

Him For Her And Crunchbase 2020 Study Of Gender Diversity On Private Company Boards



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By Ann Shepherd and Gené Teare

[This study](#) was produced through a collaboration between [Him For Her](#) and [Crunchbase](#). Contributors include Laura Gluhanich, Elsa Jimenez and Sarah Mosley of Him For Her, and Albrey Brown of [Airtable](#). Lauren Rivera, professor at [Kellogg School of Management](#), co-authored the original benchmark study on which this update is based.



The study

Publicly traded companies have faced increasing scrutiny regarding the demographic composition of their boards of directors. Investors, state legislators and, most recently, [Nasdaq](#) are advocating for increased diversity in the boardroom, with an emphasis on adding women and people of color. Tracking reports produced by [Equilar](#), [Spencer Stuart](#) and others monitor the slow but notable progress in the composition of public company boards.

By contrast, board diversity data for privately held companies is sparse, as they aren't required to disclose their board membership. In 2019, Him For Her, Crunchbase and Kellogg School of Management Professor Lauren Rivera undertook the first benchmarking study to look at gender diversity on the boards of the most heavily funded U.S.-based private venture-backed companies. Using those findings as a baseline, we updated the study one year later, this time including a preliminary look at racial diversity as well.

By tracking board diversity among private companies, we hope to highlight the need to engage more women — with an emphasis on women of color — in board service, and to inspire CEOs and their boards to source a diverse slate of candidates for open board positions.

Key findings

Following our [baseline study of 2019](#), our analysis of the composition of the boards of some of the most heavily funded private companies points to modest progress when it comes to gender diversity:

- In 2020, 49 percent of companies did not have a woman on the board, an improvement from 60 percent a year earlier;
- Women held 11 percent of board seats, up from 7 percent;
- Executives and investors compose 75 percent of director seats (down from 80 percent), of which 8 percent are held by women (up from less than 5 percent); and
- Woman directors remain most likely to hold an independent seat on the board: Their share of those seats remains relatively unchanged at 20 percent (from 19 percent).

Our initial analysis of racial and ethnic diversity revealed that:

- Only 3 percent of board seats were held by women of color, compared with an estimated 18 percent held by men of color; and
- 81 percent of companies don't have a woman of color on the board at all.

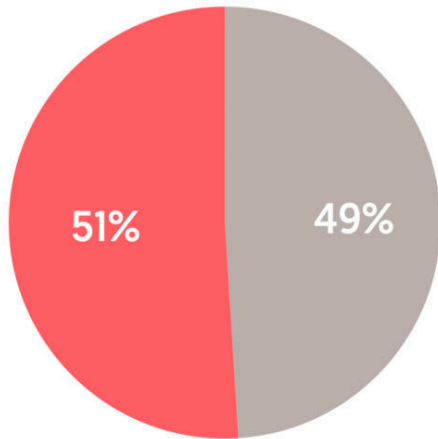
Nearly half of private company boards are all male

Compared with our 2019 baseline, gender diversity among the private-company boards studied improved notably, with 51 percent of boards now including at least one woman director, up from 40 percent the year prior. By comparison, [100 percent of S&P 500 companies](#) and [93 percent of Russell 3000 companies' boards](#) include women directors.

Of the more than 350 private-company boards analyzed, 49 percent (175) still lack a single woman in the boardroom — a gap that, at this rate, will take another five years to fill.

Proportion of Private Company Boards with Women

● One or more women on the board ● 0 Women on the board



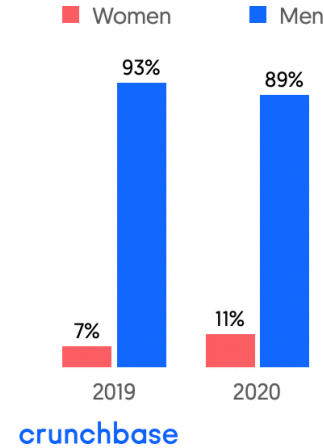
2020 Study of Gender Diversity in Private Company Boardrooms

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Only 11 percent of board seats are held by women

The ratio of men to women in private-company boardrooms is roughly 9-to-1. Of the 2,457 board seats included in this study, 11 percent (275) were held by a woman, up from 7 percent one year prior. At this rate, it will take a decade for private company boards to achieve gender parity.

