

# Tech Startups: Diversity & Inclusion

*How to Become a Leader*



Sponsored by:



**CHASE**  
for BUSINESS<sup>SM</sup>

Independently  
conducted by:





## Introduction

*In a competitive global economy, workforce diversity is an imperative. A body of research reveals that companies with high levels of cultural and gender diversity are more innovative and have higher revenue, larger market share, and better employee retention.*

Despite the benefits of diversity, most tech startups are struggling to attract and retain a diverse workforce, especially computer programmers and engineers.

This study, commissioned by Techstars and Chase for Business and conducted by Lawless Research, identifies the steps that founders of tech startups can take to increase the diversity of their technical staff. The research focuses on women and racial and ethnic minorities, although we recognize that other groups may also be underrepresented in computing professions. Data are drawn from online surveys of 680 founders and executives from technology startups founded seven years ago or less. Respondents came from nine countries—Australia, Brazil, Canada, France, Germany, India, Israel, the United Kingdom and the United States.

The startups fall into three groups based on the diversity of their technical employees:

- Diversity Leaders have five or more tech employees who are women or racial or ethnic minorities
- Diversity Builders have one to four
- Diversity Planners have none

Diversity Leaders take specific steps in four areas to create an inclusive environment:

- Hiring practices
- Training and development
- Employee benefits
- Management practices

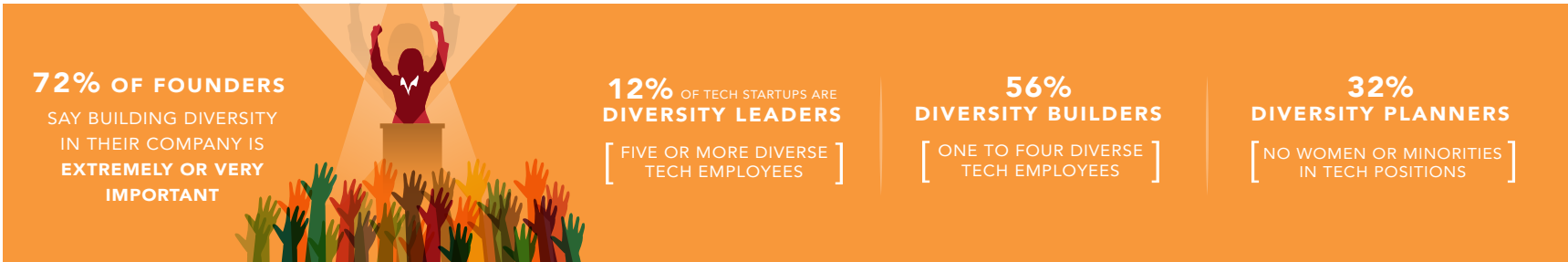
---

This is an important issue to me, but I don't know what to do about it. I feel like I'm in a position to make a difference, but have no concrete action steps that I can take.

