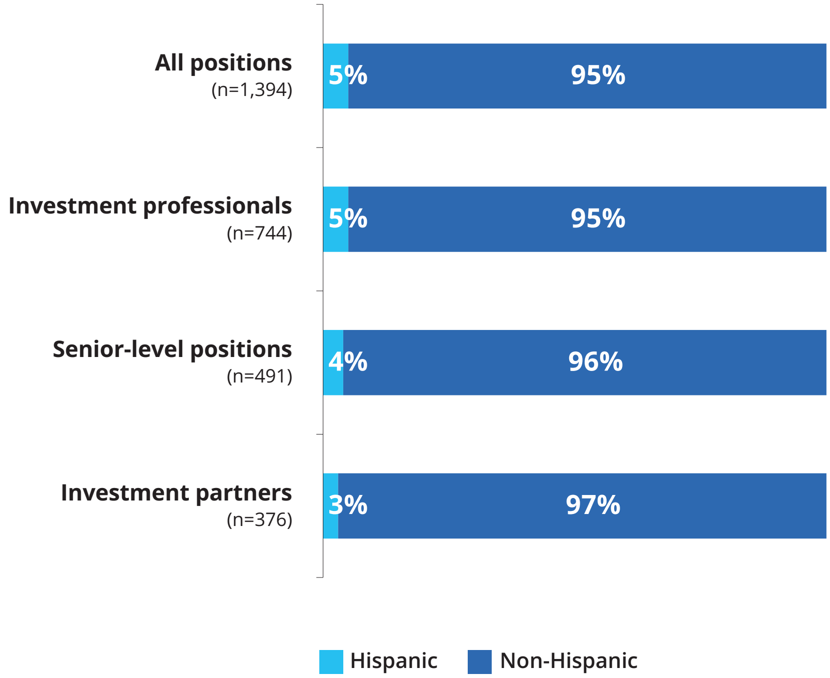
Among all employees in the survey, firms reported that 5% of their employees were Hispanic (Figure 3).[18] As with Black employees, smaller firms reported having a higher percentage of Hispanic employees. Firms with five employees or fewer reported that 10% of their employees were Hispanic, compared with 4% among firms with six to 20 employees and 5% among firms with 21 employees or more.

Hispanic employees also accounted for 5% of all investment positions, 4% of senior positions overall, and 3% of investment partner positions, with their representation varying across different types of firms. Firms formed less than 10 years ago had more Hispanic employees in investment positions (8%) than did older firms (2%). Hispanic employees accounted for a larger percentage of investment positions at firms with five or fewer employees (10%) than at firms with six to 20 employees (4%) or those with 21 or more employees (4%).

Hispanic employees were less likely to be in investment positions or have advanced degrees. Considering all Hispanic employees in the survey sample as a group, 49% of them were in investment positions compared with 57% of all non-Hispanic employees. Thirty-two percent of all Hispanic employees were reported to have a graduate or postdoctoral degree compared with 48% of non-Hispanic employees.

VC firms should consider making greater efforts to recruit more Hispanic candidates and taking proactive steps to build interest in the industry among Hispanic professionals in order to diversify the pipeline of future talent. Given experiences in other industries, it appears VC firms have the potential to improve the representation of Hispanic employees. From 2010 to 2015, Hispanic employees accounted for 4.9% of the new hires in consulting and 5.8% in investment banking compared with 3.2% in VC.[19]

Figure 3. Ethnic diversity
Base = Employees



Other key characteristics of the VC workforce

MILLENNIALS

Many of the oldest millennials, who are now in their mid-30s, are assuming decision-making positions. Forty-one percent of the VC employees in the survey sample were 22 to 35 years of age (vs. 40% in 2016), falling into the millennial generation. Employees in this age range comprised 42% of investment professionals (vs. 35% in 2016), 20% of senior-level professionals (the same percentage as in 2016), and 8% of investment partners (vs. 6% in 2016).

