



Empowering Women in Venture Capital

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Women
Entrepreneurship
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Women Entrepreneurship Knowledge Hub

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The Women Entrepreneurship Knowledge Hub (WEKH) is a national network and accessible digital platform for sharing research and resources, and leading strategies. With 10 regional hubs and a network of more than 250 organizations, WEKH is designed to address the needs of diverse women entrepreneurs across regions and across sectors. In response to the COVID-19 pandemic, WEKH adopted an agitator role connecting women entrepreneurs and support organizations across the country, and led network calls and training sessions. WEKH's advanced technology platform, powered by Magnet, enhances the capacity of women entrepreneurs and the organizations who serve them by linking them to resources and best practices across the country.

With the support of the Government of Canada, WEKH spreads its expertise from coast to coast, enabling service providers, academics, government and industry to enhance their support for women entrepreneurs. Toronto Metropolitan University's Diversity Institute, in collaboration with the Ted Rogers School of Management, is leading a team of researchers, business support organizations and key stakeholders to create a more inclusive and supportive environment to grow women's entrepreneurship in Canada.

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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%.

Sponsors

The sponsors of this project include the Government of Canada, Social Sciences and Humanities Research Council.

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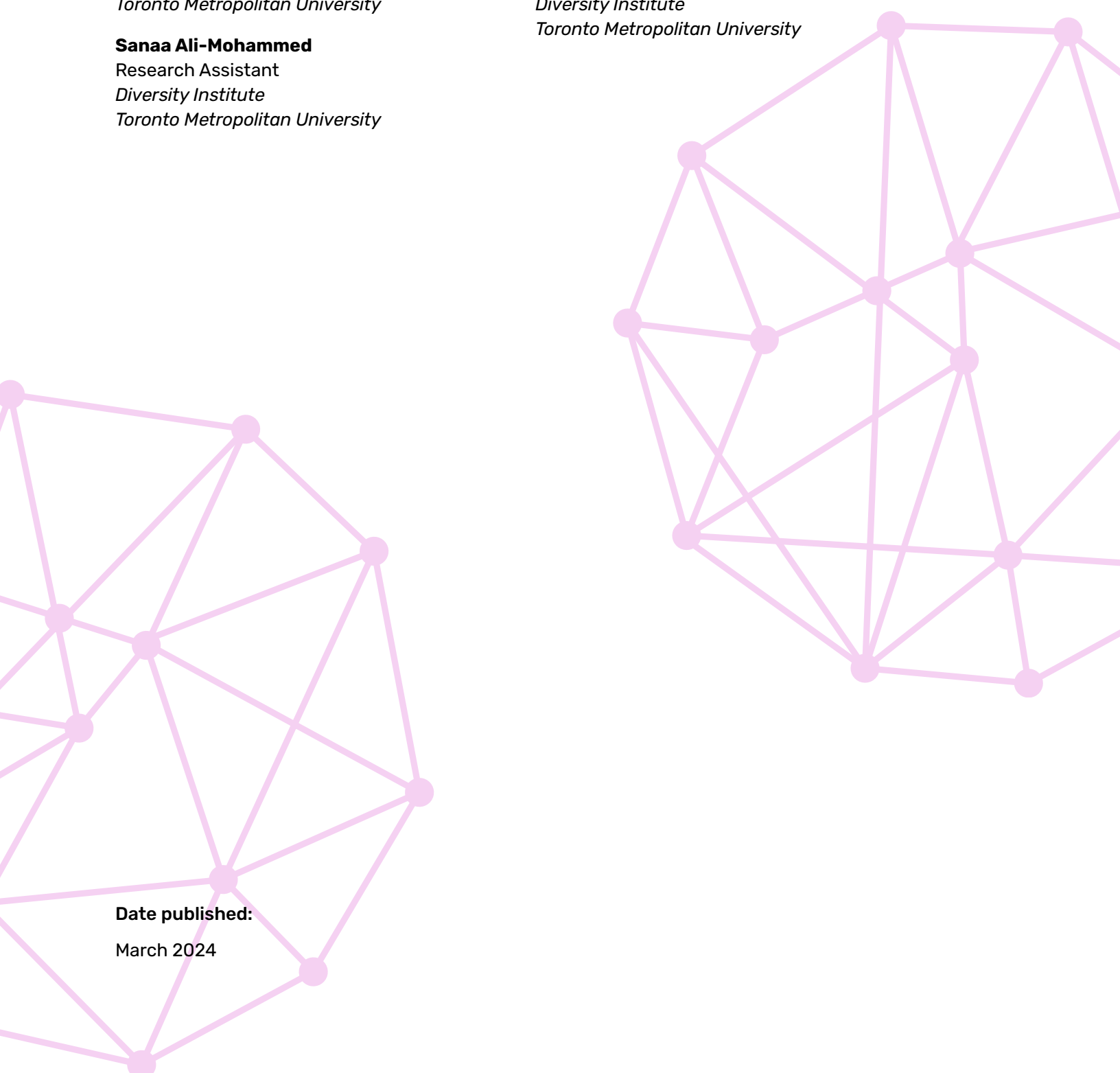
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Executive Summary

Report overview and purpose

The venture capital (VC) industry contributes significantly to the economic development of Canada. Despite recent progress, the VC industry is plagued by many challenges, like starting a career in the VC industry, as well as retention and advancement of women and their representation at all career levels. As the field develops, researchers and practitioners are tasked with finding best practices for remedying inadequacies that emerge; however, they often come up short of a one-size-fits-all approach due to limited research.

This paper provides a comprehensive investigation of the state of women's representation in the Canadian VC ecosystem and identifies barriers and drivers of success at different levels. The goal is to offer actionable recommendations at the societal (macro), organizational (meso) and individual (micro) levels to improve women's entry, advancement and impact in the industry.

This paper provides a comprehensive investigation of the state of women's representation in the Canadian VC ecosystem and identifies barriers and drivers of success at different levels.

Key barriers to women's entry and advancement in the VC industry

The representation of women in the VC industry is significantly affected by key barriers at the societal, organizational and individual levels.

> **Societal level barriers:**

Women face challenges in networking and relationship-building due to gender-based barriers in the VC industry. Additionally, education, leadership and skills requirements limit capacity building for women and racialized individuals, reinforcing the need for a more inclusive environment.

> **Organizational level barriers:**

The absence of a diversity and gender focus, along with the lack of respect toward women, contribute to an exclusionary men-dominated organizational culture. To create a more inclusive environment, organizations must implement changes in recruitment, support parental leave and establish equity, diversity and inclusion (EDI) practices and policies.