### Diversity Builder

# LAWLESS RESEARCH

## Study Highlights



**72% OF FOUNDERS**  
SAY BUILDING DIVERSITY IN THEIR COMPANY IS **EXTREMELY OR VERY IMPORTANT**

**12%** OF TECH STARTUPS ARE **DIVERSITY LEADERS**  
[ FIVE OR MORE DIVERSE TECH EMPLOYEES ]

**56%** **DIVERSITY BUILDERS**  
[ ONE TO FOUR DIVERSE TECH EMPLOYEES ]

**32%** **DIVERSITY PLANNERS**  
[ NO WOMEN OR MINORITIES IN TECH POSITIONS ]



**81%** SAY DIVERSITY **ENHANCES CREATIVITY** AND INNOVATION

**67%** IMPROVES **PROBLEM-SOLVING**

**63%** PROVIDES **GREATER ACCESS TO TALENT**

**ONLY 23%** SAY DIVERSITY IMPROVES **FINANCIAL PERFORMANCE**



**92%** ARE FAMILIAR WITH THE TERM **"UNCONSCIOUS BIAS"**

**45%** TAKE STEPS TO REDUCE UNCONSCIOUS BIAS

**34%** INFORMALLY DISCUSS IT WITH STAFF

**15%** AUDIT JOB ANNOUNCEMENTS FOR UNCONSCIOUS BIAS

**11%** TRAIN STAFF ON HOW TO AVOID UNCONSCIOUS BIAS



**7 STEPS TO BUILD DIVERSITY**

1. STANDARDIZE THE INTERVIEW PROCESS
2. RECRUIT IN NONTRADITIONAL VENUES
3. PROVIDE MENTORING, TRAINING AND DEVELOPMENT
4. OFFER PARENTAL LEAVE AND LEAVE OF ABSENCE
5. AUDIT JOBS FOR PAY EQUITY
6. DEFINE MEASURABLE STEPS FOR PROMOTION
7. EXAMINE EVALUATIONS AND ASSIGNMENTS FOR BIAS



## KEY FINDING #1: Over seven in ten founders say diversity is important yet only 12% of startups are Diversity Leaders

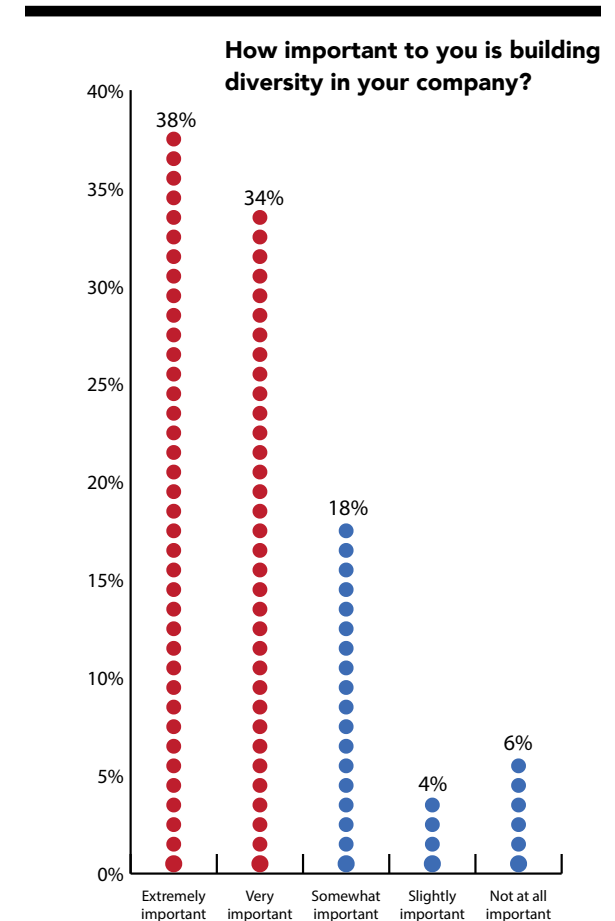
Founders of tech startups worldwide believe building a diverse and inclusive organization is highly important. The challenge for these young companies is identifying the most cost effective methods to attract and retain employees from

underrepresented groups. While 72% of founders and executives rate building diversity in their companies as extremely or very important, only 12% have achieved status as Diversity Leaders. For this study, startups are classified as Diversity Leaders when their practices and policies result in a technical staff that includes a minimum of five women or minorities.

### 72% of respondents say building diversity in their companies is very or extremely important.

Despite the many challenges of running a tech startup, 72% of founders believe building diversity is extremely or very important for their company. Founders who are women or minorities feel more strongly about the value of diversity:

- 84% of women and 90% of minorities say building diversity is very or extremely important (vs. 69% of men and 68% of nonminorities)



# LAWLESS RESEARCH

Our goal is survival. Everything else takes a back seat to that. When I get funded, I'll make sure there is some diversity.

## Diversity Planner

Diversity gives companies a competitive advantage. I put a premium on getting diversity into my company.

## Diversity Builder

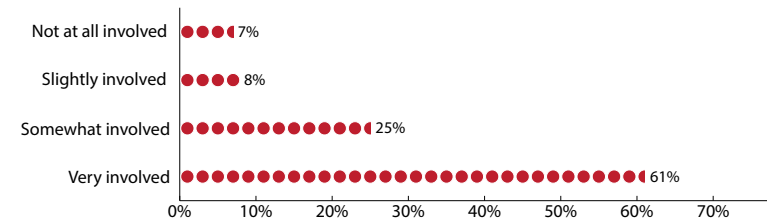
We are committed to hiring a diverse workforce. This has been challenging, but we feel we are making progress.