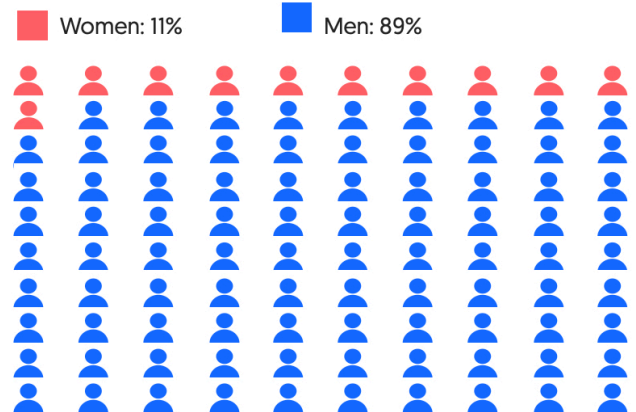
Private Company Directors by Gender 2019 versus 2020



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Proportion of Board Seats, Segmented by Gender in 2020

Study of 359 Venture-Backed Private Companies



2020 Study of Gender Diversity in Private Company Boardrooms

Again, public companies are further along, with women holding [28 percent of director seats among S&P 500 companies](#) and [23 percent among Russell 3000 companies](#).

Private Versus Public Company Board

	Private Companies	Russell 3000	S&P 500
Women Directors	11%	23%	28%
Boards With At Least One Women	51%	93%	100%

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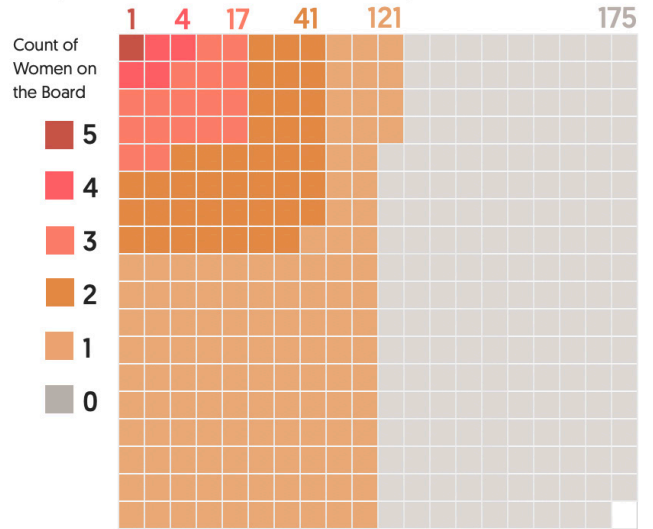
2020 Study of Gender Diversity in Private Company Boardrooms

Most women directors are “onlys”

Among the roughly half of boards that include any women, 66 percent include just one woman. While that’s an improvement from 76 percent in last year’s study, most women board members remain the only woman in the boardroom. Only 18 percent of the boards studied included two or more women. While [research](#) suggests that boards need at least three women to capture the full economic benefits of diversity, only 6 percent of the companies studied met this criteria.

Private Company Boards with Women in 2020

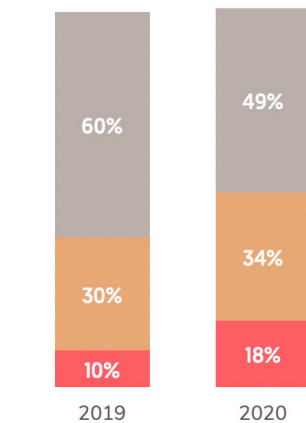
Study of 359 Venture-Backed Private Companies



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Private Company Boards with Women 2019 versus 2020

>1 Woman 1 Woman 0 Women



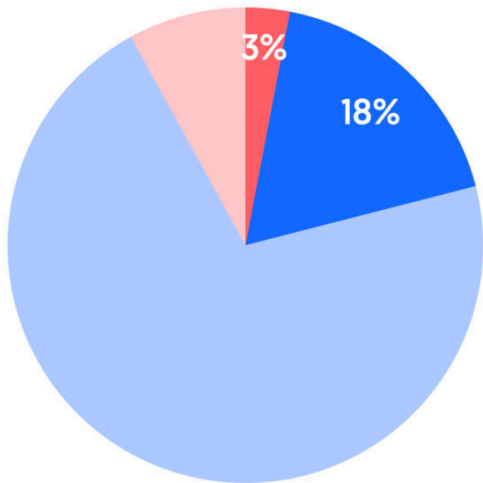
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Fewer than 5 percent of board seats are held by women of color

Our preliminary analysis of racial and ethnic data revealed that women of color hold only 3 percent of seats on the boards of the most heavily funded privately held companies. By comparison, our study suggests men of color hold 18 percent of seats. Among the country’s largest companies, a [2018 study](#) of Fortune 500 boards found 5.8 percent of directors were “minority women.” Fewer than 1 in 5 of the companies studied had a single woman of color in the boardroom.

Proportion of Board Seats held by People of Color

● Women of Color ● Men of Color



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Investors hold 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, which make up 22 percent of the board seats within the companies studied, down from 24 percent last year.

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 53 percent of seats, down from 56 percent last year.

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 25 percent

of the seats among the private companies studied, independents make up the smallest cohort, though this segment has grown from 20 percent last year.