Offering a work environment that is attractive and rewarding for all generations is essential for VC firms to win the fierce battle for talent now and in the years ahead. The most diverse generation in history,[20] many millennials take demographic diversity as a given, and often view inclusion as an essential component to business strategy as well as a factor in deciding whether to stay or leave an organization. Inclusion will likely be an important piece of that value proposition. A Deloitte survey found that more than half of millennials said they would leave their current employer for a more inclusive one.[21] Firms should recognize the importance of communicating an inspiring business purpose for their employees. A Deloitte global survey of millennials with college degrees found that 61% said their organization's purpose is a reason they chose to work there; at organizations without a perceived purpose, only one in five were satisfied with their work.[22]

VETERANS

Only 33% of the VC firms surveyed said they collect or have access to information on the veteran status of their employees, up from 28% in 2016. Based on US census data, veterans comprise almost 8% of the US population.[23] Yet, among VC firms participating that collect or have access to this data, only 1% of employees were veterans, compared with 2% in 2016. The data suggests this is a talent pool firms could access more effectively.

Talent management practices

The survey examined a range of talent management practices to understand how VC firms are addressing issues that affect D&I and human capital more broadly. While relatively few VC firms reported having specific strategies or programs focused on diversity and inclusion, there has been some progress since the 2016 survey. In addition, firms that do employ D&I strategies and programs reported having more diverse workforces.

Many firms do not collect relevant demographic information, but there has been some improvement since 2016.
A first step in increasing diversity is having access to information on where a firm stands today. Yet, many firms do not collect or have access to multiple important types of demographic information. Sixty-five percent of firms said they have access to information on race and ethnicity, which is up from 61% in 2016, while roughly one-third of firms have access to information on dependent care, veteran status, or disability (Figure 4). Fifteen percent of firms said they collect none of this information on their employees, which is down from 20% in 2016.

Few firms have diversity or inclusion strategies, but more than in 2016.
Most firms participating in the survey said they did not have an overall human capital strategy or strategies specifically targeted to promoting diversity and inclusion. Only 35% of firms said they have a human capital strategy, while 32% said they have a diversity strategy and 31% said they have an inclusion strategy (Figure 5). Although these percentages are relatively low, they are an improvement over the results in the 2016 survey, when 24% of firms reported having a human capital strategy and less than 20% reported having either a diversity strategy or an inclusion strategy. In addition, only 34% of firms reported having a staff member specifically tasked with promoting diversity and inclusion, which was up from 16% in 2016.

Similarly, few firms said they have formal programs targeted to promoting diversity and inclusion, although, again, this is up from the numbers in the 2016 survey (Figure 6). For example, 30% of firms reported having formal programs for the recruitment of diverse employees compared with 10% in 2016, while 26% have formal programs to promote the hiring of diverse employees compared with 10% in 2016.

More firms reported having informal programs in these areas. Half or more of the firms said they had informal programs that targeted diversity in such areas as recruitment, hiring, and leadership development (Figure 6).

D&I strategies are associated with greater gender diversity.
Although relatively few VC firms reported having diversity or inclusion strategies, firms that did have at least one of these strategies had more diverse leadership than those without either. At VC firms with one or both of these strategies, 20% of investment partners were women compared with 11% at firms without either strategy.

The presence of formal leadership development programs was also associated with greater gender diversity. Nineteen percent of investment partners were women at firms with formal D&I programs focused on leadership development, compared with 13% among firms that did not. The relationship between these talent management initiatives and greater gender diversity of leadership suggests that VC firms should consider either initiating or enhancing these D&I-focused strategies and programs.

