DIVERSITY VC

DIVERSITY IN VENTURE CAPITAL

A PRACTICAL TOOLKIT
FOR VC FUNDS

Beta Version
May 2018

FOREWORD

The lack of diversity in technology is quite possibly the industry's most pressing challenge. Diversity VC launched in 2017 with a mission to promote diversity and inclusion, starting with investors. Complementary to our report on the number of women in UK VC in 2017, this toolkit is designed to provide practical diversity and inclusion questions and recommendations for VCs to consider.

This is a beta version – we'd love your feedback on it so we iterate and make it as useful as possible. It will also be hosted on our website at www.diversity.vc.

Esther Delignat-Lavaud Rodriguez
Toolkit Lead, Diversity VC

> As investors we have a responsibility to our teams and portfolio companies to help them take advantage of the proven benefits of diversity. This toolkit raises thought-provoking questions about investing but also about recruitment. I would recommend it as essential reading for any investor or startup CEO.

Tom Bradley
Partner, Oxford Capital

INTRODUCTION

The word "diversity" has been so often cited in newspaper headlines, podcasts, business books and political speeches recently that one could fear it has lost its meaning, particularly in 2018. However, diversity is not a fad. And if it is arguably a trend - after all, isn't the quest to create an industry where everyone can be their full selves and flourish a constant? - it is inarguably one worth investing in. For promoting diversity and inclusion in your firm is certainly an investment: it is a long-term game that requires immediate resources, dedication and effort to yield delayed benefits.

Conscious of the challenges of investing in diversity in a tangible way, Diversity VC has designed this toolkit as a practical starting guide for Venture Capital firms (VCs), to help them promote diversity and inclusion (D&I) within their organisations as well as in the companies they fund. It offers concrete recommendations and tactics which can be swiftly put in place by VCs both internally (i.e. from a Human Resources (HR) perspective, for candidates and employees) and when making investments (i.e. from a dealflow perspective, for potential investee companies).

It must be emphasised that neither this toolkit nor any other D&I guides are silver bullets. Unfortunately there is no such thing when it comes to this nuanced and complex systemic issue. However, it should prompt thinking and initiate progress on this topic which will further our collective understanding as an industry as to how to enact continuous positive change.

WHAT DO WE MEAN BY DIVERSITY & INCLUSION?

> " Diversity is being invited to the party; inclusion is being asked to dance. [1]

Vernā Myers
Lawyer, entrepreneur & author

When we talk about D&I, we mean to convey that people of all identities and groups should feel as though they have a place in the Venture Capital ecosystem and entrepreneurship more widely.

Indeed, it is particularly crucial to get this right in the world of Venture Capital, where funding decisions taken at the very earliest stage of a company's life not only impact who gets funded, but the cultures of the companies which may go on to be the mega-corporations of the next 10-20 years.

[1] **Vernamyers.com (2018).** Verna Myers: Cultural Innovator | Activist. [online]

WHAT IS THE CURRENT D&I LANDSCAPE IN VENTURE CAPITAL?

In May 2017, Diversity VC in partnership with the BVCA and Craft.co produced the first ever study on the number of women in UK Venture Capital. It showed that 48% of UK funds had no women in their investment team and 66% had no senior women, while just 13% of VC fund partners were female. [2]

Diversity VC is still working on collecting data on the socio-demographic and ethnic breakdown of the UK VC industry, but a Social Capital study — which found that 78% of senior venture capitalists in US funds were white [3] — preempts similarly disappointing results.

These statistics are broadly reflected in the demographics of the companies that are funded by venture capitalists too. In 2017 Pitchbook published the proportion of funding going to female-founded teams in the US, which was less than 2% - with just 0.2% going to teams founded by women of colour. [4]

Most VCs are small: in Diversity VC's 2017 study, it was found that the average size of a UK fund is nine people, which means many do not have an HR department. Venture capitalists are often thinly stretched and work semi-autonomously, which leaves little room for high-level strategic thinking on D&I. It is unsurprising, therefore, that very few VCs have clear initiatives to promote diversity in their firms.

