



true venture capital hiring trends

2021

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you can examine the makeup of the venture industry in many ways. different approaches will tell you different stories.

As executive recruiters, we at True are mostly interested in who is joining a firm from the outside—that’s typically our mandate. How firms hire also tells you something about where the industry is headed; facing pressures to diversify, to differentiate and to scale, outside hiring has increasingly been an indicator of the future state of Venture Capital. So we decided to focus on people who joined a firm from the outside, and how the demographics and backgrounds of those people have changed in recent years.

Our clients also ask us what the “top firms” are doing; either they are a top firm that wants to do the same/opposite of their peers, or they are trying to become a top firm and also want to do the same/opposite of the incumbents. While the “top firms” also tend to overlap with the “largest firms,” they don’t always, but the largest firms do hire the most people and therefore give the largest data set to draw conclusions around. Accordingly, we focused on the 50 most active US-based VC firms based on investments, with over \$500m in a recent fundraise. We mapped over 2,000 people, every employee of these firms, and looked at when they were hired, how much experience they had, where they came from, what title they joined with and other descriptors. Without going into too much on methodology, we think this dataset has advantages over surveys of the entire ecosystem because we aren’t relying on self-reporting, and our data isn’t heavily weighted by the practices of small firms that don’t hire frequently.

So in looking at the most active firms and every one of their employees, what are our gaps? Well, “venture capital” is an eclectic ecosystem with hedge funds, corporate venture capital groups, and sovereign wealth funds alongside the traditional players. We defined VC in the way that we did because firms with recent fundraises and large portfolios generally map to the firms that are hiring the most people (and our list is indeed very close to a sort by headcount). But by doing so we are not capturing any investment group which doesn’t raise a traditional fund. We also pulled this data at the beginning of November 2021, to be able to analyze it before year’s end. So this is a snapshot of hires through ten months of the last year. We rely on percentage comparisons versus raw numbers to draw our conclusions, but it’s possible a firm (or firms) made a large push in hires since the time we wrote this summary and our data would have missed it. When we repeat this exercise in 2022 we will see if that made a difference.