Figure 4. Types of employee information collected
Base = Firms (n=203)

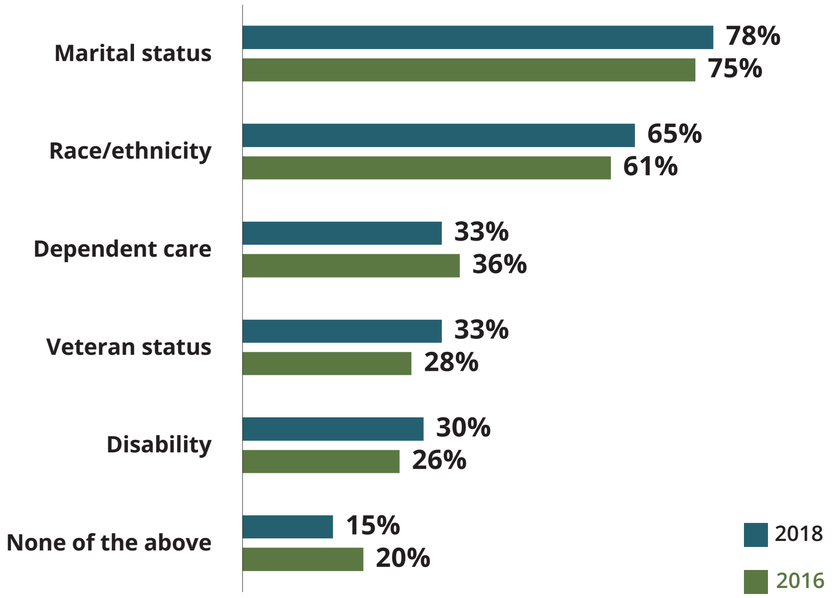


Figure 5. Human capital strategies
Percentage of firms with each strategy

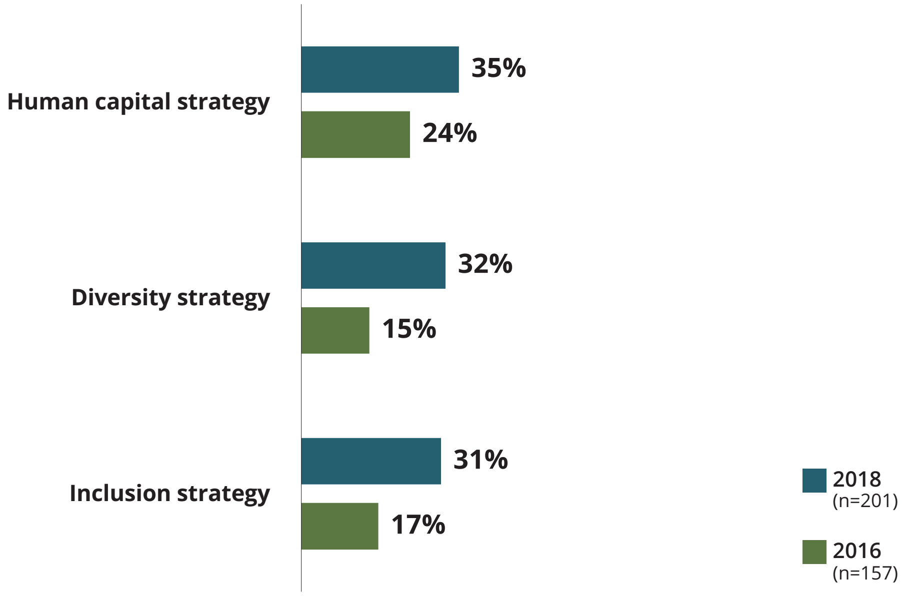
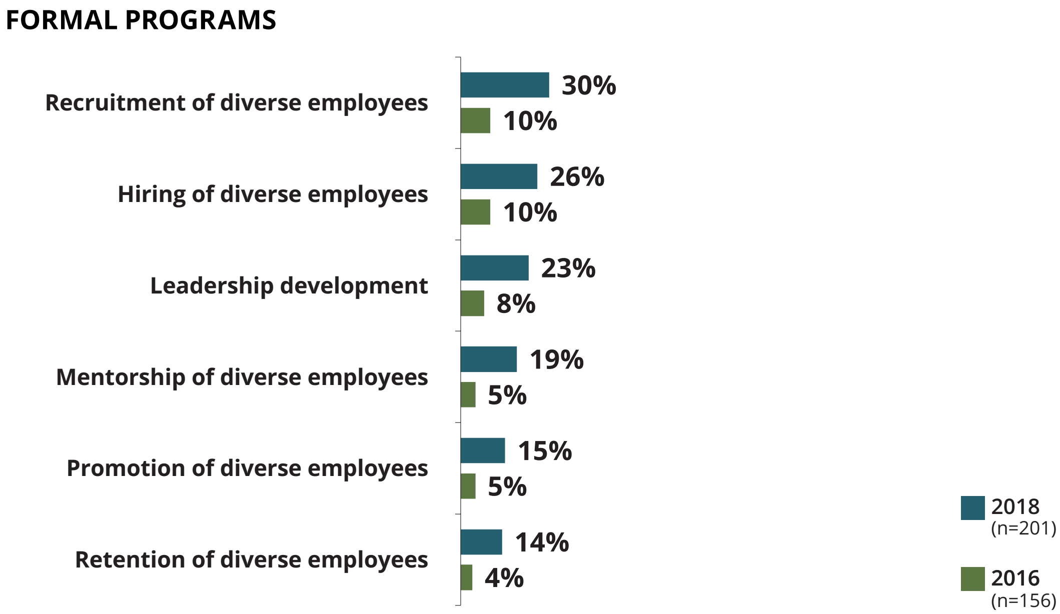
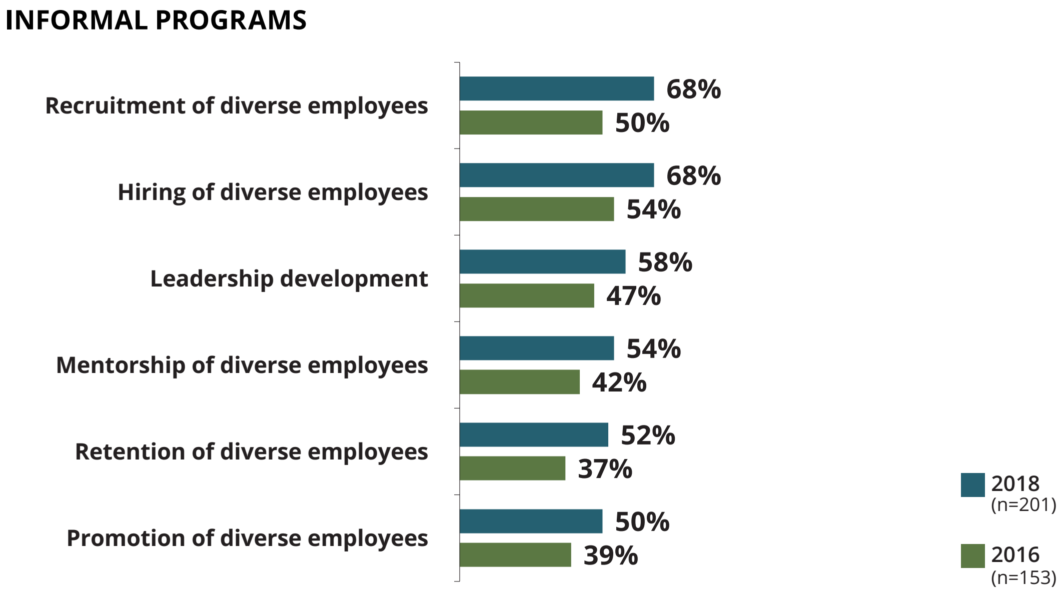


Figure 6. Diversity and inclusion programs
Percentage of firms with each program





HR policies are foundational to an inclusive culture.
Takings steps to help prevent instances of harassment and discrimination is essential to creating an inclusive firm. Most VC firms reported having a series of policies and processes such as an employee handbook (83%), an anti-harassment policy (80%), and a code of conduct (77%). However, only 44% of the firms said they had an internal contact identified to report alleged misconduct, and just 17% had an external contact identified to report alleged misconduct.

