



Women in Venture Capital: Is the Gap Closing?

It's no secret to women business owners that the gender divide creates a barrier to accessing capital that can help grow their business. Of the \$130 billion invested by venture capitalists in 2018, only 2.2% went to women. Part of the problem is that there aren't that many women in venture capital (VC) firms. Currently, less than 10% of decision-makers at the top-100 VC firms are women, and 74% of VC firms in the United States don't have any women investors.¹

If most of the venture capitalists are men, it doesn't lend much room for diversity. The human brain is wired to seek out the similar, which can often create an unintentional bias. Investors who can't relate or see themselves in a female entrepreneur may be less likely to invest. One way to move toward equality is to welcome more women into venture capital. Having more women in venture capital firms creates advantages both for women and the VC firm itself.

The advantages of more women in venture capital

VC firms with a female partner are twice as likely to fund companies that have women on their management team. These firms that operate with a diverse range of experiences are better positioned to recognize opportunities that might be missed by a less diverse staff — especially as women-owned businesses are on the rise.²

Key takeaways



Currently, less than 10% of decision-makers at the top-100 venture capital firms are women.



74% of VC firms in the US don't have any women investors at all.



Companies in the top quartile for gender diversity are 21% more likely to have above-average profitability than those in the bottom quartile.

More women can also equate to an increase in profit for the VC firms. Diversity in teams, especially at the leadership level, positively impacts revenue. Companies in the top quartile for gender diversity are 21% more likely to have above-average profitability than companies in the bottom quartile.²

Venture capital firms that increase female partner hires by 10% increased their profitable exits by 9.7%, according to a study published in Harvard Business Review.³ Currently, less than 30% of venture capital exits are profitable — so a change in hiring could create a substantial increase.

Bringing more women to the forefront

VC firms are recognizing the importance and power of having more women on leadership teams. In 2018, 34 female Silicon Valley venture capitalists joined forces to change the gender diversity in the VC world and form an organization dedicated to diversifying the tech industry. One of the goals of their organization is to increase — by 15% to 25% — venture funding over the next five years to companies with at least one female founder.⁴

The support you need

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Over the last year, several top VC firms have gone on to hire women principals.⁵ More companies are hiring their first woman general partners, and several women-run VC funds are being created that focus on finding and investing in other women. More women in venture capital will mean more female entrepreneurs receiving funding. While it's a slow process, it's moving in the right direction. And with the benefits they bring, it will be a win for men and women alike.

Steps to consider

- If you're looking to work with a VC firm, consider actively seeking out those with a female partner.
- Search your area to find and join a women-led network of business leaders and decision-makers to help create change.
- Find more women-led businesses to work with and recommend for venture capital funding.



¹ CFA Institute. "The Venture Capital Gender Gap: What Qualifies as Female Content?" July 1, 2019.

<https://blogs.cfainstitute.org/investor/2019/07/01/the-venture-capital-gender-gap-what-qualifies-as-female-content/>

² McKinsey & Company. "Delivering Through Diversity." January 2018. <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

³ Harvard Business Review, "The Other Diversity Dividend," July 2018. <https://hbr.org/2018/07/the-other-diversity-dividend>

⁴ All Raise: Goals. <https://www.allraise.org/>

⁵ Pitchbook. "5 VCs that hired their first female GP in the last year." April 6, 2018. <https://pitchbook.com/news/articles/5-vcs-that-hired-their-first-female-gp-in-the-last-year>

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