

Lacking Diversity: Report reveals major gender divide at UK VC funds

A first-of-its-kind report has revealed that only 23 women hold significant stakes in VCs that have raised LP capital since 2017.

Temps de lecture : minute

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Change must come from the top.

Not only do the people in power hold the resources and influence to change things, they also inspire generations of workers and dreamers.

These figures, these heroes, help us look forward. Their journey, their actions and their position represent an example, an ideal for billions around the Earth.

When asking someone to think of an inspiring figure, many would think of fictional characters such as Hercules or Superman. Others might think of real people, such as Shakespeare or Martin Luther King Jr.

But amongst these models, where is the place for women?

How often are mentioned *Jane Austen*, *Mary Pickford*, *Emily Dickinson*, *Indira Gandhi*, or *Malala Yousafzai*?

The lack of representation of women, but also their absence from too many History books, would lead some to mistakenly think that only men have been courageous, brave, pioneers.

This misrepresentation sadly doesn't only belong to History, but also to the present-day. Despite progress, women at the top are still rare. Promoting women to higher positions, in companies, in industries, in VCs, is not only a step towards more equality, but a giant leap towards creating new heroes, generating new ideas, generating more progress.

An appalling report

A *first-of-its-kind report* into the gender breakdown of VC funds that receive LP capital has revealed that the volume of capital raised by all-men-owned VC funds between 2017-2023 in the UK is around ten times of that raised by all-women-owned VC funds. The report, which was led by the inclusive venture firm *Ada Ventures* and supported by *Diversity VC* and *Google Cloud*, is the first to examine the gender breakdown of where Limited Partner Capital has been invested in recent years.

The report's aim was to produce the first dataset on gender diversity within LP-backed Venture Capital firms and the ownership of their associated management company vehicles.

All-women-owned funds are neglected

156 UK-domiciled VC funds held a "first close" of LP funds between 2017 and 2023, collectively raising over £6.6B. These were identified using publicly available sources, such as fund websites, LinkedIn profiles and Company House records. On analysis of these VC funds, the research found that:

- All-men-owned VC funds collectively raised around ten times more capital than all-women-owned funds

- All-men-owned funds raised almost five times more than mixed-ownership funds
- Just £0.07 in every pound raised from LPs in the last six years has gone to all-women funds (£462.5M)
- £0.17 in every pound has gone to mixed-gender funds
- The remainder, £0.76, has gone to all-men funds

This comes despite evidence that gender diverse investment teams achieve higher Internal Rate of Return (IRR). According to *European Women in VC's* 2023 report, the financial performance of European VC funds increases in line with higher representation of women in senior management teams.

"This lack of gender diversity has consequences for the whole technology investment pipeline. It directly impacts the likelihood of diverse startup teams, particularly women-led teams, getting funded. It also leads to worse financial performance. Change needs to start right at the top." comments *Check Warner*, Co-founding Partner at *Ada Ventures*.

"Whilst we recognise the limitations of this report and know that gender isn't the only diversity, equality and inclusion issue the industry is falling short on, we hope that this is a first step towards understanding who is receiving capital, who within VC funds is benefiting from it, and where we need

to push to do better.”

Gender and diversity washing exposed

The report also looked at the gender breakdown of the wider VC workforce and revealed a “diversity washing” tactic that appears to be taking place across the ecosystem.

The 156 VC funds analysed comprise 1,760 team members. Whilst the total VC workforce is 38% women, senior and leadership levels are dominated by men, who hold over 70% of senior roles. However, VC funds also appear to be using job titles to enhance the appearance of how many women are in senior, ownership positions within their funds.

The report studied the difference between the number of individuals who are named as “senior” and those that have ownership of the management company:

- Of the 487 individuals (men or women) who have a senior title, only 130 people have significant ownership of the management company
- Women are underrepresented in this group - of these 130 people with senior titles that own significant proportions of management companies, just 23 are women

Ownership diversity impacts outcomes for wider workforce

Ownership diversity has consequences for the gender balance within the

VC firm. Mixed-owned and all-women-owned funds consistently outperform all-men-owned funds at getting a higher percentage of women at middle and senior levels. At leadership level, mixed-owned and all-women funds both have around 35% women. All-men funds have 19% women at leadership level.

Following the publication of the report, the authors are calling for more transparency from LPs on the demographics of the VC firms and associated management companies they invest in. This is particularly pertinent given the Defined Contribution reforms *recently announced by Chancellor Jeremy Hunt*, which may lead to £10-50B of additional LP capital being invested into VC and the wider private capital ecosystem.

“Capturing data can make a seismic difference; influencing policy, catalysing action and ultimately moving billions of dollars in capital. And this needs to happen soon, before key changes such as pension fund reforms see more money flowing into the UK and European ecosystem.” adds Check Warner, Co-founding Partner at Ada Ventures.