## Diversity Leader

### More than six in ten founders say they are very involved in promoting diversity.

Among the respondents, 61% are very involved in promoting diversity at their companies. Almost all (96%) minority women founders are very involved in promoting diversity, compared with 59% of all other founders.

### To what extent are you personally involved in promoting diversity at your company?

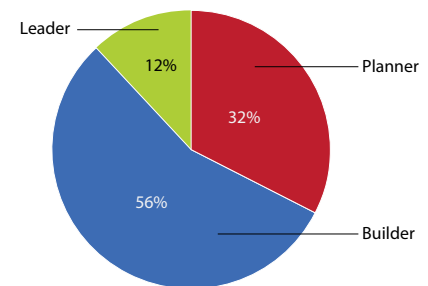


### About one in ten tech startups are Diversity Leaders.

Among the survey respondents, 12% are Diversity Leaders that employ five or more computing professionals who are minorities or women. The majority (56%) are Diversity Builders employing one to four diverse engineers, programmers and developers.

Almost one-third (32%) of startups are Diversity Planners and have not yet hired tech employees who are women or underrepresented racial and ethnic minorities.

### Tech Startup Diversity Stages

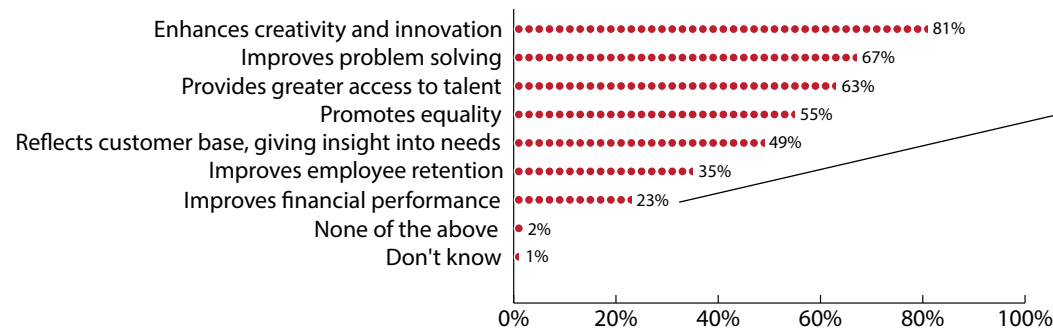




**KEY FINDING 2:** Majority of founders believe that a diverse staff enhances innovation, improves problem-solving and provides greater access to talent

Founders recognize the many benefits of having a diverse workforce, from fostering creativity to improving employee retention. In their opinion, the top three advantages of diversity are enhanced innovation, improved problem-solving and greater access to talent. Despite numerous studies that link diversity with higher earnings, only 23% of founders identify improving financial performance as an advantage of having a diverse staff.

**Which of the following are benefits to having a diverse staff?**



**Eight in ten founders believe that having a diverse staff enhances creativity and innovation**

Regardless of their startup's current level of diversity, nearly all respondents (97%) identify one or more advantages of a diverse workforce. Founders say the top three benefits of diversity are to enhance creativity and innovation (81%), improve problem-solving (67%), and provide greater access to talent (63%). There were some differences in sentiment:

- More women than men say diversity improves problem-solving (78% vs. 65%).
- Women, more than men, say diversity reflects the customer base, giving insight into their needs (61% vs. 47%).
- More founders who are minorities say diversity gives insight into the customer base (58% vs. 46% of nonminority founders).

**Few tech startup founders believe that diversity can improve financial performance**

Only 23% of founders say a benefit of a diverse staff is improved financial performance.

- Women founders are twice as likely as men to say diversity increases earnings (42% vs. 19%).

---

Our founders are women and it has come about naturally that we have balanced pay and recognize biases which may have once been unconscious.

**Diversity Builder**

---

The most effective tactic to increase diversity has been me, the founder and CEO, bringing up diversity and unconscious biases as often as possible without totally annoying everyone.