Dan Miller

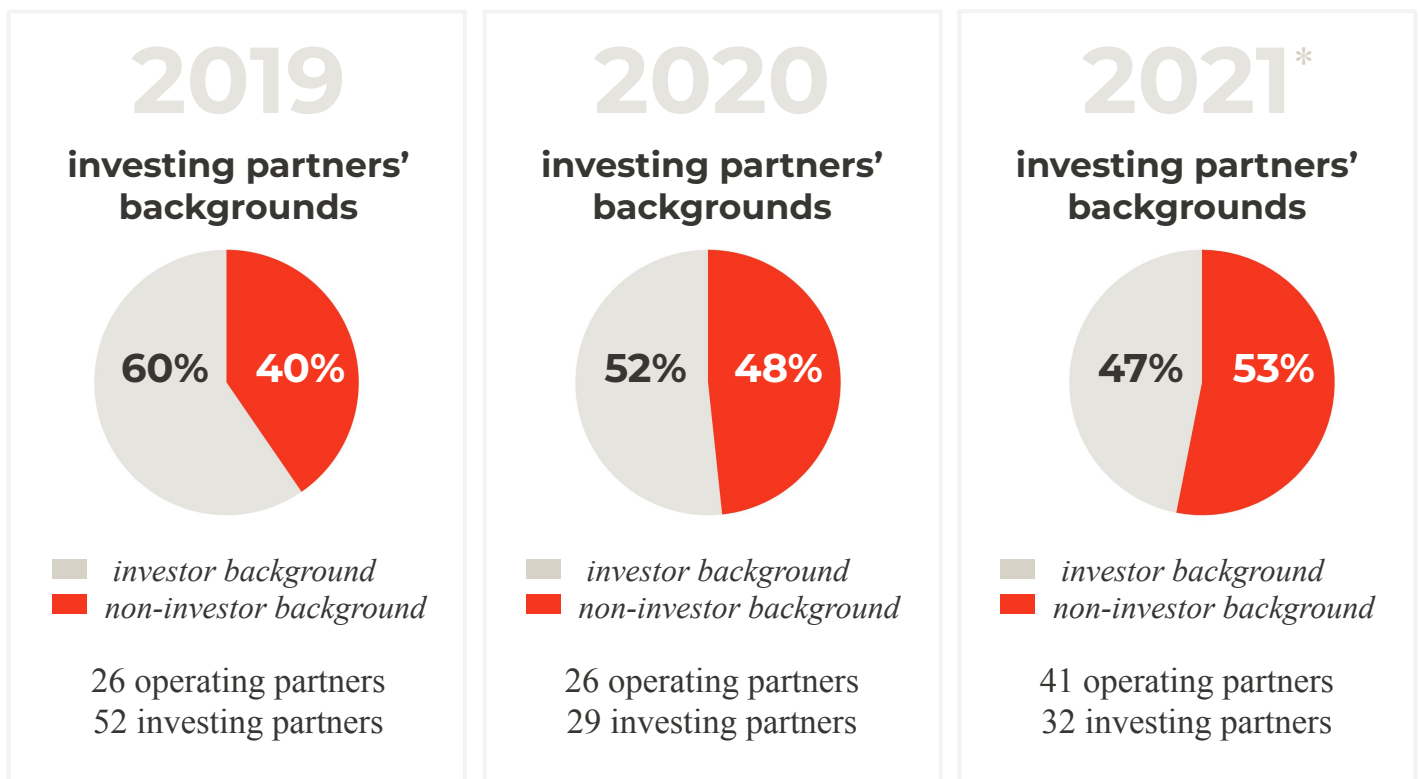
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findings: title & experience

where do VC partners come from?

The “traditional” route of investment banking into investing is certainly still viable, but increasingly when firms are hiring outsiders as partners, they are looking to non-traditional backgrounds. Since 2019, the percentage of partner hires that came from a non-investing background has increased by 13%. In fact, in 2021 a (slight) majority of all partner hires came from non-investing backgrounds. This has been a long running trend, and from our experience helping firms plan for and make these hires, the shift is driven by a number of long term trends in VC.



* through October 2021

findings: title & experience

First, firms are prioritizing diversity in searches; historically underrepresented groups are by definition not going to be easy to find in a candidate pool of all VCs if they remain underrepresented, so firms look elsewhere.

That's not to minimize the fact that many of our clients also hire non-investors for the diversity of thought they bring, because certainly they do. Especially because the second shift we've seen is that VC firms no longer find a "traditional" skillset as advantageous in today's deal environment. When fund performance is more closely tied to winning competitive deals than getting the diligence or valuation exactly correct, there is more room on the team for former operators who increase the odds of winning a deal even if they haven't created a financial model in their life. It also helps to differentiate your firm if you show up to the table with a former founder or CEO or engineer and your competition doesn't.

Finally, in any hot and growing market, there will be more open seats than people who have been in those seats before, and so firms have had to go outside of their close competition to find strong talent.

Non-investing experience comes in many forms, and the biggest categories for what roles those hires were playing prior to joining was C-level or SVP/VP level executive, particularly coming from product or engineering. We only categorized the hire's immediately prior role, but in looking at the individuals on a more granular level they frequently spent time in different functions or as a founder across their careers, and a majority had some exposure to life inside a growing startup.