> **Individual level barriers:**

Women face barriers in meeting educational requirements for entering the VC field owing to gender stereotypes. Moreover, skill shortages and the lack of effective leadership and networking opportunities hinder women's progress and limit the effectiveness of EDI efforts in creating opportunities for women and racialized groups.

Promoting women's representation:

Key drivers and interventions

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

- > **Tracking team diversity data:**
Emphasizes the importance of monitoring internal team diversity using metrics and key performance indicators.
- > **Mentorship, networking, learning opportunities:**
Highlights the role of coaching, mentorship and training for career growth and development.
- > **Management commitment and support:**
Stresses the need for supportive supervisors and managing directors in fostering an inclusive environment.
- > **Inclusive organization policies and culture:**
Focuses on flexible working arrangements and accommodating work culture to promote EDI practices.
- > **Inclusive hiring and recruitment practices:**
Recognizes the significance of diverse candidate pools and commitment to interviewing diverse candidates.
- > **Delivering value through merit:**
Acknowledges the unique value that women contribute to the organization beyond just achieving metrics.

Several key drivers and interventions were identified through the literature review:

- > **Societal level key drivers and interventions:**
Government regulations and initiatives play a crucial role in promoting women's representation in the Canadian VC ecosystem. Programs such as the Canadian Venture Capital Catalyst Initiative show promise in addressing gender inequality through regulations and financial incentives, including tax incentives, labour-sponsored venture capital funds and government-sponsored VC initiatives.
- > **Organizational level key drivers and interventions:**
To enact noticeable change, industry leadership and umbrella organizations must acknowledge diversity as a priority and core value. Commitments include the development of mentorship and sponsorship programs, improving access to women candidates, formalizing hiring and advancement policies, eliminating gendered language in job postings, using gender-balanced shortlists for positions, and collecting diversity and inclusion data within VC firms.
- > **Individual level interventions key drivers and interventions:**
Effective interventions at the individual level include deploying unconscious bias training and behavior-based incentives for new employees. Addressing broader systemic changes within individual and social norms of VC firms and achieving diversity and inclusion targets are also crucial.

Key recommendations

- > **Societal level recommendations:**
Improve access to government-funded programs for equity-deserving groups, attract young talent through government subsidies for internships and co-op programs, enhance initiatives for women-owned startups and design research programs that lead to action-oriented policy reforms within the VC industry.
- > **Organizational level recommendations:**
Increase women's representation in post-secondary education, enhance VC courses with job coaching and mentorship opportunities, provide scholarships for women entering VC occupations, design culturally relevant mentorship programs, improve access to professional development and networks, support funding for women startups, enhance work-life balance and parental leave support, collect metrics for tracking and monitoring EDI practices and design fair and equitable hiring processes.
- > **Individual level recommendations:**
Increase representation of diverse investors and investment portfolios, procure capital through diverse investor groups, create portfolio strategies with EDI-focused decision-making criteria, forge stronger connections with role leaders and senior management and challenge biases by shifting investor mindsets toward diversity and inclusion.

Conclusion

Through this report, we have gained insights into enhancing women's representation in the VC ecosystem within Canada. We provide recommendations aimed at boosting women's representation and influence in the VC industry across societal, organizational and individual levels. In conclusion, this paper offers a thorough understanding of how to improve women's representation in the VC ecosystem in Canada by executing focused and practical recommendations at all three levels.

This paper offers a thorough understanding of how to improve women's representation in the VC ecosystem in Canada by executing focused and practical recommendations.



Introduction

Overview

The venture capital (VC) industry has experienced consistent growth over the years, becoming an essential part of the economy and playing a significant role in the development of the entrepreneurial ecosystem in Canada. In 2021, nearly \$15 billion of VC investments was reported by the Canadian Venture Capital Association (CVCA).¹ Venture capital firms stimulate innovation and contribute to economic growth by investing in early-stage startups and high-risk entrepreneurial ventures. Such investments have been vital to the success of many organizations like Apple, Microsoft, Amazon, Alphabet and Facebook, all of which were backed by VCs in their early stages.²

Nonetheless, the distribution of these investments is unequal due to imbalances within the VC industry. According to PitchBook Data, startups with women-only founders in the U.S. received 1.9% of the total \$238.3 billion in VC funding disbursed in 2022, a 0.5% drop from 2021.³ Research suggests that VC investors in Canada tend to prefer firms headed by men, contributing to the under-representation of women in VC.^{4, 5, 6, 7} For example, in 2019, only 15% of partners in Canadian VC firms were women.⁸ Moreover, according to CVCA, almost 90% of all Canadian VC investments between 2014 and 2019 went to companies founded exclusively by men.⁹ Despite the recent trend toward digital economic activities, which was expected to bring more opportunities for women in VC, their participation remains low.¹⁰

The benefits of gender diversity in leadership positions have been well documented. McKinsey reports that companies with more than 30% women in leadership roles outperform those with fewer women in leadership.^{11,12} In the VC industry, studies have shown a positive relationship between women in management positions and firm performance.¹³ One study found that a 10% increase in women partners at VC firms could result in a 1.5% increase in annual financial returns, while a decrease in the representation of women partners could lead to lower financial performance.¹⁴ Another study showed that men partners with more daughters were more likely to hire women at their VC firms, which increased the likelihood of fund success.¹⁵

The literature highlights how increased representation of women in VC firms leads to greater financial success. Gender diversity among VC investors improves the chances of funding for ventures led by women and racialized individuals, who bring new perspectives, cater to untapped markets and meet unmet needs, leading to greater innovation and financial returns.^{16, 17} Women-led startups have also been shown to perform better, with 35% greater returns on investment and 12% higher sales revenues compared to startups led by men.¹⁸ The success of startups such as Sheertex, led by founder Katherine Homuth, demonstrate the benefits of gender diversity in the VC industry.¹⁹



Bringing more women into the industry can promote innovation and bring new perspectives. Investors often support people they relate to, but this narrow focus can limit investment success.²⁰ Research shows that women investors are 30% more likely to invest in women entrepreneurs.²¹ Additionally, when the same idea is presented to venture capitalists by a man or a woman, the idea is more likely to receive investment.²² Excluding women and other diverse groups can result in valuable ideas being overlooked; however, having women in key VC positions can increase access to funding for women entrepreneurs.²³

However, some research also challenges the correlation between women's representation and investment success. One study found that adding women to a company's board of directors led to decreased performance, but this may be due to discrimination the women faced on the board.²⁴ Another study showed that discrimination against women partners at VC firms can lead to exclusion from networks and lower investment success, but this effect was not seen in larger firms with more women partners.²⁵ Research has also

found that gender differences in investment outcomes are not due to women being less skilled, but instead to a lack of benefits from colleagues' track records.²⁶ To benefit fully from women's representation in leadership, organizations must strive for diversity and inclusivity.