**Diversity Builder**



**KEY FINDING 3:** Although 92% of founders are familiar with unconscious bias, only 45% take steps to reduce it

The concept of unconscious bias is familiar to tech startup founders no matter where they reside in the world. For this study we defined unconscious bias as “our unconscious mental models and implicit associations about people that unfairly disadvantage certain groups or individuals.” According to research by the Kirwan Institute, unconscious or implicit biases are pervasive, and they negatively affect individuals, organizations and society.

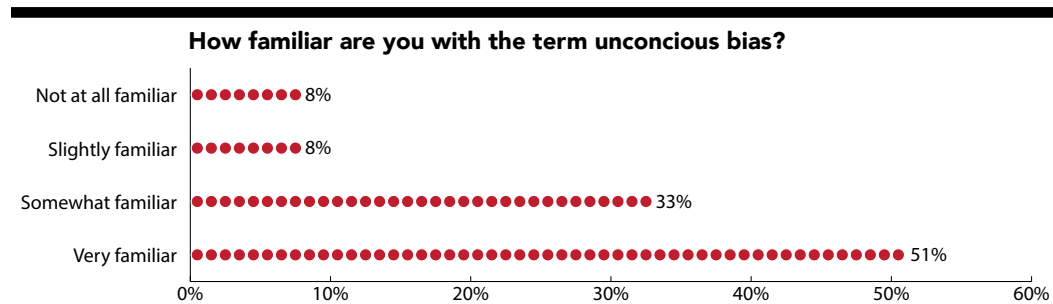
The most common ways that founders attempt to reduce unconscious bias in their companies is to informally discuss the topic with their employees and audit job announcements and job criteria for unconscious bias.



**The vast majority (92%) of founders are familiar with the term “unconscious bias.”**

Over half (51%) of founders are very familiar with the term unconscious bias, 33% are somewhat familiar and 8% are slightly familiar.

- More minority women founders are very familiar with unconscious bias (73% vs. 50% of all other founders).

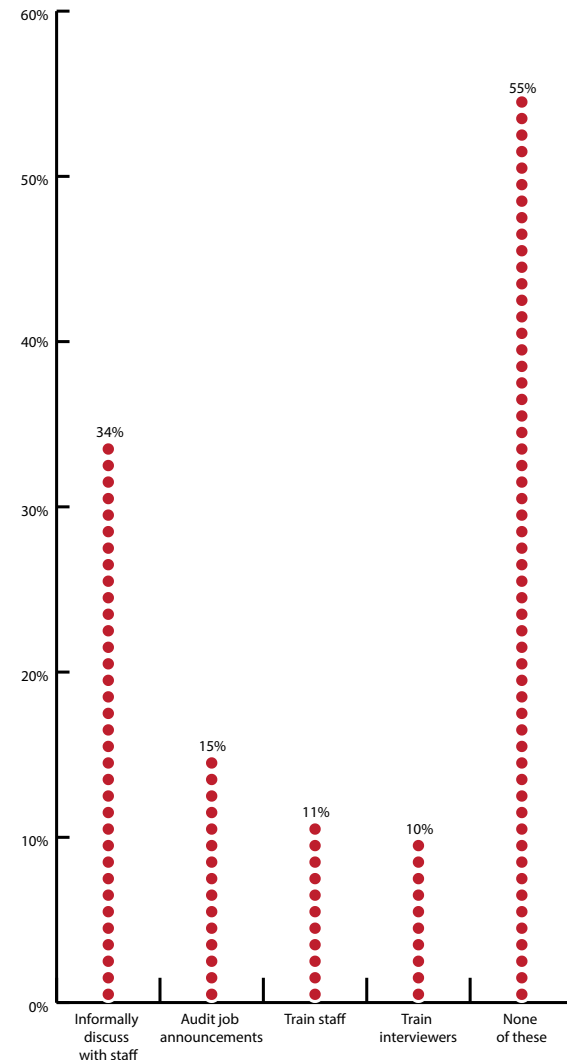


**The most common way that founders reduce unconscious bias is to discuss it informally with their employees.**

Over one-third (34%) of founders informally discuss unconscious bias with their staff and 15% audit job announcements and job criteria for unconscious bias. Among founders who are very familiar with unconscious bias, 56% have taken at least one step to reduce it (vs. 14% who are slightly or not at all familiar with the term).