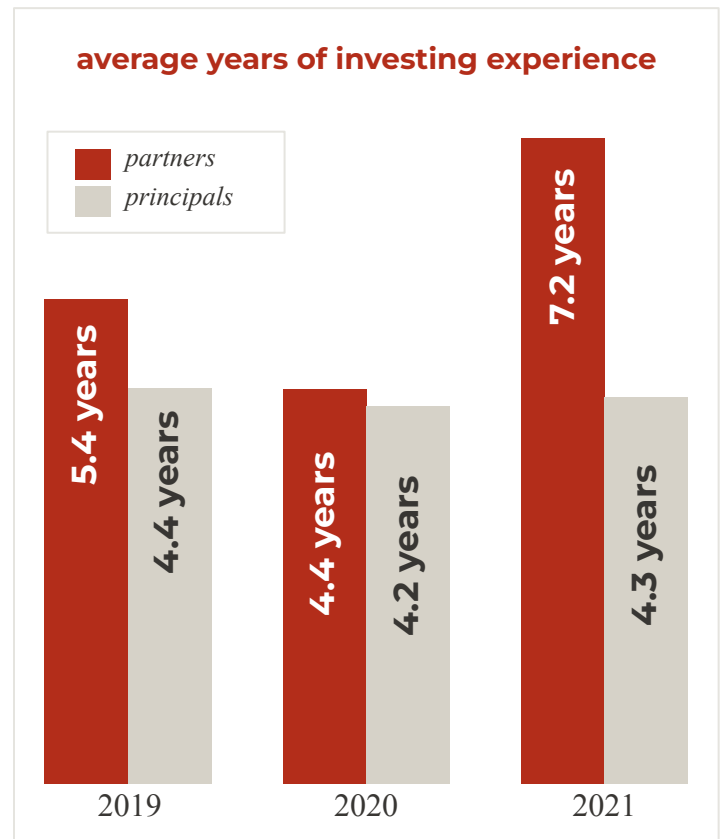
This is not a particular surprise and most people who track hiring among VC firms would suspect that those backgrounds are highly sought after.

findings: title & experience

There's a prevailing sense in the industry that the pressures to grow and deploy capital at an ever increasing rate have led to a war for talent, resulting in tremendous title inflation. Are firms willing to promote and hire at more senior titles to secure investing teams in this hot market? There are plenty of Twitter jokes about some of the largest firms making everybody in the tech industry a GP offer.

Our data does confirm that trend in some ways; the average difference in years of investing experience between a partner and principal hire in 2019 and 2020 was minimal.

Partner hires in 2020 actually had the same number of years of investing experience as principal hires in 2019. But our data also shows some evidence that this trend is waning. The average number of years of investing experience for partner hires in 2021 spiked by 60% from the year prior (to >7 years), while principals stayed roughly the same.



Anecdotally, with funds deploying capital and returning faster, we have seen more senior partners willing to move platforms than in years past, which perhaps explains this shift. Current partners may have more liquidity or appetite for risk in this environment than they did in years past.