Although some VC firms are taking steps to address gender inequalities by hiring and engaging more women venture capitalists, progress has been slow. Women entrepreneurs and investors are often overlooked or discriminated against in the financing ecosystem.²⁷ Recent studies suggest that the under-representation of women in VC is not accidental, and there are significant obstacles, including systemic gender discrimination within VC firms, that prevent women from pursuing careers in the industry.²⁸ This paper aims to move the conversation about women in VC beyond an academic perspective and toward a practical and industry-focused one.

This paper examines the status of women's involvement in the VC industry in Canada and identifies the obstacles preventing increased representation of women in the

VC ecosystem. The study highlights effective strategies and best practices at individual, organizational and societal levels to enhance women's participation in the VC ecosystem. The findings reveal several knowledge gaps on the subject, including limited academic studies, lack of research on diversity and inclusion initiatives, and insufficient research about labour protections for women and other diverse workers in the VC industry. This paper also presents an overview of the state of the VC industry with a focus on women's representation and the barriers and drivers identified in the literature, as well as the perceptions of industry representatives regarding the challenges and recommendations for addressing them.

Study objective

The goals of this review are to understand the state of women's representation in the VC ecosystem in Canada; identify the individual, organizational (or industry-wide) and societal barriers to improving women's representation in this VC ecosystem; and identify some levers and best practices at the individual, organizational and societal levels that will promote the representation of women in the VC ecosystem in Canada.

This review found several gaps. Limited qualitative academic research explores women's lived experiences entering and advancing in the VC industry in Canada, although qualitative information exists in the form of news stories and editorials. 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 marginalized 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. The actions taken by VC firms in Canada to promote women's inclusion in the industry and the resistance and challenges they might experience also remain unexplored. 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 Canada, limited research is available about labour protections for women and other diverse workers in the VC industry.

The next section of this report provides an overview of the 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 11 in-depth interviews conducted with representatives from Canada. This report investigates the perception of industry representatives on the barriers, drivers and recommendations to improve the challenges faced by industry players.

The goals of this review are to:



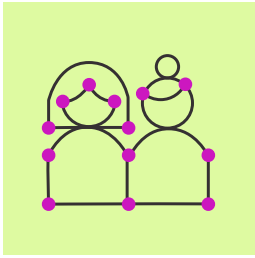
Understand the state of women's representation in the VC ecosystem in Canada



Identify the individual, organizational (or industry-wide) and societal barriers to improving women's representation in this VC ecosystem



Identify some levers and best practices at the individual, organizational and societal levels that will promote the representation of women in the VC ecosystem in Canada



Women in the Venture Capital Industry

Overview

Venture capital firms provide a means for startups, especially those in their early stages, to obtain equity financing from private angel investors, angel groups, seed funds, VC firms, corporate venture firms and institutional investors. This type of financing enables early-stage firms to avoid traditional financing avenues such as banks, which can be difficult to access and obtain funds from.^{29, 30} One advantage of VC investments is that they can help early-stage firms achieve high levels of profitability in a shorter amount of time. However, VC investors typically earn their shares by profiting from the development and sale of commercial products from the firms they invest in. Consequently, they often demand a higher rate of return and interest on their investments.^{31,32}

This section provides an overview of the existing VC ecosystem in Canada from societal (macro), organizational (meso) and individual (micro) levels, and discusses barriers and enablers based on information collected from the 11 study participants representing Canadian VC firms.

Societal level outlook and barriers

The Canadian VC ecosystem has experienced significant growth, with Canada ranking third globally in VC investment.³³ Venture capital investment in Canadian startups reached a record high of \$6.2 billion in 2019. In 2020, the VC investment in Canadian startups decreased due to the pandemic to \$4.2 billion.³⁴

Regulatory environment in Canada

> Multiple regulatory agencies:

In Canada, the regulatory framework for the VC industry is shaped by various agencies, including the Department of Finance, Bank of Canada, Canadian Securities Commission, the Financial Transactions and Reports Analysis Centre of Canada and the Office of the Superintendent of Financial Institutions. These agencies have distinct responsibilities and work together to create a comprehensive regulatory environment.³⁵

> Bill C-25 limitations:

Since VCs are not typically publicly traded, Bill C-25's mandate for diversity disclosure at the board and senior leadership levels does not apply to most VC firms, leaving a potential gap in understanding and promoting diversity within the industry.³⁶

> Investment criteria:

The investment limitations for angel investors and venture capitalists, such as income requirements and net worth thresholds, can exclude individuals with

limited financial resources or assets, potentially reducing the diversity of investors in the VC landscape.³⁷ To be registered as an investor, angel investors must meet a minimum earning of \$200,000 per year in the prior two years and have at least \$1 million in investable assets, or a net worth exceeding \$5 million.³⁸ Likewise, venture capitalists are required to commit a minimum of \$3 million to a company and exit within a decade after the company has experienced substantial growth.³⁹

> **Government involvement in VC:**

BDC Capital, a government-backed VC entity, manages VC programs on behalf of the Canadian government, while the federal Venture Capital Catalyst Initiative collaborates with private and corporate VCs to promote diversity and inclusion. These efforts represent a mixed government VC model that aims to foster best practices within the industry.⁴⁰

> **Tax incentives for diversity:**

Another way by which federal and provincial governments participate in the VC sector is involves offering tax incentives to VC investors, such as the legislated labour-sponsored VC funds (LSVCFs).⁴¹ The LSVCF supports domestic SMEs, and these incentives could potentially be used to promote gender equality in the VC industry.

