

Him For Her And Crunchbase 2019 Study Of Gender Diversity On Private Company Boards



Him For Her



crunchbase

Subscribe to the [Crunchbase Daily](#)



By Gené Teare

[This study](#) was produced through a collaboration between [Crunchbase](#), [Him For Her](#), and [Kellogg School of Management](#). Authors for this study include [Ann Shepherd](#), Him for Her and [Lauren Rivera](#), Kellogg School of Management.

Key findings

Our analysis of the composition of the boards of some of the most heavily funded private companies revealed that:

- 60 percent of companies did not have a single woman on the board
- 7 percent of board seats were held by women
- Executives and investors compose 80 percent of director seats, of which fewer than 5 percent are held by women
- Female directors were most likely to hold an independent seat on the board

Our hope is that this study will bring attention to the need to engage more women in board service, that it will inspire CEOs and board members to seek candidates beyond their personal networks and challenge the assumptions that reinforce the status quo, and that it will serve as a baseline for tracking future progress.

of U.S. public companies, namely the [U.S. Spencer Stuart Board Index](#) and the [Equilar Gender Diversity Index](#). Since the studies' inceptions, the proportion of female directors has grown steadily, though women still occupy a minority of boardroom seats.

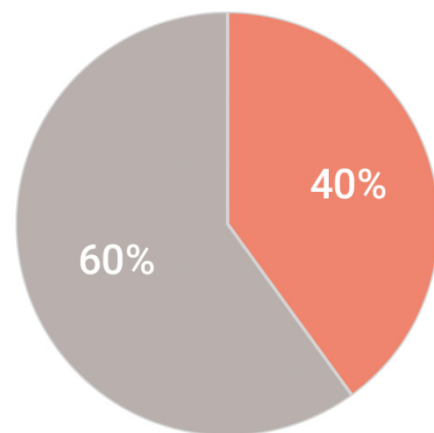
While the benefits of diversity would presumably apply to companies of any stage, the boards of private companies have largely been ignored. In this benchmark study, we analyzed the board composition of 200 of the most heavily funded U.S.-based private venture-backed companies to understand how they fare when it comes to gender diversity in the boardroom.

Most private company boards are all-male

Of the 200 companies studied — each backed with close to \$100 million or more in funding and founded since 2004, or valued over \$500 million — 60 percent (121) did not have a single female board member. By comparison, only 10.8 percent of the boards of Russell 3000 companies and none of the boards of S&P 500 companies are all male.

Proportion Of Private Company Boards With Women

● Women On Their Board ● 0 Women On Their Board



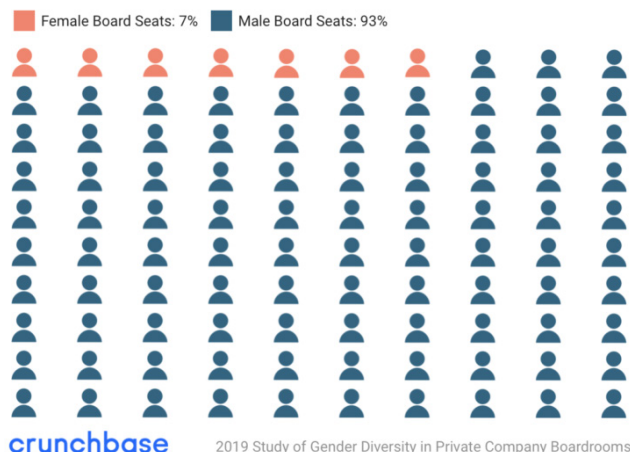
2019 Study of Gender Diversity in Private Company Boardrooms

The study

The gender composition of the historically male-dominated corporate boardroom is under scrutiny, as investors and even some legislators call for increased diversity. Advocates argue that gender diversity in the boardroom leads to better corporate performance and greater opportunity for women in the workplace. To monitor progress on corporate board diversity, several studies track the gender mix among the boards

Proportion Of Board Seats, Segmented By Gender

Study of 200 Venture-Backed Private Companies



Investors compose more than half of private company board seats

Directors on private company boards can be classified in three groups: executive directors, investor directors, and independent directors. CEOs, co-founders and any members of the management team who hold board seats are considered executive directors. Executive directors make up 24 percent of the board seats within the companies studied.

As venture-backed companies raise outside funding, investors often take seats on the board. Within the study data, investor directors make up the largest pool of board members for venture-backed companies, with 56 percent of seats.

Independent directors are typically the last category to be added to the board, as they are neither tied to the company's founding management team nor early investors. Private companies are not required to have independent directors; however, public companies must have at least one independent director or more, depending on the size of the board. With 20 percent of the seats among the private companies studied, independents make up the smallest cohort.