Board Roles by Type

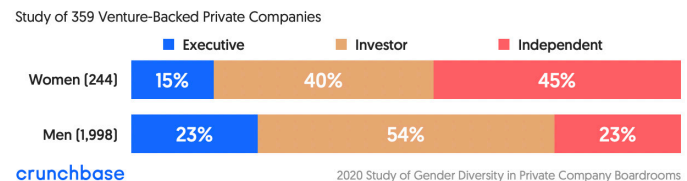
	% Of Companies	% Of Director Seats	% Women
Executive	100%	22%	7%
Investor	100%	53%	9%
Independent	84%	25%	20%

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Gain in independent seats furthered gender diversity

Women are most likely to hold independent seats. Among the women directors in our study, 45 percent were independent directors, while 40 percent were investors, and 15 percent were executives. The increase in the percentage of independent board seats were a contributing factor to boardroom gains for women over the last year.

Board Roles by Gender Cohort



Still, women held only one in five independent seats. Additionally, 58 (16 percent) of the heavily funded companies studied didn't have a single independent director on the board. The portion of companies without an independent board member declined markedly from 29 percent last year, suggesting an increased commitment to adding independents and, perhaps, demographic diversity.

By contrast, women of color are more likely to hold investor director seats. Among the albeit small data set, 48 percent of the woman directors of color were investors, compared with 40 percent independents and 12 percent executives.

California companies with IPO aspirations have work to do to comply with board-diversity law

California legislation mandates that the boards of public companies based in the state include a minimum number of women ([SB 826](#)) and people of underrepresented groups ([AB 979](#)) by the deadlines provided. Among the companies we studied, 184 (51 percent) are headquartered in California and, were they to become public — either through an IPO, de-SPAC or direct listing — would be subject to penalties if their boards did not meet these requirements.

Half of the California companies studied met the minimum requirements for gender representation by the 2019 deadline, up from 44 percent in the last study. Only 12 percent met the gender criteria for the 2021 deadline. Data regarding compliance with the requirements of AB979 wasn't available within our data set, but the lack of racial diversity among the boards studied suggests that companies bound for the public markets have significant work to be done when it comes to board composition.

Summary

One year after our original benchmark study, data indicates modest progress in increasing demographic diversity among privately held companies. However the voices of women — and especially women of color — remain rare in the boardrooms of the country's most heavily funded private companies.

Observations drawn from our study include:

- At the current rate of change, we can't expect to see a woman on the board of every later-stage private company until 2025, and gender parity is a full decade away.
- Efforts to address gender diversity need to include a commitment to women of color.
- Independent board seats offer the most immediate opportunity to increase board diversity, and anecdotal evidence suggests a growing commitment to appointing independents at an earlier stage and with a preference for demographic diversity.

While the progress revealed through this tracking study is encouraging, the lack of diversity among even the most heavily funded private-company boards is a stark reminder of the work still to be done. Continued commitment must be made to include more women — with an eye toward those from different racial, ethnic and other underrepresented groups. Boards can improve diversity by adding independent directors at an earlier stage and drawing from a diverse candidate pool sourced beyond the personal networks of sitting directors.

As countless studies have shown, diverse boards deliver better outcomes for all stakeholders. Given the outsized role that venture-backed private companies play in driving innovation, diversity in their corporate governance is a social imperative.

Methodology

This tracking update largely reproduced the methodology for our original benchmarking study published in December 2019. For this update, we analyzed 359 of the most heavily funded private U.S.-based companies to understand the composition of their boards as of Q3 2020, one year after the original study.

Leveraging the Crunchbase database, we identified 1,295 U.S.-based private companies founded since 2003 with cumulative funding of at least \$100 million as of June 30, 2020. To ensure that each company's board profile was current, we included only companies that publish their board of directors on their website.

Board Study of Private Companies

	2019 Study		2020 Study	
Unique companies	200		359	
Board seats per company	6.8		6.8	
Total funding raised	\$56 billion		\$95 billion	
Board seats				
Women	7%	101	11%	275
Men	93%	1,263	89%	2,182
Total board seats	1,364		2,457	
Board members				
Women	8%	99	11%	244
Men	92%	1,146	89%	1,998
Total board members	1,245		2,242	

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We then referenced company website data, Crunchbase profiles and other publicly available information to characterize the board members. The study included only board directors; board observers and/or advisers 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 the board despite no longer having an operating role at the company, we classified them as “executive

directors” in recognition of their original relationship to the company. We identified gender by referencing the professional profiles on Crunchbase. For racial/ethnic identity, we leveraged self-identification information where available, and supplemented with contextual information and visual identification. As reflected by [U.S. Census](#) data collection, people of color include Black or African American, American Indian or Alaska Native, Asian, Native Hawaiian or Other Pacific Islander, Hispanic or Latino.

Throughout this study, “women of color,” “men of color” and “people of color” refers to individuals likely to identify as Black, Latina, Asian, American Indian or Alaskan Native, Native Hawaiian, Pacific Islander and/or mixed-race.

Illustration: [Dom Guzman](#)