> **Employment regulations and women's involvement:**

Regulations such as the Employment Equity Act, Canadian Human Rights Act and Ontario Human Rights Codes could affect women's involvement in the VC industry. However, it is uncertain whether these regulations apply to different types of VC firms. If applicable, they could help enhance the representation of women and other designated groups in the industry.⁴²

> **Exemptions to the accredited investor category:**

Regulatory bodies have taken steps to promote diversity in the VC ecosystem by introducing exemptions to the accredited investor category. For example, the Alberta Securities Commission and the Financial and Consumer Affairs Authority of Saskatchewan proposed a Prospectus Exemption for Self-Certified Investors, allowing self-certified investors to participate in the angel investor ecosystem if they meet certain requirements. They need to sign a Self-Certified Investor Statement and Acknowledgement affirming their financial education or experience, understanding of investment risks and agreement to investment limits.⁴³ Another notable initiative by the Manitoba Securities Commission allows non-accredited investors to participate in the Women's Equity Lab Manitoba.⁴⁴

Societal Level Barriers

> **Cultural biases:**

Societal biases regarding women's capabilities and roles influence their entry and advancement in the industry. Stereotypes of women as weak, emotional and lacking leadership skills can hinder their progress in men-dominated industries like VC.^{45, 46, 47, 48, 49}

> **Regulations governing investors:**

Current regulations, which limit investment opportunities to those with higher incomes and assets, may restrict the angel investment pipeline due to the gender and racial wealth gap in Canada, potentially excluding women and racialized persons.^{50,}

⁵¹

> **Limited regulation, oversight, and interventions:**

There is limited research on the effectiveness of government initiatives promoting women's involvement in the VC industry, such as the Venture Capital



Catalyst Initiative, which aims to promote gender and racial diversity by investing \$50 million in seven VC funds, with the objective of promoting gender and racial diversity.^{52, 53, 54}

> **Standards for data collection, reporting, and proactively addressing barriers:**

The Employment Equity Act and Bill C-25 mandate diversity disclosure, but it's unclear if these regulations apply to various types of VC firms operating in Canada, which may hinder progress in addressing gender-based barriers.^{55,56}

> **Levels of legal protections for women:**

Existing protections like the Canadian Human Rights Act and provincial human rights codes address gender-based discrimination, but further research is needed to understand their sufficiency for women in the VC industry.⁵⁷

Organizational level outlook and barriers

> **Stakeholders in the VC ecosystem:**

The organizational level outlook of the VC industry involves various roles, including venture capitalists (analysts, principals and general partners), entrepreneurs, limited partners and attorneys.^{58, 59} Each of these roles contributes to identifying, funding and guiding startups in their journey. VC firms can take on different forms, such as private, government, corporate, institutional, bank and retail VC, reflecting the diverse types of investors and organizations involved in the VC ecosystem.⁶⁰ Umbrella organizations, like the CVCA and educational institutions play a significant role in shaping the VC ecosystem and fostering innovation.^{61, 62, 63} In Canada, popular sectors for VC investments include information, communication and technology, life sciences, cleantech, and agribusiness, showcasing the nation's focus on innovation-driven industries.⁶⁴

> **Increased participation of women in angel organizations:**

The involvement of women in angel organizations in Canada has also shown consistent growth since 2017, reflecting an encouraging trend toward improved gender diversity in the VC sector, as per NACO Canada's forthcoming 2023 annual report on angel investing. In 2022, women comprised 37% of angel organization members, a substantial increase from 27% the previous year and more than double the figure from 2019.⁶⁵ This proportion aligns with international standards and even surpasses several countries, including the UK, while matching that of the U.S. Notably, the establishment of angel organizations with high women representation, or exclusively comprising women, has significantly contributed to this progress, with a particular focus on investing in women-led businesses.

Organizational level barriers

> **Insufficient benchmarking and tracking:**

Limited benchmarking and tracking of women's representation in individual VC firms create challenges in advocating for increased representation and comparing progress among organizations.⁶⁶ This lack of transparency can hinder the development of targeted strategies to promote diversity.⁶⁷

> **Ineffective policies and practices:**

Existing policies and practices often show limited effectiveness in improving women's experiences in the industry, highlighting the need for further research, innovative approaches and continuous improvements to create more inclusive environments for women in VC.⁶⁸

> **Exclusionary networks:**

The network-driven nature of the VC industry frequently results in exclusionary networks that can be biased against women, limiting their access to valuable opportunities, resources and



Women comprising angel organization members in:

2021

27%

2022

37%

connections.^{69,70} This can create a barrier for women entering the industry and progressing in their careers.⁷¹

> **Toxic and hostile organizational culture:**

Toxic and hostile organizational culture for women can manifest in gender discrimination, sexual harassment and unequal treatment, further discouraging women from pursuing careers in VC.^{72, 73.}

⁷⁴ Addressing these issues is crucial to creating a more welcoming and supportive environment for women.

> **Limited opportunities due to firm size and turnover:**

The small size and low turnover in VC firms often mean fewer opportunities for women to enter and advance to leadership roles within established firms.^{75, 76} This lack of mobility can make it difficult for women to gain the experience and visibility needed to progress in the industry.

> **Informal hiring processes and unconscious bias:**

Informal hiring processes in VC firms can allow unconscious bias to emerge, perpetuating the under-representation of women in the industry.^{77, 78} Addressing these biases and implementing more structured and equitable hiring practices can help increase diversity and ensure a more balanced representation of women in VC roles.

Individual level outlook and barriers

> **Homogeneous backgrounds and limited diversity in VC:**

The literature highlights that venture capitalists often come from specific racial, gender and socio-economic backgrounds, with exclusive education and access to generational wealth. Venture capital leaders are predominantly white men, resulting in a lack of diversity in the industry.⁷⁹

> **Under-representation of women in Canadian VC leadership:**

In Canada, women are significantly under-represented in leadership roles within the VC industry, with a slow progress toward gender parity.⁸⁰ This disparity affects women's experiences in VC, women-led companies' funding, and the overall innovation and success of the Canadian economy.⁸¹

> **Research gap for gender diverse, non-binary and racialized people:**

There is a dearth of research on gender diverse, non-binary and racialized people in VC, including a stark absence of data on pay equity.^{82, 83} Cases like Ellen Pao's lawsuit against Kleiner Perkins provide some insight into the barriers experienced by racialized women, but more research is needed.⁸⁴

> **Advocacy for improved capital distribution:**

Industry insiders advocate for improved distribution of capital among Black, Indigenous and racialized entrepreneurs in Canada.^{85, 86} Certain academic and grey literature describes the phenomenon of Black and racialized entrepreneurs receiving disproportionately less funding due to the homophilic nature of a predominantly white and men-dominated VC industry.^{87, 88} However, more research is required to understand the compounded barriers for gender diverse, non-binary and racialized women in VC firms and equity financing for their startups.

Individual level barriers

> **Absence of role models and confidence gap:**

The limited representation of women, gender diverse and non-binary people in leadership roles in the industry contributes to an absence of role models, which can lead to a "confidence gap" and discourage women from pursuing careers in VC.^{89, 90, 91}

> **Unconscious bias in hiring decisions:**

Individual preferences and biases play a vital role in hiring decisions, potentially leading to unconscious gender bias. Further research is needed to understand the extent of this issue in Canada.⁹²

> **Skills and experience mismatch:**

While some argue that the low representation of women in the industry is not a problem of skills or education, others point out the demand for pre-existing knowledge and experience in sectors like STEM, where women are under-represented in Canada. This mismatch has implications for educational institutions and STEM workplaces.^{93, 94, 95}





Study Methodology

Overview

This section discusses the data collection and analysis processes for this study, introduces the high-level themes identified during the thematic analysis, and describes some of the key characteristics of the participants.