Yet it is not only imperative for the VC industry to promote D&I for the sake of a fair and inclusive society; it is also likely to have a positive impact on returns. Indeed, McKinsey's 2018 study showed that diverse teams outperform their non-diverse competitors by up to 21% (gender) and 33% (ethnicity). [5]

[2] **Diversity VC (2017).** Women In UK Venture Capital 2017.
[3] **TechCrunch (2018).** Here's A Detailed Breakdown Of Racial And Gender Diversity Data Across U.S. Venture Capital Firms. [online]
[4] **DuBow, W. and Pruitt, A. (2017).** The Comprehensive Case for Investing More VC Money in Women-Led Startups. [online] Harvard Business Review.
[5] **McKinsey & Company (2018).** Delivering through Diversity. [online]

THIS TOOLKIT

Scope

This toolkit is meant to serve as a pragmatic, actionable guide for a VC firm wishing to promote diversity and inclusion. It should be a useful starting point to help resource-constrained funds think about how to be as inclusive as possible in every aspect of their business. As such, it is most relevant for:

- Decision makers in VC firms (Partners, CEOs, Heads of Talent);
- CEOs of portfolio companies;
- Anyone interested in furthering diversity and inclusion in the workplace and beyond.

However, there is still much to be done, and the toolkit is not meant to be an exhaustive set of resources. It is intended as a guide to the type of questions VCs should be asking, rather than a prescriptive set of rules to follow. At the end of the day, it is up to the funds themselves to continually debate, innovate around and attend to D&I, in order to respond to the needs of employees and investee companies.

> " As VCs, winning the trust of these great entrepreneurs, we have to find our own authenticity. Machismo is, by definition, not authentic, and I'm pleased there is less of it around than there was. The more we can do to build our own integrity and character, the more we can trust our instincts. [6]

Harry Briggs
Partner, BGF Ventures

[6] Briggs, H. (2015). Farewell Balderton. [online] Medium.

Structure

The toolkit is divided into the following modules, to reflect the structure and activities of a typical VC firm:

01 **Preparation**	Laying the foundations internally to create an inclusive workplace for new candidates and for new investee companies
02 **Sourcing**	Building on top of those foundations to source new candidates and investee companies
03 **Assessment**	Ensuring the assessment process for candidates and potential investee companies is as bias-free as possible
04 **Onboarding and culture**	Maintaining solid D&I foundations through ongoing support for the employee and investee company
05 **Policy**	How to choose inclusive policies and ensure that VC decision-makers have considered the impact of their firm's policy decisions on diversity and inclusion

Methodology

The toolkit was put together by ten volunteers currently working for venture capital funds or firms who work closely with them, based on pre-existing applied research. It has also been overseen by several specialist advisors, listed in the appendix.

This toolkit will be a living document, hosted online at www.diversity.vc/toolkit. If you have any suggestions, additions or corrections, please let us know at toolkit@diversity.vc.

DEFINITIONS

We recognize that many of the words we are using in this document are understood differently by different groups and can also be loaded. For clarity, we have defined the way that we are using some of the key terms that feature in the toolkit.

Diversity
The fact of many different types of things or people being included in something; a range of different things or people. [7]

Bias
Inclination or prejudice for or against one person or group, especially in a way considered to be unfair. [8]

Cognitive biases
Mental shortcuts, or systematic patterns of deviation from norm or rationality in judgment. Also called "heuristics", made popular in Daniel Kahneman's book 'Thinking Fast and Slow'. [9]

Belonging
In the third level of Maslow's (1943) Hierarchy of Needs, [10] love and belonging include feeling affiliated with others and feeling accepted as part of a group.

[7]   Cambridge Dictionary (n.d.). "diversity". [online]
[8]   Oxford Dictionaries (n.d.). "bias". [online]
[9]   Kahneman, D. (2015). Thinking, fast and slow. New York: Farrar, Straus and Giroux. Note that the book is based on the original research paper of Tversky, A. & Kahneman, D. (1974). Judgment under Uncertainty: Heuristics and Biases. Science, 185(4157), 1124-1131.
[10] Maslow, A. H. (1943). A Theory of Human Motivation. Psychological Review, 50(4), 370-96.

ABOUT DIVERSITY VC

Diversity VC is a non-profit, founded by five members of the venture capital industry in March 2016 to promote diversity and inclusion in all aspects of the VC industry. The organisation works in four main ways:

- Collecting and publishing original data;
- Encouraging diversity in applicants to the industry;
- Supporting VCs to be more inclusive within their firms, and externally in the companies they fund;
- Helping entrepreneurs from diverse backgrounds access capital.

You can find out more about our work at **www.diversity.vc**

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01

PREPARATION

Laying the foundations internally to create an inclusive workplace for new candidates and for new investee companies

TOP TIPS

1. Ensure that diversity is understood within the fund and that there is buy-in from the team to commit to D&I for the long term before actions are taken;

2. Implement a training programme, set follow-up assessment criteria and track KPIs against these over time linked to individual performance and measurement;

3. Build authentic relationships in communities who can help widen your access to talent.

MODULE GOAL

Give VCs the tools and resources to help educate and prepare their teams - both internally and externally - to the challenges of tackling diversity in their dealflow and HR practices.