- Founders who are very familiar with unconscious bias are more likely to audit job announcements for bias (19% vs. 10% of founders less familiar with unconscious bias).

**What steps, if any, has your company taken to reduce unconscious bias?**



The hiring process is key. Making sure that we attend job fairs for diverse groups is how we add folks to the hiring pool that allow us to consider diverse candidates.

### Diversity Builder

We speak openly about diversity and look for diverse candidates. It's been informal but effective.

### Diversity Leader



## KEY FINDING 4: Founders can increase the diversity of their technical workforce by adopting the practices of Tech Diversity Leaders

Even with the high demands of running a tech startup, founders can take simple steps to attract and retain women and minorities in technical positions. Diversity Leaders achieve higher tech diversity by taking action in four areas: hiring practices, training and development, employee benefits and management practices.

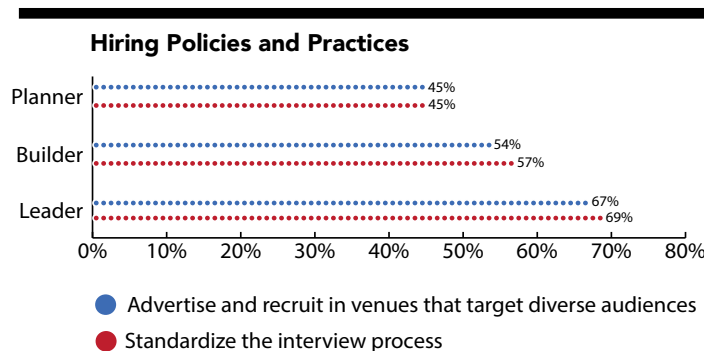
Startups classified as Leaders are more successful in hiring diverse employees by recruiting in nontraditional venues, such as meetups for women who code, and standardizing the interview process. Leaders also provide programs that benefit all employees—mentoring, leadership training, parental leave and leave of absence. Diversity Leaders follow management policies that reduce bias, including auditing jobs for pay equity and ensuring that measurable steps for promotion are clearly articulated.

Having women and minorities on the board of directors is correlated with a more diverse tech workforce. Diversity Leaders are three times more likely to have two or more diverse board members than Planners (41% vs. 12%).

**Standardizing the interview process and recruiting in nontraditional venues helps to increase the number of diverse tech employees hired.**

Companies with higher numbers of diverse technical employees are more likely to standardize their interview process, ensuring that all candidates are asked identical questions. Among Diversity Leaders, 69% standardize their interview process, compared with only 57% of Diversity Builders and 45% of Diversity Planners.

Advertising and recruiting in nontraditional venues helps startups find qualified technical professionals who are women and minorities. Two-thirds (67%) of Diversity Leaders advertise and recruit in venues that target diverse audiences (vs. 54% of Builders and 45% of Planners).

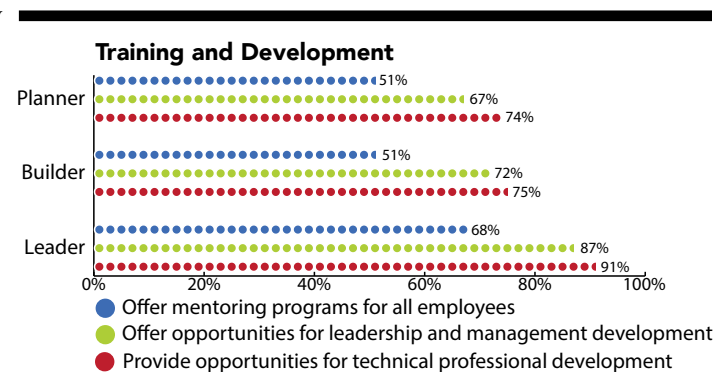


We promote diversity through individual mentoring by founders and we add in a line in job descriptions that “women and minorities are encouraged to apply.”