Sampling and data collection

To gain a better understanding of women’s representation in the VC industry and the ways to improve it, we applied a purposive sampling methodology to ensure that various groups of stakeholders in the VC industry were represented in our interview participants. We obtained ethics approval from the Research Ethics Board at Toronto Metropolitan University and informed consent

from the participants before conducting the interviews. Before conducting interviews, we obtained the participants’ consent through Informed Consent forms.

The interviews were conducted to explore the subjective experiences of leaders and staff at VC firms toward gaining an understanding of the barriers and motivators for women’s representation in the industry. We recruited two types of participants: senior leaders and women staff at VC firms. Our research approach was qualitative, which involved viewing participants as knowledgeable agents, being open to themes emerging from the data without preconceived theoretical constructs, and constantly comparing and revising provisional conclusions. One researcher conducted the interviews, which

TABLE 1

Description of the Participants

Respondent Code	City	Gender	Race	Position
Par 1	Ottawa	Woman	White	Investment lead
Par 2	Toronto	Woman	East Asian	Analyst
Par 3	Saskatoon	Woman	White	Executive vice-president
Par 4	Vancouver	Woman	White	Associate
Par 5	Regina	Man	White	Managing director
Par 6	Calgary	Man	White	Co-founding partner
Par 7	Toronto	Woman	White	Analyst
Par 8	Toronto	Woman	South Asian	Intern
Par 9	Toronto	Woman	White	Intern
Par 10	Montreal	Woman	East Asian	Managing partner
Par 11	Toronto	Woman	South Asian	Corporate manager



were held via Zoom and lasted between 45 and 60 minutes. The interviews were audio recorded and transcribed professionally to facilitate the coding procedure.

To increase the study's reach, we shared study information and the recruitment message via email to partners, and the Diversity Institute shared the call for participation on social media.

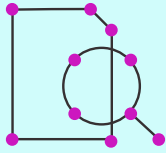
To reach a wider audience, we sent study information and the recruitment message via email to the partners, and the Diversity Institute shared the call for participants on social media. In total, 11 interviews were conducted in Canada. The majority of interviewees—nine participants (81%)—identified as women and two participants (19%) identified as men (See Table 1).

Data analysis

We employed a two-step qualitative approach to analyze the data collected from the interviews. Initially, we conducted an open coding procedure and identified key themes that emerged from the data. We then organized the coded data in an Excel spreadsheet and included the themes and associated interview quotes in one spreadsheet.

Secondly, an axial coding analysis was performed to identify the sub-themes that cut across the codes identified in the first step. Then we worked in pairs to review and discuss the interpretation, grouping and labeling the themes into aggregate categories.

To ensure the category labels were mutually exclusive across the entire dataset, we sorted the data by category label and reviewed it by iterating between the category labels and the actual interview quotations. We identified similar categories, combined them, and relabeled them to create a common category. The final categorization of data was reviewed by other team members to ensure the validity of the analysis.



Key Findings

Overview

Our findings from this study suggest that various factors influence the lower representation of women in the VC industry in Canada. Based on our thematic analysis, we categorized the findings from the participants' interview transcripts in three distinct categories: barriers, drivers and recommendations.

Key barriers to women's entry and advancement in the Venture Capital industry

The study participants identified several barriers to the low representation of women in the VC industry across three levels (societal, organizational and individual) as explained below.

Societal level barriers

At the societal level, participants discussed industry entry barriers, systemic and societal barriers and discrimination as well as the under-representation of women in the VC industry and challenges preventing greater participation of women in the VC industry.

The venture capital industry is highly "gate-kept," contributing to women's difficulty in breaking into the industry.

High entry barriers

Study participants mentioned that the VC industry's high reliance on networking and relationship-building makes it challenging for women to enter the VC industry as they have fewer networking opportunities. One participant said that the VC industry in Canada is highly "gate-kept," contributing to the difficulty in breaking into this industry. Additionally, "lack of knowledge and awareness about the industry" also contributes to the challenges of starting a career in the VC industry.

Industry culture

According to some participants, the VC industry culture is heavily influenced by the higher presence of "white men" in the industry, making those who identify as racialized or women feel "vulnerable" and "less safe." One participant said she had to "lower her tone of voice" to gain respect in a men-dominated space. Moving forward, a participant highlighted the need for dedicated safe spaces for networking opportunities for women and diverse individuals "to collaborate and share ideas."

Systemic barriers in the venture capital industry

Women and other equity-deserving groups are noticeably under-represented in the VC industry compared to men counterparts, making it harder for them to make a mark in the industry. One participant emphasized the importance of addressing these systemic barriers, such as the "malnutrition and lack of food" and the "lack of access to dental care" faced by Indigenous communities adding

that, “when you put it into perspective like that, I think it really starts to show some of the challenges” that affect the long-term success of community members in the VC industry.

Organizational structure and cultural barriers

The discussions at the organizational level mostly focused on EDI, organizational structure and culture, and human resources (HR) issues.

Absence of diversity and gender focus

Participants highlighted the lack of emphasis on promoting diversity within organizations. For example, one participant suggested that they “don’t have much diversity in terms of race within our organization” due to challenges in collaborating with and understanding the needs of diverse cultural groups. Another participant posed that working with diverse partners may have “different measures of success,” explaining that “When we’re investing with First Nation Métis partners, we look at generational investing.” Unconscious or conscious biases against diverse founders have also been identified as a challenge to the lack of diversification in the hiring pool. One participant described an incident where “insinuation in 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.”



Low respect toward women

Some participants reported that a lack of respect toward women colleagues was a significant challenge at the organizational level. One participant shared an experience where a woman co-worker “had a certain set of responsibilities taken away from her and transferred to a new male director” without prior notice, describing the experience as “really minimizing.” Furthermore, there is a “general lack of consideration of female opinion.” The participant gave another example where four women colleagues were opposed to hiring a candidate, but two men colleagues supported the decision and the candidate was still hired. In general, the workplace showed a lack of respect for women in the space.

Men-dominated organizational culture

The culture within the organization is mainly influenced by men and, as a result, some individuals feel left out of some interactions, especially those involving men directors and staff members. This has created a situation where some people feel excluded from developing closer relationships with

their colleagues due to the existence of a “boy’s club” dynamic. A participant further noted that “the relationship between male directors and the male staff is different,” making it “uncomfortable” for the women sitting on the call since they “can’t contribute to the conversation.” In addition, differential treatment for women compared to their male counterparts has also been observed, where women are “expected to be a little bit more accommodating, whereas the male staff seem to be able to say no to things more easily.”