Fewer than 10 percent of board seats are held by women

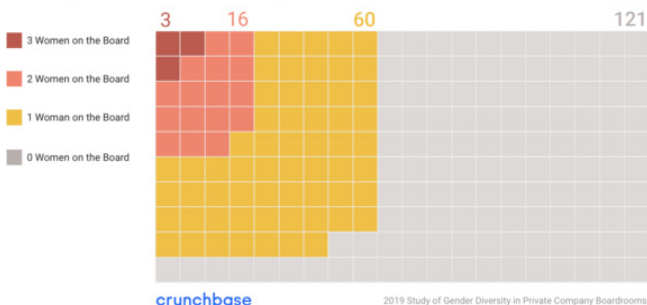
Of the 1,366 board seats across the 200 companies studied, 101 were held by women. That is just over 7 percent of board seats, compared with 20 percent for the Russell 3000 and 26 percent for the S&P 500.

Most female directors are “onlys”

Of the 39.5 percent of companies studied that had at least one female board member, 76 percent had only a single woman director. That is, fewer than 10 percent of all the boards had more than one woman. Three boards each had three female members — the highest concentration in the study.

Count of Private Company Boards With Women

Board Study of 200 Venture-Backed Private Companies



Independent director seats are the most gender diverse

Female board members are most likely to be independent directors. Of all of the board seats held by women, half were independents, 36 percent were investors, and 14 percent were executive directors. However, only 19 percent of all independent directors were women, and 29 percent of companies had not yet added an independent director. All of the companies studied had executive directors, of which 4 percent were female, and investor directors, of which 5 percent were female.

Board Roles By Type

	% Of Companies	% Of Director Seats	% Female
Executive	100%	24%	4%
Investor	100%	56%	5%
Independent	71%	20%	19%

2019 Study of Gender Diversity in Private Company Boardrooms

Private company boards reflect the gender imbalance of founders and funders

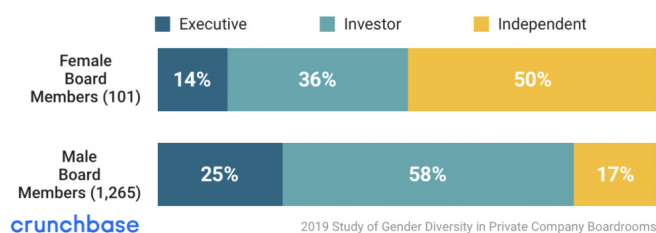
Fewer than 3 percent of U.S. companies that received venture capital funding between 2011 and 2013 were founded by women.

Within venture-capital firms, approximately 10 percent of the partners who make investment decisions are women.

These extreme gender skews carry through to the boardroom where 80 percent of seats are held by executives and investors and fewer than 5 percent of those are held by women.

Board Roles By Gender Cohort

Study of 200 Venture-Backed Private Companies



There's more to the board gender gap than founder and funder demographics

Based on the gender composition of the venture-capital industry, one might expect men to outnumber women in investor director seats by a ratio of 10 to 1. However the female investor directors within this study were outnumbered closer to 20 to 1. Even for independent board seats, which are not constrained by an investing or managerial relationship with the company, there are four male directors for each female director.

Other contributing factors may include the ways in which prospective directors are recruited and assessed. When looking to fill a director seat, only 39 percent of public companies utilize executive search firms. Instead, nearly half of these public companies rely on personal networks or recommendations from other board members to source candidates.

For privately held companies, the dependence on professional networks and word-of-mouth referrals is likely even greater. Given that CEOs and other directors are predominantly men, the personal networks from which they draw candidates likely under-represent women. Additionally, a preference for prior board service or CEO experience may further tip the scales in favor of male candidates. Future research should unpack drivers of the gender disparities in board membership we found.

Why does gender diversity on private company boards matter?

Though board data is less accessible for private companies than it is for public, tracking it is no less important. The economic and societal arguments that call for gender diversity in public companies apply as well to companies in the pipeline to go public.

They employ diverse workforces and serve diverse customers, all of whom stand to benefit from a less homogeneous boardroom. And with the outsized role venture-backed private companies can play in driving innovation and shaping the future, the inclusion of women in their corporate governance is a social imperative. Further, as demonstrated by the recent improvements in gender diversity on public-company boards, greater oversight can help drive progress.