findings: diversity

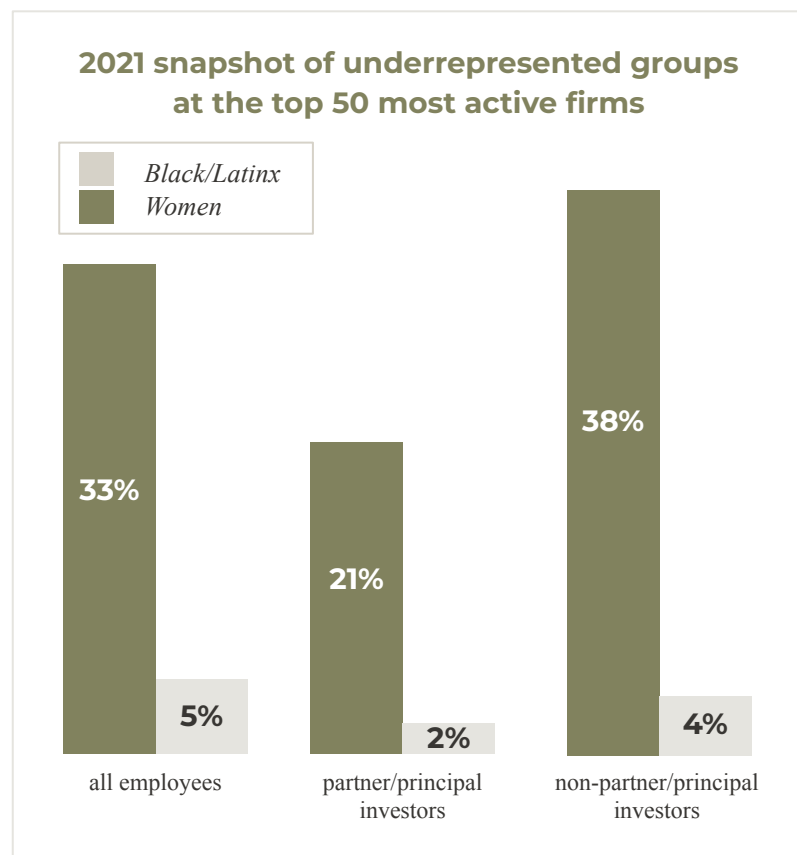
For years, the broader VC ecosystem has been vocal about its desire to add diverse racial and gender representation. VC firms are looking outside the traditionally homogeneous candidate pool of experienced VC investors in hopes of connecting with talent from underrepresented groups. Two significant events have contributed to such demand: the landmark Ellen Pao gender discrimination verdict in 2015, which, over time, has led to a 50% increase in the number of women investors after sitting at 8% for decades;* and, the demand for social change following the killing of George Floyd in 2020.**