Career advancement

A few participants highlighted the barriers related to women’s career advancement in the VC industry. For example, one participant mentioned: “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.” Another participant echoed this sentiment by stating that “there was never an anticipation of growth or progression” for women in the industry. Further, men are also given opportunities with “no competition process” that are inaccessible for equally capable women.



Women are “expected to be a little bit more accommodating, whereas the male staff seem to be able to say no to things more easily.”

Also, one participant reported a discrepancy in racial diversity between lower and senior levels of management, where “there’s a lot more racial diversity” at the earlier career levels “than a more senior level,” pointing toward the need for greater equity and inclusivity of gender and race in the workplace.

Parental leave

Some participants suggested that, despite increased attention to parental support in organizations, women often face implicit consequences, such as being “overlooked” or “forgotten” upon their return from parental leave. Moreover, one participant believed that she “lost months on the return side of things” in addition to the time lost during her parental leave, leaving her frustrated.

Men and women also face different expectations for parental leave. One participant highlighted, “We don’t treat a father and mother the same under our laws, or expectations for parental leave,” adding that, while some men investors have taken parental leave after having a child, there “isn’t symmetry here in how society thinks about parental leave for men and women.”

One participant emphasized the constant pressure of staying engaged and keeping up with the fast-paced nature of the VC industry. Another participant recounted an encounter with a senior man investor who advised her to consider “freezing her eggs” to maintain freedom and options later on, illustrating the challenges faced by women in balancing personal choices with professional expectations.

The participant noted that the applicant pool is significantly skewed toward men, which makes it “extremely hard to hire women at the VP and principal level.”

Building the pipeline

One participant identified the deficiency in racial diversity within the applicant pool as a significant hurdle in building the company’s pipeline and recruitment process. To address this issue, they propose that the company should concentrate on “getting more women wanting to be in this industry,” thereby increasing the participation of women.

Another participant in the discussion brought attention to the challenges of recruiting women for top-tier or managerial roles. They believe there is a shortage of opportunities for women in entry and associate levels, where “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.” As a result, it becomes more challenging to employ women for senior positions. To tackle this issue, the participant suggests that companies should offer equivalent resources and opportunities to women right from the beginning of their careers. Additionally, the participant noted that the applicant pool is significantly skewed toward men, which makes it “extremely hard to hire women at the VP and principal level.”

Organizational culture

Some participants reported a culture of exclusivity in the VC industry, where “a lot of these transactions happen on the golf course” and social spaces that are dominated by men which makes networking and building relationships more challenging for women.

Another participant observed that the organizational culture and networking events tend to center around drinking and smoking, which can exclude individuals who do not engage in these activities. These difficulties highlight the significance of developing more comprehensive and welcoming organizational cultures and practices that value diversity and promote the success of all workers.

Low retention of women employees

Some women participants have recognized the absence of equity and fairness in their workplace, which has resulted in a low retention rate in women employees. One participant shared an experience where two women colleagues left the organization because they felt there was a “lack of fairness.” As a result, the organization had poor retention rates of women in general.

Policies and practices

Despite having diversity and inclusion policies and practices in place, the participants described a shortage of awareness and understanding regarding these policies. According to them, “if you really dig into what are you doing about [diversity and inclusion], there’s almost nothing that people do about it.” These policies are not frequently implemented in practice, and the absence of formal procedures undermines their legitimacy. This emphasizes the necessity of advocating for more transparency and effective EDI policies that are consistently communicated and executed throughout the organization.

Hiring practices

Participants identified unconscious bias as a significant challenge in promoting diversity through hiring, citing the absence of bias training as a leading cause. Despite the existence of EDI policies and practices, participants noted that they are not well-informed about them. Along with considering diversity in hiring practices, participants suggested that “We all have more significant unconscious biases than we’re aware of. And this diversity [hiring policy] is not going to change until we do that,” urging for unconscious bias trainings. Another participant further highlighted the importance of interviewing a sufficient number of diverse candidates to establish a “meritocracy forward-based [hiring] system.”

Individual level

Participants have identified several individual-level challenges that hinder the higher representation and progress of women in the VC industry, including high educational requirements, insufficient support from leadership, limited networking and learning opportunities, and a shortage of chances to showcase their skills.

High educational requirement

The educational requirements for individuals in the VC industry are generally high, with most holding at least an undergraduate degree, and some with advanced degrees such as a master’s degree or PhDs, often in engineering or other technical fields. The type of degree, such as a degree in engineering or computer science versus liberal arts, may influence who is able to enter the industry.

One participant suggests that an MBA degree is valuable for career advancement into senior or managing partner positions and networking opportunities.

Not enough leadership support

One of the participants expressed her dissatisfaction with the lack of proactive efforts by leaders in their organization. When she tried to initiate a conversation about tracking diversity in the company’s portfolio fund, she was met with resistance or indifference, which left her feeling discouraged and hesitant to “push further because of the first reaction I got the first time around.”

Networking and learning opportunities

According to one participant, opportunities for networking or specialized work are not solely based on one’s skills or qualifications. Instead, those who have established “the best relationships with the directors” are often given such opportunities. This can create an unfair advantage for individuals who are already well-connected within the organization, potentially leaving equally or more skilled individuals at a disadvantage if they lack the same level of relationship-building ability.



Skills requirement

Another participant highlights that, although “skills are essential but not sufficient to succeed” in the VC industry, “opportunities also need to be available for you to showcase those skills.” She explains that individuals who have already had the “privilege of receiving mentorship and support” have a responsibility to create opportunities for others to showcase their talents.

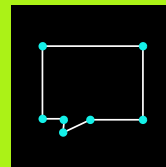
Promoting women’s representation: key drivers and interventions

Besides the challenges, participants were asked about the drivers and enablers that could enhance women’s representation and opportunities for success in the VC industry. The most cited factor by respondents was keeping track of team diversity regularly. Other important factors included having mentors, networking and learning opportunities, receiving support and commitment from management and cultivating an inclusive company culture. Additionally, adopting inclusive hiring and recruitment practices and delivering value through high performance were also seen as important factors in promoting higher women’s representation in the VC industry.