INTRODUCTION

Laying the foundations for Diversity and Inclusion

Before implementing new programmes, it is important to lay the right foundations within your firm to ensure that any actions you take are going to be understood, championed and supported internally, giving them the best chance of success.

As Village Capital highlights, there is such a thing as "diversity debt". [11] Much like the concept of "technical debt", diversity debt implies increased cost and work if effort is not invested to get D&I foundations right upfront. For example, hiring people quickly without taking D&I into account means the hiring deadline will be met, but the price will be paid eventually in the form of team homogeneity, poor resilience to crisis, enhanced "groupthink" and possibly a toxic work environment. Just like technical debt, diversity debt compounds over time, becoming harder and harder to correct.

The most effective way of avoiding diversity debt is to design for inclusion from the start and integrate diversity throughout the fund's processes rather than having a separate D&I programme: [12] in doing so, diversity becomes a lens for identifying, developing, and advancing companies through the deal funnel, and candidates through the HR funnel.

Implementing a permeating in-house D&I solution in a VC fund requires effort and time, which are both in short supply. As such, it is important that before going out to source deals or candidates, VCs engage in conversations about the reasons why diversity matters, both:

- **Internally** (within the fund), as part of their processes;
- **Externally** (within the ecosystem), to ensure that potential investee companies, partners and investors also understand the importance of diversity and inclusion.

[11] **Pope, E. (2018).** Don't let your startup get caught up in "diversity debt". [online] Medium.

[12] **Thomas, D. (2011).** In Brescoll, V. (2011). What do leaders need to understand about diversity? [online] Yale Insights.

COMMUNICATING D&I INTERNALLY

Educate teams about D&I and bias

It is important that time and space is made to have conversations about diversity. [13]

VCs are vulnerable to a range of cognitive biases which can unfairly affect their decision-making (see module 03 Assessment for more details). Unfortunately, most of the time biases go unnoticed and unidentified. As such, one of the first steps to be taken internally before engaging in deal or candidate origination is to identify and learn about those biases.

To do so, VCs can use the following tools to:

- **Identify** - Take the Harvard Implicit Association Test as a way of realising that bias is deeply ingrained;
- **Learn** - Watch the Facebook [14] and Google Ventures [15] videos on biases to get familiar with the issue.

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[13] Feel free to reach out to Diversity VC at toolkit@diversity.vc for a list of recommended reading on diversity and inclusion.
[14] **Facebook (n.d.).** Managing Bias. [online]
[15] **Norton, K. (2014).** Unconscious Bias at Work. [online] Google Ventures Library.

Run training programmes

There is a big difference between intellectually understanding the need for diversity and inclusion, and emotionally experiencing it. D&I training can help VCs recognise and understand the position of power and privilege they are in, and how it impacts others they interact with.

Diversity VC partnered with Fearless Futures to carry out training with 22 VC partners in April and May 2018, and are planning several more courses in 2018/19. [16] There are many other providers of training programmes, including an **open-sourced workshop builder from Google**, [17] that will allow VCs to create and run an in-house workshop themselves.

> " At Frontline we had all our partners take a full day unconscious bias and diversity course with Fearless Futures to make sure we were aware of the common pitfalls that stem from lack of diversity in decision-making, making sure none of our unconscious biases affects those decisions and creating a system internally to enable better decision-making.

William McQuillan
Partner, Frontline Ventures

[16]   For more information on Fearless Futures courses, see **www.fearlessfutures.org**, or contact **info@diversity.vc**.

[17]   **Google re:Work (n.d.).** re:Work - Guide: Raise awareness about unconscious bias. [online]

Training programmes should also be linked to concrete actions and must be regularly followed up to ensure the learnings are being enacted. Consider thinking about whether a KPI could be designed to measure the success of D&I initiatives and whether that could be tied to individual performance and remuneration.

It is worth being aware of the fact that unconscious bias training in particular has had a mixed track record of success, with "a number of studies suggest[ing that they] can actually activate bias or spark a backlash." [18] Any training that a fund engages in should look to understand the causes of inequality and exclusion, in addition to what the manifestations could be.

Run reverse mentoring sessions

Running reverse mentoring between senior decision makers and diverse junior staff (or diverse talent from communities like YSYS) is a great way to build empathy and understanding.