When others have studied the question of how diverse VC firms are, they've focused on the makeup of key decision makers in leadership roles (e.g., senior partners or firm leaders). Our methodology allows us to take a somewhat broader view and see where VC firms are hiring underrepresented talent, as it's possible that even with little change overall at the GP level, VC firms could still be diversifying via more junior hires.

Finally, we define

“underrepresented” as women,

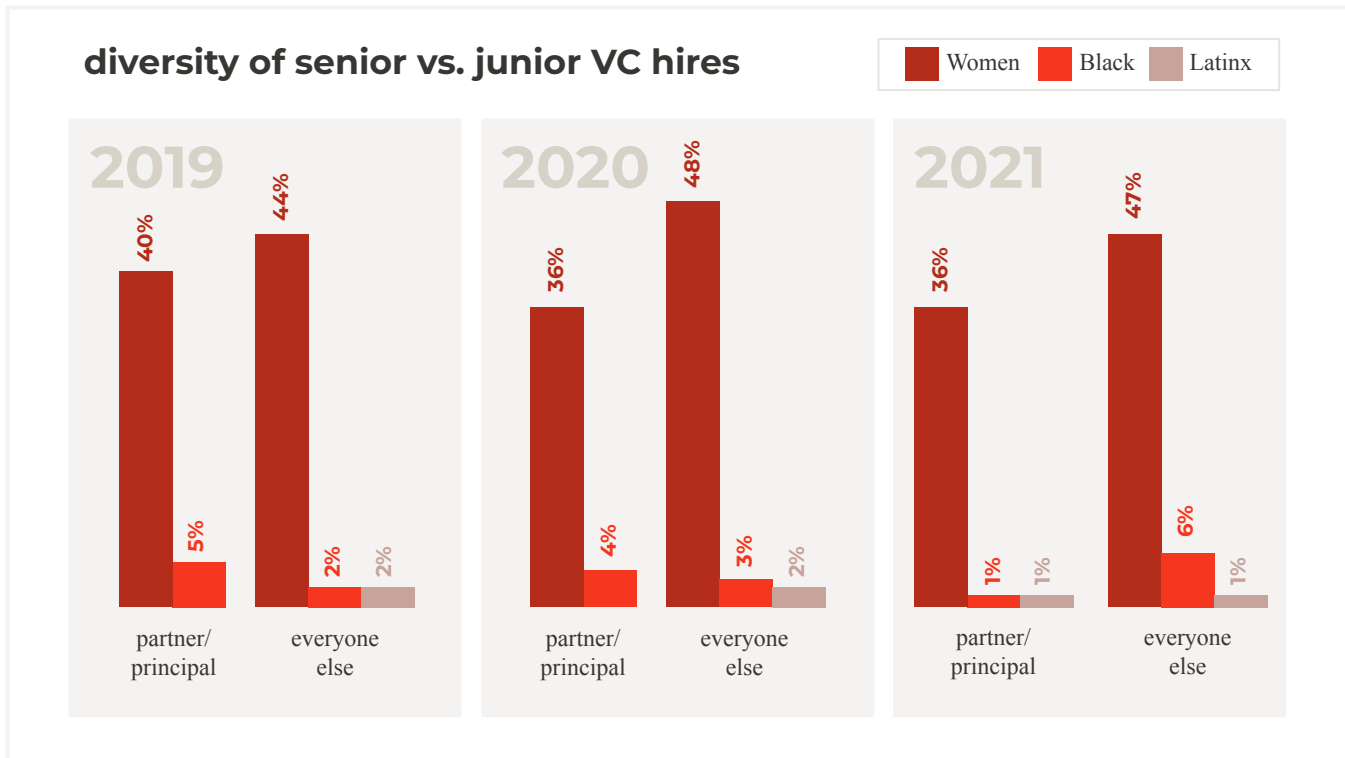
Black and Latino /Latina (Latinx) professionals. While certainly not a comprehensive picture of all underrepresented people, these groups have recently garnered significant attention and have historically been vastly underrepresented in the industry for decades.