Despite the prevalence of these policies, only 29% of VC firms reported having mandatory prevention programs that address harassment and discrimination, while 10% have optional programs. An additional 27% of firms said they were likely to begin programs in this area. Yet, 35% of firms said they lacked anti-harassment and discrimination programs and were not likely to offer them in the future. NVCA has issued model documents and resources to assist VC firms with addressing harassment, including sample HR policies, sample HR best practices, and a sample code of conduct policy.[24]

Firms rely on internal and external networks for recruitment.
Firms reported low turnover, especially among senior positions. Annual turnover was only 7% for senior investment positions and 11% for senior finance, operations, and administrative positions. Turnover was reported to be 19% for junior investment positions and 20% for junior finance, operations, and administrative positions. Understanding why employees leave can be helpful in developing interventions to reduce future turnover. Yet, only 47% of firms (compared with 44% in 2016) said they have a structured process for soliciting feedback from employees when they depart.

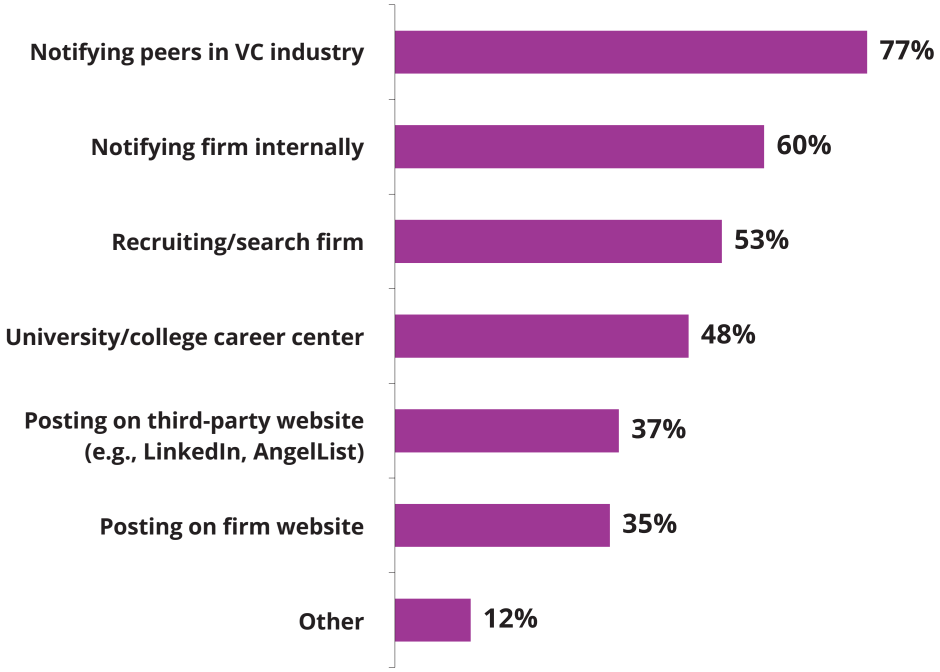
In addition to position openings due to turnover, a significant portion of firms reported that the number of investment positions had grown over the 12 months prior to June 30, 2018—by 19% for senior investment positions and by 36% for junior investment positions. The number of finance, operations, and administrative positions grew at 15% of firms for senior positions and at 21% of firms for junior positions.

Firms said they were less likely to recruit external candidates for open positions than to hire from within. When hiring for senior investment positions, only 35% of firms said they seek external candidates always or most of the time (compared with 43% in 2016), while 43% said the same about senior finance, operations, and administrative positions (compared with 51% in 2016). Firms were more likely to seek external candidates always or most of the time for junior positions: 49% for junior investment positions (compared with 60% in 2016) and 52% for junior finance, operations, and administrative positions (compared with 58% in 2016).

With so many positions being filled by internal candidates, it is essential to build a diverse pipeline. Even when recruiting external candidates, firms tend to rely on referrals, and generally people refer others who are similar to them. Roughly three-quarters of firms said they notify their peers in the industry when seeking external candidates for an open position, while 60% notify their firm internally (Figure 7). Since VC firms do not have a sufficient representation of women and minorities, relying on referrals is likely to perpetuate the problem because people tend to recommend people that they have worked with or know within the industry. Exploring more creative approaches to identifying qualified candidates from a wider range of sources may help diversify the candidate pool.