California companies with IPO aspirations have work to do to comply with new law

Of the 200 companies studied, 115 are headquartered in California. Should they become public, they will be subject to the recently enacted legislation requiring all California-based public companies to have at least one woman on their board by the end of 2019. The law further mandates that, by the end of July 2021, boards with five directors must have at least two women and boards of six or more directors must have at least three women.

Only a fraction of the private companies studied would meet these criteria today. For the 115 companies based in California, 44 (38 percent) had a female board

member, as required for the 2019 deadline. Only four of the companies met the July 2021 deadline criteria. Admittedly many of these companies may never be traded on the public market. However, those planning to go public will need to significantly alter their board composition to meet the law's requirements.

Recent IPOs show better board diversity

We completed a comparative analysis of 98 U.S.-based venture-backed companies that have gone public since the beginning of 2018. For this group of companies, we found that 82 percent had at least one female board member. Half of those — 40 companies or 41 percent of those studied — had two or more female board members. Women held 18 percent of all board seats for these 98 companies. These statistics are only slightly behind those of the Russell 3000 companies but significantly higher than comparatives for the most heavily funded private companies we studied. The data suggests that, as companies on the IPO track address the SEC requirements for independent directors, the gender composition of their boardroom shifts toward improved diversity.

Comparison Of Private Versus Public Company Board

	Private Companies	Recent IPO	Russell 3000	S&P 500
Women Directors	7%	18%	20%	26%
Boards With At Least One Women	40%	82%	89%	100%
Boards With 2 Or More Women	10%	41%	56%	92%

2019 Study of Gender Diversity in Private Company Boardrooms

Summary

While gender is only one measure of diversity, the dramatic gender imbalance revealed in our analysis of private-company boards highlights the opportunity to bring a broader set of perspectives to the table when it comes to the governance of venture-backed companies.

Three key findings emerged from our analysis:

- Even the most heavily funded private companies trail far behind public companies — including those with recent IPOs — when it comes to women in the boardroom.

- The lack of gender diversity on the boards of venture-backed private companies reflects — but is not fully explained by — the lack of gender diversity among company founders and funders, who compose roughly 80 percent of the board seats studied.
- For independent directors, the gender mix is slightly less extreme, pointing to the opportunity some privately held companies are taking to introduce more diversity to the boardroom through the addition of independent director seats. Of the companies studied, 29 percent did not have an independent director on their board.

This is not to suggest that women be siloed within independent directorships. Rather, this study highlights one of the downstream effects of the lack of gender diversity within the entrepreneurial and investing communities: the gender skew carries through into the boardroom. Significantly reducing the gender disparity on private-company boards will require addressing diversity across the entire start-up ecosystem.

The tracking that organizations like Spencer Stuart and Equilar have brought to public companies has coincided with a marked acceleration in the appointment of women to new directorships. Similarly, we hope this study will focus attention on the opportunity for private companies to bring diversity to their boardrooms. It is our intention to track progress against this benchmark on an annual basis.

Methodology

For this study we analyzed 200 of the most heavily funded private U.S.-based companies to understand the composition of their boards as of Q3 2019. For comparative purposes, we also looked at the boards of 98 tech companies which completed an initial public offering between January 1, 2018 and June 30, 2019.

Board Study Of 200 Venture-Backed Private Companies

Unique companies	200	
Board Seats Per Company	6.8	
Total Funding Raised	\$56 billion	
Board Seats		
Female Board Seats	7%	101
Male Board Seats	93%	1,263
Total Board Seats		1,364
Board Members		
Female Board Members	8%	99
Male Board Members	92%	1,146
Total Board Members		1,245

2019 Study of Gender Diversity in Private Company Boardrooms

California legislation mandates that the boards Leveraging the Crunchbase database, we identified one thousand U.S.-based private companies with cumulative funding of roughly \$100 million or valuations of at least \$500 million. With the exception of those companies with valuations of \$500 million or greater, we excluded companies founded prior to 2004. To ensure that each company's board profile was current, we included only companies that published their board of directors on their website.

We then leveraged company website data along with SEC filings and Crunchbase profiles to characterize the board members. The study included only board directors; board observers and/or advisors were excluded from the data set. For each company, we segmented board members according to type: executive, investor or independent. In the few cases in which founders and past executives remained on boards despite no longer having an operating role at those companies, we classified those as "executive directors" in recognition of their original relationship to the company. We identified gender by referencing the professional profiles on Crunchbase. The resulting data set was checked for accuracy by students at the Kellogg School of Management.

For tech companies that recently went public during the 18 months ended June 30, 2019, we undertook a similar method, reviewing company web sites filings to characterize their board composition.

Illustration: [Dom Guzman](#)