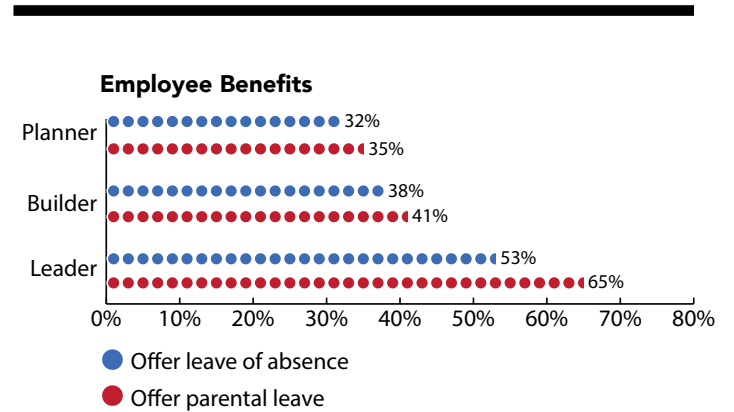
Diversity Leader

**Offering professional development helps startups increase tech diversity.**

Startups classified as Diversity Leaders are more likely to provide their employees with technical professional development, leadership training and mentoring programs.



**Offering parental leave and leave of absence can help startups increase tech diversity.** Diversity Leaders are more likely than Planners to offer parental leave (65% vs. 35%) and leave of absence (53% vs. 32%).



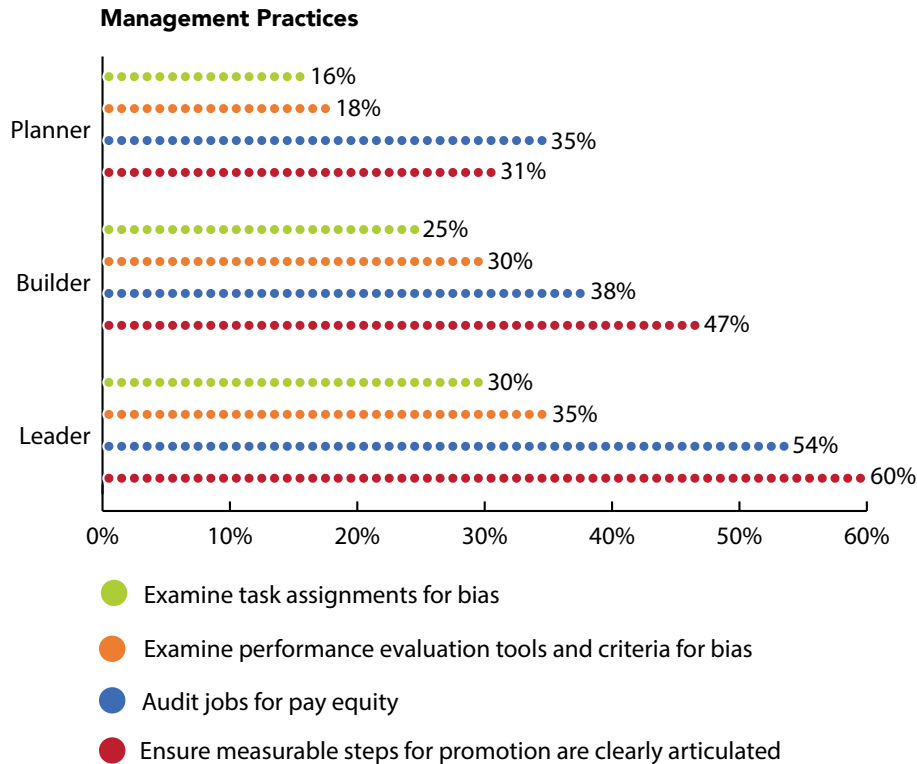
**Startups can increase the diversity of their technical staff by examining bias in their management practices.**

More than half (54%) of Diversity Leaders audit jobs for pay equity (vs. 35% of Diversity Planners).