* NBER WORKING PAPER SERIES: Venture Capital's “Me Too” Moment | National Bureau of Economic Research; Sophie Calder-Wang, Paul Gompers & Patrick Sweeney

** How Black investors are capitalizing on venture capital's gaps in diversity | Fast Company; Kathryn Finney

findings: diversity

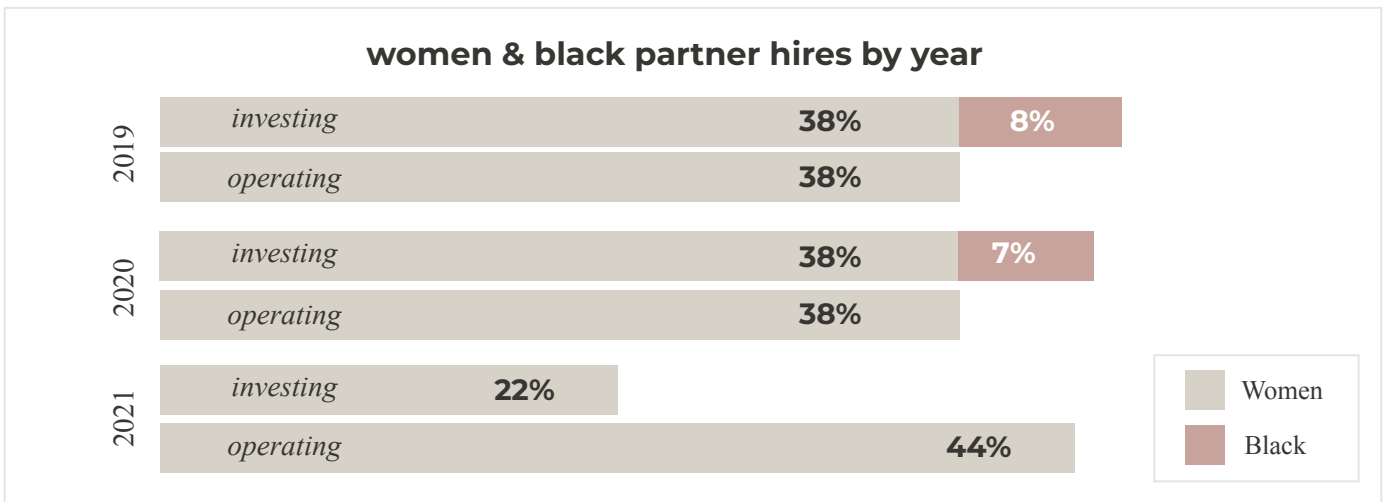


The numbers don't paint a particularly rosy picture regardless of how you slice it. Of all employees across the firms we studied, only 38% of employees are Black, Latinx, and/or women (the most common definition of underrepresented in this space, though more on that in a moment). Only 5% of employees are Black and/or Latinx. The numbers are worse at the senior levels of investors in our sample; 21% of principal/partner level investors are non-male and only 2% are Black and/or Latinx. As such, one clear conclusion from our data is that firms lean heavily on their junior teams to make their diversity statistics palatable; 53% of non-partner/ principal employees in VC firms are women, Black, and/or Latinx. To drive the point home even further, when we look at just junior employees of VC firms who are not on the investment teams, 60% are from underrepresented demographic backgrounds. Unfortunately this group doesn't make up a large enough percentage of the VC employee base to move the needle particularly far.

A note on definitions here as well. Though Asian and Indian minorities are certainly underrepresented in most industries, members of those groups aren't typically considered "underrepresented" in technology broadly or in venture capital more specifically.