Tracking team diversity data

According to the participants, the primary motivator for implementing inclusive policies and practices is monitoring and tracking internal team diversity, as reported by 80% of the participants. For example, a participant mentioned that the company uses metrics to monitor the EDI status, and explained they “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.” Several VC firms have established capacity building and awareness programs to promote diverse

teams in startups and VCs, and they have set internal key performance indicators to assess the “women representation on the companies we fund” and “how many management teams of these companies actually have women in high C-suite positions” within their investment portfolios. Further, one VC firm has “full mandate reporting” of EDI progress as part of their annual audit report. These initiatives are largely driven by the pressure from institutional investors of the participating VC firms to track and improve the EDI status of portfolio companies and to enhance their own internal EDI situation.



About 53% of survey respondents identified:

- > mentorship
- > networking
- > learning opportunities

as crucial factors for increasing women’s representation in VC firms.

Mentorship, networking and learning opportunities

About 53% of survey respondents identified mentorship, networking and learning opportunities as crucial factors for increasing women’s representation in VC firms. They highlighted coaching and mentorship from direct managers and internal training programs as effective means of supporting career growth and development within these firms. The surveyed participants spoke positively about the support and mentorship they received from their managers and colleagues. They described how their managers were willing to invest significant time in helping them, even with what they considered “stupid” questions, and spend “a lot of time on the things that I

said I wanted to learn” to help expand their skills. The importance of mentorship and diversity was also emphasized, with some participants mentioning the deliberate efforts by their leaders to build diverse teams. They also noted opportunities to attend conferences and network with other professionals in the industry “to expand my personal or professional VC connections,” which they considered valuable for personal and professional growth. Overall, participants were grateful for the support and opportunities they received and saw mentorship and diversity as important factors in promoting success in the VC industry.

Participants also mentioned the importance of improving capacity building opportunities and educational degrees, raising awareness about EDI in the workplace, creating a diverse investment portfolio and women entrepreneurs specifically seeking women investors for funding. One participant emphasized the importance of increasing awareness as opposed to just having a specific policy about the significance of EDI in the workplace to increase women representation in different roles.

Management commitment and support

The participants emphasized the importance of management commitment and support in implementing and sustaining positive change within VC firms. They noted that having supportive supervisors and managing directors who promote work-life balance and are open to discussions is crucial in creating an inclusive and comfortable environment. Some participants shared personal experiences where their managing directors showed care and support for their career growth, even before they had “signed the paper [employment contract].” One-third of the participant’s VC firms recognized the importance of management engagement in making the firms and portfolio companies more inclusive. This was demonstrated through mentorship programs, fellowships and policies that prioritize diversity and inclusion in the companies they invest in. Overall, the participants saw management commitment as a key driver for creating an inclusive VC industry.





Inclusive organization policies and culture

Nearly one-half of participants' VC firms highlighted the importance of an inclusive organizational culture in promoting EDI practices within the firm and for the portfolio companies as a part of the investment process. Some of the participants mentioned the importance of focusing on flexible working arrangements and "accommodating" work culture, along with supportive parental leave for "both dads and moms" to create an inclusive organization culture with positive work-life balance. Participants talked about the importance of a "people-first" culture in supporting and uplifting the team's morale in these VC firms. Some firms mentioned the need for "action plans of how we are dealing with internal policies ... plans being implemented around how we make sure that we have an inclusive culture." Overall, the participants saw an inclusive organizational culture as an important factor in promoting EDI practices within the VC industry.

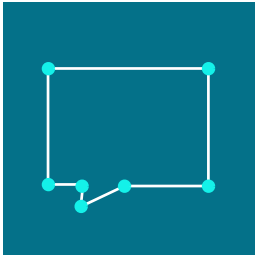
Inclusive hiring and recruitment practices

Around one-third of the participants recognized the importance of inclusive hiring and recruitment practices in promoting higher representation of women in the VC industry. They highlighted the importance

of building a high-performing team driven by management support for EDI. Some participants emphasized 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" when considering inclusive recruitment for building a more diverse workforce. Others mentioned policies around diversity and inclusion, with some firms investing in women and being led by women. The participants highlighted the need for an initial pool of candidates that is diverse, with some firms committing to interviewing a specific number of women and men candidates before making hiring decisions. Overall, the participants saw inclusive hiring and recruitment practices as important drivers of higher women representation in the VC industry.

Delivering value at workplace through merit

The participants' VC firms recognized that women contribute significant value to the organization beyond just achieving metrics or complying with investor demands. Women are often creative, take innovative approaches and focus on the bigger picture and social contributions. One VC firm participant reported that women tend to be more creative and willing to take outside-the-box approaches compared to men, who are typically more "process-oriented." Women in these firms are often high performers who go above and beyond the financial metrics; one participant stated: "There are lots of lots and lots of stats in VC about how female-founded companies outperformed male-founded companies by a lot. Not even by a little. And they also ask for way less money." Overall, the participants recognized the unique value that women bring to the VC industry.



Recommendations

Recommendations emerged from interviews with the 11 study participants to provide future directions in improving the level of women's representation and their impact in the VC industry. The recommendations are organized at three levels: societal (macro) level, organizational (meso) level and individual (micro) level and are discussed in the following sections.

Societal level

Government initiatives

At the societal (macro) level, the need for policy improvement initiatives such as government funded programs designed to support women and other minority groups was a common theme in the participants' discussions. One participant suggested that "programs like the government's VCCI (Venture Capital Catalyst Initiative) program, where they have funds focused on under-represented" groups, is important. Further, participants believed that implementing internship or student co-op programs and subsidies for young talents in the VC industry can encourage participations especially among equity-deserving groups. Existing initiatives like CVCA's Inclusive Women Venture Capital Initiative (IWVCI) programs like Advocacy for Sustainable Capital Including Access to Capital for Underrepresented Groups and Ask Me Anything University Reach Out Series could be reviewed to find ways to increase the number of women interested in starting a career in VC industry through a student program, apprenticeship program or a research and education program.⁹⁶ To

address the capacity building challenges for women and racialized individuals in the VC industry, existing initiatives like NACO's IWVCI project could be modeled to provide women entrepreneurs or investors with access to customized learning experiences through online platforms to help them succeed in the VC industry.

Furthermore, for early stages of funding, participants found that government initiatives should consider the necessary networking support for women-owned startups to address questions such as, "How do we build that network? How do we connect that across Canada, but also across different industries?" In addition, participants asserted that action-oriented policy is of equal importance. One participant suggested that "government could fund research into understanding people of colour and those demographics you mentioned [other equity-deserving groups]."

Organizational policies and practices

At the organizational level, participants recommended several measures to increase the representation of women and other equity-deserving groups in the VC sector. These recommendations include establishing dedicated funding sources for VC investments in startups led by women and minority groups, conducting comprehensive due diligence for fund management and promoting positive changes in formal education.