Diversity Leaders are almost twice as likely as Diversity Planners to:

- Ensure that measurable steps for promotion are clearly articulated (60% vs. 31%)
- Examine performance evaluation tools and criteria for bias (35% vs. 18%)
- Examine task assignment processes for bias (30% vs. 16%)

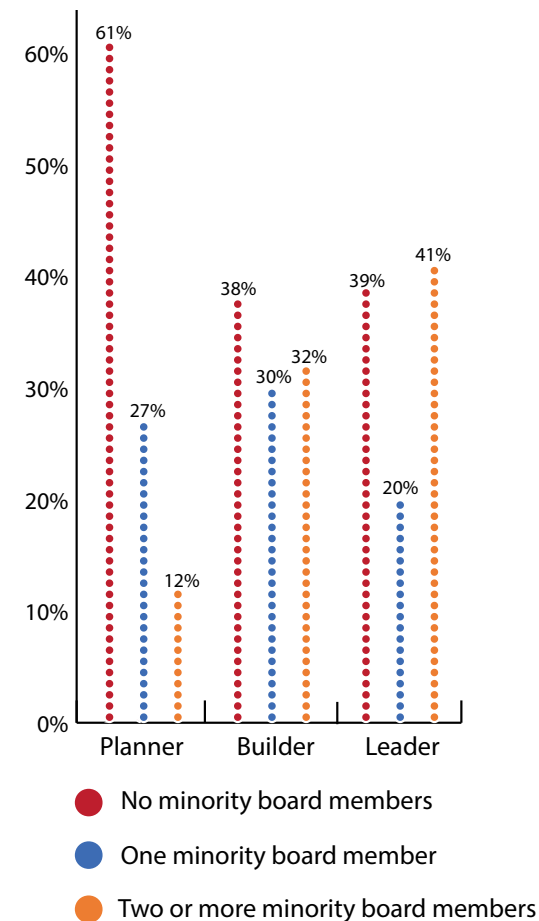
# LAWLESS RESEARCH



## Tech Diversity Leaders and Builders are more likely to have women or minorities on their board of directors.

Among startups with a board of directors, 41% of Diversity Leaders and 32% of Diversity Builders have two or more board members who are women or minorities. In comparison, only 12% of Diversity Planners have diverse board members.

### Board Members Who Are Women or Minorities



## Methodology

Techstars and Chase commissioned Lawless Research to design and conduct a study to identify the factors that increase staff diversity in tech startups worldwide. A total of 680 founders and executives in tech companies founded in the past seven years completed the 12-minute online survey from June 14 through July 4, 2016. The survey was hosted by Qualtrics and respondents were recruited via email and social media sites by Techstars, F6S, Global Entrepreneurship Network, and Compass. Tests of significant differences were conducted at the .01 level (99% probability that the difference is real, not by chance). Percentages may not always add up to 100% due to rounding.

## About Lawless Research

Lawless Research designs online market research studies worldwide for clients across industries, including tech, banking, healthcare and consumer packaged goods. With over 25 years of experience, Lawless Research provides valuable insights that help clients make strategic decisions about marketing, advertising, product development, and customer acquisition and retention. Thought leadership surveys, a specialty of Lawless Research, help companies identify emerging trends to use in PR and content marketing.  
[www.lawlessresearch.com](http://www.lawlessresearch.com)



## About Techstars

Techstars is a global ecosystem that empowers entrepreneurs to bring new technologies to market wherever they choose to live. With dozens of mentorship-driven accelerator programs and thousands of community programs worldwide, Techstars exists to support the world's most promising entrepreneurs throughout their lifelong journey, from inspiration to IPO. Techstars provides access to tens of thousands of community leaders, founders, mentors, investors, and corporate partners, allowing entrepreneurs to accelerate the pace of innovation and Do More Faster™. Techstars supports every stage of the entrepreneurial journey – from early stage grassroots community development to more formal opportunities that provide education, experience, acceleration, funding, and beyond. [www.techstars.com](http://www.techstars.com)



## About Chase

Chase is the U.S. consumer and commercial banking business of JPMorgan Chase & Co. (NYSE: JPM), a leading global financial services firm with assets of \$2.5 trillion and operations worldwide. Chase serves nearly half of America's households with a broad range of financial services, including personal banking, credit cards, mortgages, auto financing, investment advice, small business loans and payment processing. Customers can choose how and where they want to bank: 5,300 branches, 18,000 ATMs, mobile, online and by phone. For more information, go to [Chase.com](http://Chase.com).



Chase for Business offers deposits, loans, cash management, merchant services and credit cards for 4 million U.S. small businesses. For more information, visit [www.chase.com/business](http://www.chase.com/business).