Reverse mentoring will typically comprise two sessions:

In the first session the senior e.g. CEO or GP shares their story in detail i.e. where they grew up, what that was like, holidays they went on, quirky things about them, how they make decisions, favourite books, their career journey etc.

In the second session the diverse talent shares their story, the idea being that both parties ultimately empathise with the other's journey of power, privilege and inequality among other things.

[18] **Dobbin, F. & Kalev, A. (2016).** Why Diversity Programs Fail. Harvard Business Review, 94(7).

COMMUNICATING D&I EXTERNALLY

Be open

Company founders and candidates from diverse backgrounds can only reach out if they are aware of your fund and its commitment to diversity and inclusion. As such:

- Update your website and related materials and social media to reflect your stance on D&I;

- Ensure that there are ways for candidates and companies to contact you, and that these are clearly signposted, as opposed to requiring a "warm introduction" (which immediately excludes those without pre-existing social networks within Venture Capital).

Moreover, open processes remove barriers to founders and candidates from diverse backgrounds.

- **For companies** - Be public about your search and screening criteria, to ensure that it is clear that you are looking for diverse teams. A radical step (which First Round Capital took [19]) could be to publish your "pipeline" of companies: start-ups tend to be open and collaborative, and founders like to be associated with like-minded organizations - by making your pipeline transparent and letting founders know who you are tracking and why, you will increase the likelihood of attracting diverse founders;

- **For candidates** - Be open about your assessment matrix: people will reveal themselves (and their less standard traits) more readily if they know what to expect and come in feeling prepared rather than dreading a pop quiz.

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[19] **Farley, S. (2017).** Why we need diverse founder and funding teams and how to find them. [online] TechCrunch.

Build relationships with relevant communities

Continually ask the question as to whether you have enough voices around the decision-making table. Your fund needs to ensure that a wide variety of views and perspectives are represented. If not, reach out to local or national groups with a focus on diversity - some partnerships could reinforce your internal processes.

Below are just a few examples of communities within tech which focus on underrepresented groups in the UK - it is by no means an exhaustive list, however.

- People of Colour in Tech;
- YSYS;
- Hustle Crew;
- Allbright;
- Techfugees;
- TechVets;
- 23 Code Street;
- Code First: Girls;
- Rare Recruitment;
- Blooming Founders.

02

SOURCING

Finding candidates and investee companies

TOP TIPS

1. Once you've laid the foundations and made commitments to D&I internally, communicate your firm's commitment to diversity - through your website, partner communities and social media;

2. When sourcing investee companies, allow room for open applications, proactivity and serendipity to reduce dependency on referrals;

3. When sourcing candidates, engage strategically with recruiters and universities.

MODULE GOAL

Give VCs the tools to improve their candidate and dealflow sourcing methods, and increase the diversity of their team and their pipeline of potential investee companies.

INTRODUCTION

Diversity and Sourcing

Whilst it is easy in theory as a VC firm to say that you aim to recruit and source investee companies from a diverse range of places, it can be difficult in practice.

Often, entry level associate jobs in VCs have been filled by candidates with a finance or consulting background. Candidates in particular may be sourced through recruiters, who often only access this same pool of candidates; or they are sourced through contacts of a VC's internal team, who tend to recruit in their own image (see similarity bias in module 03 Assessment).

Yet it is important to ensure that the pool of candidates is varied and diverse from the start: indeed, if there is only one underrepresented candidate in your candidate pool, there is statistically no chance they will be hired, while the odds of hiring them will be 79.14x greater if there are at least two underrepresented candidates in the finalist pool. [20] The same is true of the founders of the companies in the pipeline.

> " It's great that VCs want to hire more diverse investors, but it should be for the right reasons: you need to find the right candidate for your team. At Point Nine, our team has come from tremendously diverse backgrounds, but we can do more. Which is why we committed to build a 50/50 talent pipeline for new investment roles.

Jenny Buch
Head of Talent
Point Nine Capital

[20] **Johnson, S.K., Hekman, D. R., & Chan, E. T. (2016).** If there's only one woman in your candidate pool, there's statistically no chance she'll be hired. [online] Harvard Business Review.

SOURCING FROM A DIVERSE POOL

Build your firm's profile

It is important to communicate the message to the ecosystem that your firm is actively championing diversity in its hiring and sourcing processes. There are several ways to incorporate this into your fund's messaging, once you've laid the foundations for this internally (see module 01 Preparation).