Institutional investors

From the organizational (meso) level, the discussions with the participants revealed the need for training and knowledge mobilization initiatives to increase the representation of women and other equity-deserving groups in the VC industry. Moreover, specialized institutional funding pool is important for startups owned by women and under-represented groups. One participant described: “There are funds that are dedicated to only funding women or funds that are dedicated to only funding under-represented founders.” Despite these specialized institutional funding pool, participants agreed that there needs to be more partnership and more funding.

Education reform

The field of VC research and its associated education system are still men-dominated with a “female-male divide,” including their social and cultural norms, making it difficult for women to break into the industry. One participant argued that, to disrupt the existing status quo and hidden norms, the VC industry must recognize the skills-and-needs gaps for specific groups and provide the necessary early coaching, exposure, scholarship, mentorship. There needs to be a congruence between cultural expectations and occupational skills.

Organizational culture and policy

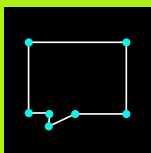
Despite VC firms’ efforts to better employee’s work-life balance, there is a lack of plan for when employees return to work after parental level. Participants suggest that a return-to-work support system or contingency plan is important for helping employees maintain involvement during time away from their organizations and smoothly transition back into their roles without feeling left behind or forgotten.



Moreover, participants find it necessary for organizations to have metrics in place for tracking and monitoring their EDI programs and practices regularly. Mimicking “big institutional players like BDC, RBC, BMO, that have a shareholder group that they need to report to,” companies should be accountable to track and report their EDI efforts.

Recruitment and hiring processes

In terms of hiring practices, participants highlight the importance for organizations to be proactive through early recruitments in universities. For example, a participant proposed that “sponsoring a scholarship within the local university” or “getting interns in” can optimize the recruitment and hiring process.



“I don’t think we’re going to see continuous improvements or meaningful change, unless it’s demanded from our investors in the industry because ultimately those are [the ones] in leadership.”

–PARTICIPANT

Individual level

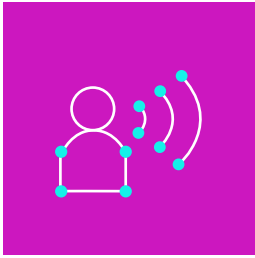
At the individual level, participants provided many important recommendations to promote EDI in the VC industry. These included having more diverse investor demographics, putting pressure on investors to make a more diverse investment portfolio, creating better decision-making criteria and changing the mindset of investors toward valuing diverse perspectives and experiences. These recommendations are important to address the challenges faced by women and other equity-deserving groups in the industry and promote a more diverse and inclusive ecosystem.

Diverse investor demographics

The participants recommended that having a diverse group of investors could help raise more capital and build a strong pipeline “around equity, diversity, and inclusion.” The participants also noted that “some larger firms and institutional investors” have implemented EDI programs tied to the ability to raise capital and do business, making it easier for VC firms to understand the importance of EDI in “dollars and cents.”

Leadership and investor pressure

One participant highlighted the crucial role that leaders and senior management play in making the VC industry more inclusive and increasing the representation of women and equity-deserving groups. The participant emphasized the need for investors to demand more diversity in investment portfolios and teams, particularly at the decision-making level. One participant stated, “I don’t think we’re going to see continuous improvements or meaningful change, unless it’s demanded from our investors in the industry because ultimately those are [the ones] in leadership.”



Conclusion

This report underscores the critical need to address the significant barriers faced by women in the VC industry. Existing at multiple levels—societal, organizational and individual—these challenges encompass high industry entry barriers, a discriminatory industry culture, limited opportunities for advancement and systemic obstacles.

To enhance women’s representation in the industry, stakeholders must adopt a comprehensive approach that includes addressing systemic barriers, fostering a culture of diversity and inclusivity, implementing equitable recruitment and promotion policies, supporting career advancement and developing mentorship and networking programs.

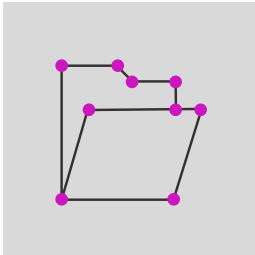
The study emphasizes the importance of a structured framework for identifying key areas of focus in promoting women’s representation. All stakeholders invested in achieving gender equity and inclusivity in the VC industry, including governments, umbrella organizations, sector leadership and individual venture capitalists, should embrace this framework.

Moreover, it is crucial to acknowledge the need for further research and engaging sector leaders and women workers in the VC industry to assess the suitability of these recommendations. The study findings reveal a research gap regarding the lived experiences of gender-diverse, non-binary, and racialized people, necessitating a deeper understanding of the under-representation of these groups and an exploration of the root causes behind such trends.

Achieving gender equity and inclusivity in the VC industry demands a concerted effort from all stakeholders. Beyond social justice, this pursuit is an economic imperative, as a diverse and inclusive workforce brings valuable perspectives and experiences that enhance decision-making and create better outcomes for all stakeholders.

In conclusion, the study highlights the urgency of addressing the significant barriers faced by women in the VC industry and advancing gender equity and inclusivity. These findings can inform policies and practices aimed at fostering gender equity and inclusivity. However, more research is needed to thoroughly understand the complex issues faced by women in the industry and identify effective interventions. With a unified effort from all stakeholders, it is possible to create a more equitable and inclusive industry that values women’s contributions and promotes their advancement.





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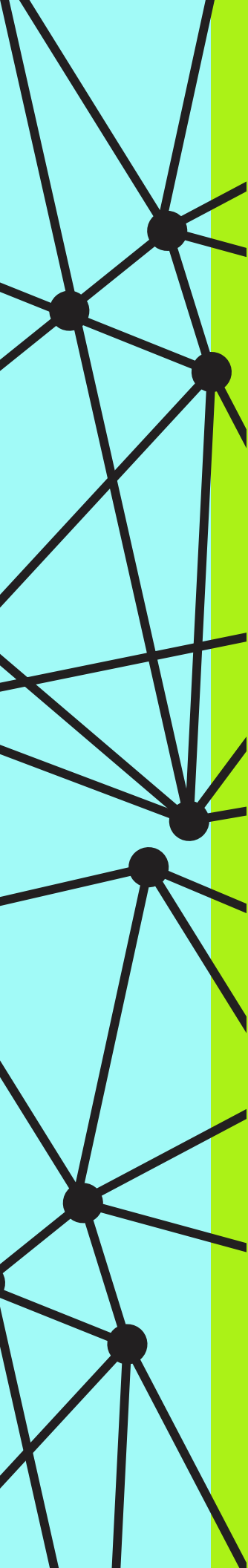
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