When it comes to considering employees for promotion, not surprisingly almost all firms said they evaluate contributions to the performance of the fund (89% vs. 92% in 2016) and deal origination (79% vs. 76% in 2016). However, although hard metrics are fundamental, employees also need to possess soft skills, such as communicating and listening well, having insights into others, and having empathy toward and being supportive of colleagues. A study by Google of its most successful teams found that they were characterized by such soft skills more than by technical ability.[25] In the survey, soft skills were cited by 94% of firms as an important consideration in promotions (compared with 90% in 2016). While soft skills are undeniably important, the subjectivity involved in their assessment leaves room for unconscious biases that can influence judgment and promotion decisions. Embedding objectivity into the process and defining clear criteria for promotion can help mitigate the impact of unconscious bias.

Figure 7. Marketing channels used to develop a pipeline of external candidates
Base = Firms (n=202)



Driving progress on diversity and inclusion

Increasing diversity and inclusion is a critical element of success for VC firms. Tapping underrepresented groups of professionals will help firms compete for talent in a fiercely competitive labor market. The broader range of experiences and viewpoints will also improve their ability to identify promising entrepreneurs of all backgrounds. As a result, more diverse VC firms have been found to record better financial performance.

More industry leaders are recognizing the business case for increasing D&I. In their journey to create more diverse and inclusive organizations, firms should consider the following approaches.

Collect D&I data. Firms will find it difficult to increase D&I unless they know where they stand today. Yet, only about two-thirds of firms reported collecting information on the race and ethnicity of their employees. Firms should consider collecting relevant demographic information in order to measure their progress over time.

Establish a D&I strategy. The firms surveyed that had a diversity or inclusion strategy reported a greater representation of women at senior levels than did firms that lacked these strategies. The process of establishing a D&I strategy is an opportunity to consider what obstacles need to be addressed and what innovative approaches can be taken to hire and develop employees of all backgrounds. To aid in the effort to attract and retain diverse talent in the industry, the NVCA has developed a sample set of HR policies that cover such issues as recruiting strategy, childcare leave, mentorship programs, affinity groups, and flexible work arrangements.[26]

Implement formal programs. To have a real impact, a D&I strategy needs to be implemented through formal programs that address such issues as recruitment, retention, mentoring, and leadership development. There was a strong relationship in the survey between leadership development programs and the representation of women as investment partners. In addition to formal programs, it is important to have a firm's D&I strategy embedded into its overall business and talent strategies.

Infuse D&I into the culture. A commitment to D&I needs to extend beyond formal strategies and programs to become part of the culture of the firm. VC firms tend to be small, with their culture set by their leaders. For everyone in the organization to take D&I seriously as a business imperative, the firm's senior management should model inclusive leadership and communicate its importance to their firm's success.

Go outside your comfort zone. VC leaders are comfortable with the approaches they have used in the past to build their firms. Yet, simply repeating these approaches will not yield a different result when it comes to D&I. VC firms should look critically at their current practices to identify those that may be preventing them from taking advantage of the full range of talent available. Rather than simply relying on their personal networks to generate candidates for open positions, VC executives should become more creative and cast a wider net. And while soft skills are important for an executive to be effective, firms need to be aware that such subjective assessments can often mask unconscious biases that stand in the way of hiring and promoting professionals with the greatest potential for success.

VC firms are still in the early stages of incorporating D&I into their strategies, programs, and culture. The ones that succeed will gain a key competitive advantage in attracting the best talent and in identifying the most promising and innovative entrepreneurs to fund.

ABOUT THE SURVEY

The *NVCA–Deloitte Human Capital Survey*, second edition, is the latest installment of an ongoing survey series that assesses the state of talent management, with a special focus on diversity and inclusion, in the US VC industry.