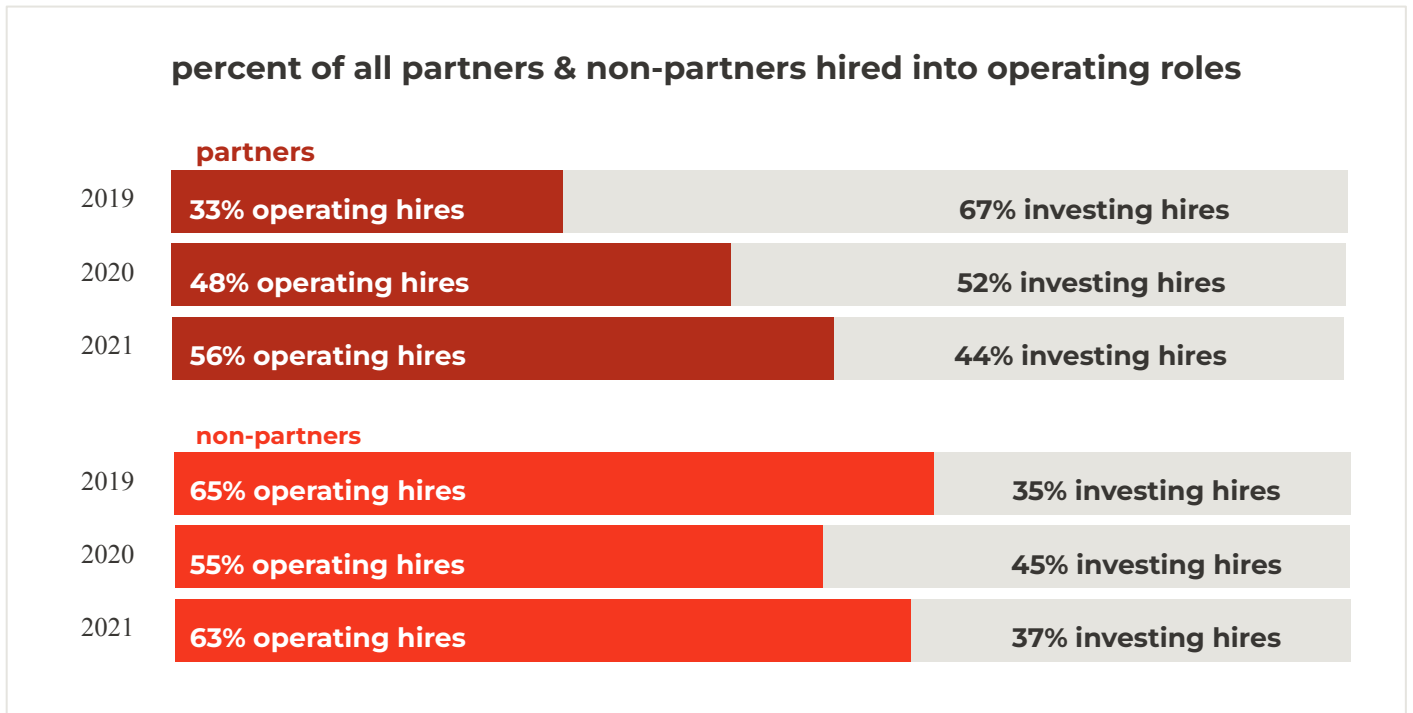
findings: diversity

The trend data over the past few years paints a somewhat uninspiring picture, which is surprising given the chorus of support for more diversity in the industry. Of outside partner or principal hires, the percentage of hires from underrepresented demographic backgrounds fell from 45% in 2019, to 40% in 2020, to 38% in 2021. These aren't huge trend lines given the total number of new hires in these firms is dozens versus hundreds, but the fact that the trend is down versus up is nonetheless rather surprising. Firms are trying though, even if their successes are mainly coming at the more junior ranks. Excluding the partner and principal level, more than half of those hired in VC firms are women, Black and/or Latinx for the second year in a row. Firms hired a similar percentage of employees from those underrepresented demographic backgrounds in 2021 (54%) as they did in 2020 (53%), and 2020 was higher than 2019 (47%).



When just focused on the most senior level of hires, the picture isn't much different. Since 2019, the percentage of those hired from underrepresented demographic groups made annually as partners on the investment teams have actually fallen rather significantly, from 46% to just 22% this year. We could not identify in our dataset an outside partner hire that was Black and/or Latinx in 2021, on the investment team or otherwise. It was also the worst year in our dataset for women investment partner hires, a decline from 38% of all partner hires in both 2019 and 2020, to 22% in 2021. The story is only slightly better in non-investing partners, where the percentage of women, Black and/or Latinx people hired has stayed roughly the same across the three year period we examined.

findings: support teams



As the largest firms in the world have grown, so has the relative hiring rates of their operating (or “platform”) teams. We looked at every role in a firm and whereas most senior hires in years past were on the investing team, there is an increasing trend of hiring senior leaders for non-investing functions. This includes IR, finance, talent, and portfolio support roles. The percentage of partner level hires focused on these non-investing functions has increased dramatically in recent years, from 33% of partner hires in 2019, to 48% in 2020, and to 56% this past year. Those senior leaders often need help; we also looked at non-partner hires in non-investing roles. Of non-partner hires in our dataset in 2021, 63% were in support roles for non-investing functions.

key takeaways & conclusion

What did we learn from this exercise? Some of the narratives around hiring in the VC market are certainly true. There's a lot of pressure on firms to hire platform teams, and to hire partners with operating backgrounds—our data shows those trends pretty clearly. But on the common narratives around title inflation, and of hiring Black, Latinx, and/or women employees, the data is less supportive.

Partners and principals are about as experienced as they've always been, and in fact new partner hires are actually a bit more experienced than recent averages, perhaps because with faster fund cycles and a shorter time to liquidity, partners feel more comfortable with the economics of making a move.

The percentage of investors from underrepresented demographic groups being hired in VC has, unfortunately, taken a step back this year. The numbers for Black and/or Latinx employees in firms is particularly uninspiring given we are in the midst of a pretty significant social movement for Black Americans, and firms haven't increased the pace of hiring Black and/or Latinx employees much at all.

We didn't study it, but perhaps women and other people of marginalized demographic backgrounds are opting to work at smaller organizations versus trying to change the statistics at the world's largest VC firms.

It's been a weird year. We will be back in 2022 to do this again and see where the industry moves next.

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