## Respondent Demographics

### What is your primary role in the startup company?

|                       |      |
|-----------------------|------|
| Founder or co-founder | 88%  |
| Executive management  | 12%  |
| Total                 | 100% |

### When was your company founded?

|                      |      |
|----------------------|------|
| Less than a year ago | 18%  |
| 1 to 2 years ago     | 43%  |
| 3 to 4 years ago     | 29%  |
| 5 to 7 years ago     | 10%  |
| Total                | 100% |

### Where is your company headquartered?

|                |      |
|----------------|------|
| Australia      | 1%   |
| Brazil         | 2%   |
| Canada         | 5%   |
| France         | 3%   |
| Germany        | 2%   |
| India          | 1%   |
| Israel         | 2%   |
| United Kingdom | 8%   |
| United States  | 77%  |
| Total          | 100% |

### How many founders does your company have?

|             |      |
|-------------|------|
| One         | 18%  |
| Two         | 42%  |
| Three       | 27%  |
| Four        | 10%  |
| Five        | 2%   |
| Six or more | 1%   |
| Total       | 100% |

### How many people work full-time at your company?

|                 |      |
|-----------------|------|
| One             | 13%  |
| Two to four     | 39%  |
| Five to nine    | 27%  |
| Ten to nineteen | 11%  |
| 20 or more      | 10%  |
| Total           | 100% |

### What is your age?

|                             |      |
|-----------------------------|------|
| 18 to 29 (Gen Z/Millennial) | 25%  |
| 30 to 35 (Millennial)       | 27%  |
| 36 to 45 (GenX)             | 30%  |
| 46 to 51 (GenX)             | 10%  |
| 52 to 60 (Boomer)           | 8%   |
| 61 to 70 (Boomer)           | 1%   |
| 71 or older (Silent)        | <1%  |
| Total                       | 100% |

### Do you consider yourself a member of a racial or ethnic minority?

|                      |      |
|----------------------|------|
| Yes                  | 28%  |
| No                   | 70%  |
| Prefer not to answer | 2%   |
| Total                | 100% |

### Are you male or female?

|        |      |
|--------|------|
| Male   | 83%  |
| Female | 17%  |
| Total  | 100% |

### Gender and racial/ethnic minority status

|                      |      |
|----------------------|------|
| Nonminority Male     | 60%  |
| Minority Male        | 22%  |
| Nonminority Female   | 10%  |
| Minority Female      | 7%   |
| Prefer not to answer | 1%   |
| Total                | 100% |

### What is your company's product or service?

|                                     |      |
|-------------------------------------|------|
| Digital Technology                  | 78%  |
| Internet of Things                  | 11%  |
| Artificial Intelligence             | 8%   |
| Computer/Tablet/Smartphone Hardware | 2%   |
| Robotics                            | 2%   |
| Total                               | 100% |



### What is the highest level of education you have completed?

|   | AU   | BR   | CA   | FR   | DE   | IN   | IS   | UK   | US   | Total % |
|---|------|------|------|------|------|------|------|------|------|---------|
| Less than High School                   | 0%   | 8%   | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 0.4% | 0%      |
| High School / GED                       | 0%   | 0%   | 0%   | 0%   | 10%  | 0%   | 0%   | 4%   | 3%   | 2%      |
| Some College or 2-year Degree           | 0%   | 0%   | 9%   | 0%   | 0%   | 0%   | 0%   | 6%   | 10%  | 8%      |
| Technical College Degree or Certificate | 11%  | 8%   | 12%  | 0%   | 0%   | 0%   | 0%   | 0%   | 2%   | 2%      |
| Bachelor's Degree or Equivalent         | 33%  | 33%  | 21%  | 20%  | 20%  | 28%  | 40%  | 35%  | 43%  | 40%     |
| Master's Degree                         | 44%  | 33%  | 47%  | 40%  | 50%  | 72%  | 60%  | 46%  | 35%  | 38%     |
| Doctoral Degree                         | 0%   | 8%   | 12%  | 0%   | 20%  | 0%   | 0%   | 6%   | 4%   | 4%      |
| Professional Degree                     | 11%  | 8%   | 0%   | 40%  | 0%   | 0%   | 0%   | 4%   | 3%   | 4%      |
| Other:                                  | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 1%   | 1%      |
| Total                                   | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100%    |