An email was distributed to 1,428 VC firms, including NVCA members, asking them to participate in the study. Firms had the option to complete the assessment one of two ways: through a web-based survey or through an identical spreadsheet. Each firm had a representative, such as their CFO, general counsel, or HR manager, complete the survey, providing information on its employees. Employees were not contacted to participate individually. The representative also provided information on the firm's talent management, recruitment, and HR practices. The universe of 1,428 VC firms was defined as any active, US-based VC firm meeting at least one of the following criteria: (1) raised a VC fund between 2010 to 2017; (2) made one or more investments in a US-based company in 2017, limited to VCs that either raised a fund or were raising a fund, and made at least five investments in the past five years; (3) was identified as a growth equity firm in NVCA's 2018 Yearbook; (4) was a corporate venture group that made 10 or more investments from 2013 to 2017; or (5) was an NVCA member firm as of May 2018.

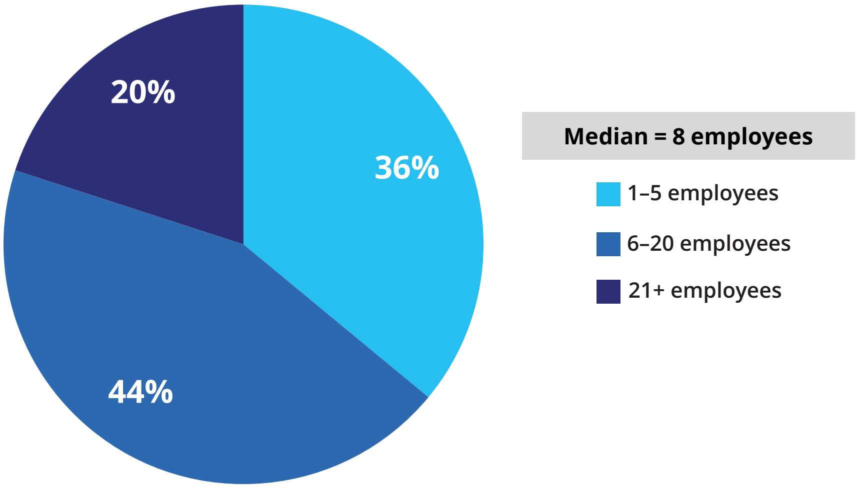
The survey was conducted from October 16–December 15, 2018, and was completed by 203 firms, compared with 217 firms in the 2016 edition of the survey.

The survey gathered demographic information on 2,712 US-based full-time employees at these firms as of June 30, 2018 (compared with 2,502 employees in 2016). The participating firms provided data on race for 1,824 employees and on ethnicity (i.e., Hispanic vs. non-Hispanic) for 1,394 employees. In 2016, respondents completed a single question on race and ethnicity for 1,635 employees.

The participating firms had an aggregate total of $149.4 billion in venture capital assets under management and a total of 10,501 portfolio companies. They represented a range of sizes and types (Figures 8–10).

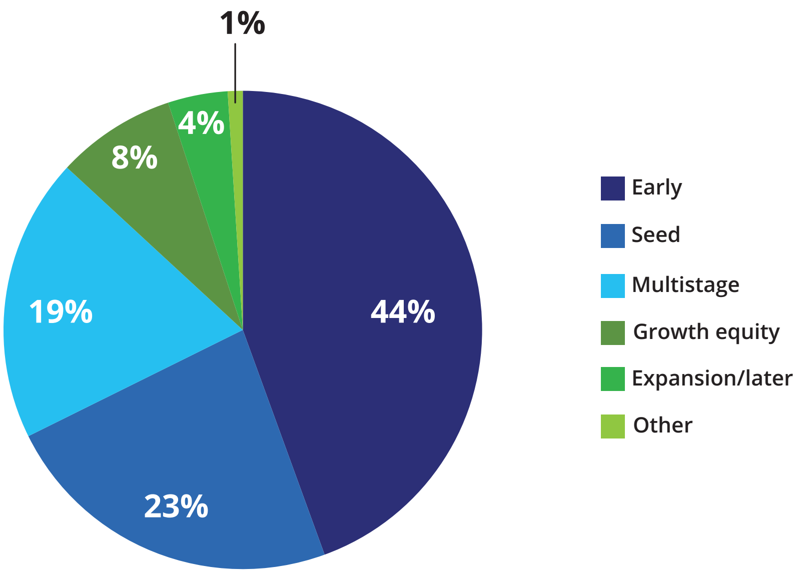
The survey sample is broadly representative of the VC industry. The research team sought a 90% confidence level, which correlates to a margin of error of 5.8% for questions answered by all 203 firms and of 1.5% for questions answered about all 2,712 employees.

Figure 8. Number of employees
Base = Firms (n=203)



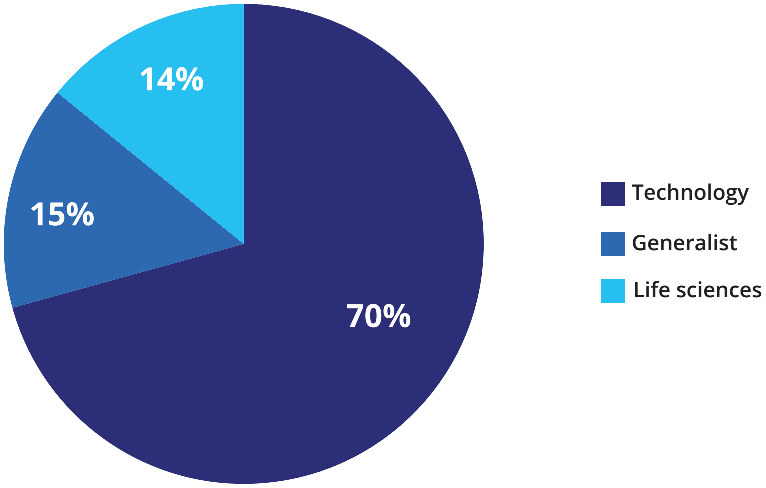
Note: The percentages may not total 100 due to rounding.

Figure 9. Investment stage focus
Base = Firms (n=203)



Note: The percentages may not total 100 due to rounding.

Figure 10. Primary investment sector focus
Base = Firms (n=203)



Note: The percentages may not total 100 due to rounding.

Endnotes

1. Other studies of D&I in the industry include "Where are the numbers on women funders & founders?" All Raise, 2018, https://www.allraise.org/data; Genè Teare and Ned Desmond, Announcing the 2017 update to the "Crunchbase Women in Venture report," *TechCrunch*, October 17, 2017, https://techcrunch.com/2017/10/04/announcing-the-2017-update-to-the-crunchbase-women-in-venture-report/; *Fairview Capital 2018 Market Review of Woman and Minority-Owned Private Equity Firms*, Fairview Capital, 2018, http://www.fairviewcapital.com/our-view/fairview-capital-2018-market-review-of-woman-and-minority-owned-private-equity-firms.
2. "The diversity and inclusion revolution: Eight powerful truths," *Deloitte Review*, issue 22, January 22, 2018, https://www2.deloitte.com/insights/us/en/deloitte-review/issue-22/diversity-and-inclusion-at-work-eight-powerful-truths.html.
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4. The survey question on race asked whether an employee was "Black or African American." In this report, these employees are referred to as "Black." Note: The 2018 survey asked two questions: a question on race that allowed multiple responses and a question on ethnicity (i.e., Hispanic or not Hispanic). The 2016 survey asked a single question on both race and ethnicity, which only allowed a single response. For this reason, the results on race and ethnicity in the 2018 and 2016 surveys are not directly comparable. In 2018, firms provided information on race regarding 1,824 employees.
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The National Venture Capital Association (NVCA) empowers the next generation of American companies that will fuel the economy of tomorrow. As the voice of the U.S. venture capital and startup community, NVCA advocates for public policy that supports the American entrepreneurial ecosystem. Serving the venture community as the preeminent trade association, NVCA arms the venture community for success, serving as the leading resource for venture capital data, practical education, peer-led initiatives, and networking.

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