- **Online presence** – Share first or third party content (e.g. articles, TED talks) on social media that celebrate and discuss the positive impacts of diversity; the firm website should reflect this as well, through inclusive language and imagery;

- **PR** – Develop a proactive media/PR programme focused on profiling the achievements of underrepresented employees of your firm and founders of your investee companies. On the reactive side, it is key to develop relationships with relevant journalists so they come to you for comment on best practices;

- **LinkedIn** – It is important to use LinkedIn carefully and strategically; as above, sharing third party content is important, but it is key to develop your own voice and your own bank of content that can be re-posted by others. LinkedIn is not just for job postings and is one of the channels with the highest organic reach;

- **Brand ambassadors** – If they are comfortable doing so, encourage individuals from underrepresented groups within your firm as well as within your investee companies to take a brand ambassador approach, through testimonials online, university networks or speaking at events.

It is important to attend university events focused on industries beyond investment. In a similar way, it is important to engage with blogs and LinkedIn posts from a diverse range of industries that are relevant to your organisation, such as entrepreneurial and minorities-focused blogs or communities, and blogs from business sectors in which your firm invests. [21]

[21] There are a number of resources that we can recommend engaging with during your sourcing - contact us at toolkit@diversity.vc for a list.

SOURCING DIVERSE COMPANIES

Break free from referrals

Any experienced VC will state that referrals often bring in the best quality deals. In reality, the picture might be more nuanced: First Round Capital found that accelerator demo days and Twitter research outperformed network referrals by >58%. Founders who pitched First Round directly without a referral did nearly 23% better. [22] Moreover, referrals (or as they are sometimes known, "warm introductions") tend to hinder diversity as they automatically exclude those without pre-existing networks.

As such, try to actively source from other spaces:

- Target events such as coding campuses, meetups, conferences and demo days - you might trade quality for quantity in the short term, but you will broaden your audience and build your diversity profile in the long term;

- Create space for serendipity: an effective tactic is to open space in your calendar for "serendipity meetings" - e.g. book a couple of hours a week for office hours, working in co-working spaces, and generally enabling opportunities to meet aspiring entrepreneurs who have different profiles than the ones your fund typically sees;

- Use Twitter to follow and access people from outside your main geography, who might not be able to get to your offices in person;

- Be clear and public about your commitment to diversity: this will attract deals from diverse founders (see module 01 Preparation).

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[22] **First Round Capital.** First Round 10 Year Project [online]

Build relationships with entrepreneurial organisations focused on diversity

As mentioned in module <u>01 Preparation</u>, there are a number of communities dedicated to training and talent development of underrepresented groups. Ask the leaders of these groups how best to connect with them and help them achieve their goals, as well as how they might be able to help you attract talent from diverse backgrounds.

SOURCING DIVERSE CANDIDATES

Brief your recruiters

It is important that if you use recruiters, you insist that they source from a diverse range of candidates. This does not necessarily mean mandating that they present a diverse range of candidates for consideration, however, they must be made aware that you require them to source from a diverse pool.

There are a number of recommended recruiters who have access to a wide range of candidates and will respond positively to requests asking for a diverse selection. [23]

Use diversity-focused tech platforms

Software tools can help better promote diverse hiring, e.g. by anonymising and structuring application processes. An initial list of such platforms (and possible discounts through Diversity VC) is available on demand. Contact **toolkit@diversity.vc** for access.

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[23] A few of those recruiters include (but are not limited to) Rare Recruitment, Raw Recruitment, La Fosse Associates, Freshminds and Audeliss.

Engage with university programmes

Many relevant university programmes run networking events, seminars and careers days focused on providing their students with access to potential employers. It is important to select the correct events to be involved in, and to ensure that any presentation from the firm leads with (and is coloured by) the firm's commitment to diverse hiring.

It is key to remember that it is not just the Private Equity or VC events that you can be involved in – many universities (and schools) also run minorities-focused events and groups, encouraging and inspiring minorities in business, such as the African OBN at The University of Oxford or the Dynamic Women In Business Conference at Harvard Business School. It is crucial to be involved in these events, and to present the firm's vision and mission clearly to their members.

All presence at events should be filmed or at least photographed, and this content should be fed into the media/social media programmes.

There are many other ways to engage with the relevant university programmes including job postings on relevant portals (e.g. MBA course portals), engaging with their outward content (e.g. blogs, social media channels), guest lecturing/Q&As and sponsorship.

03

ASSESSMENT

Selecting and assessing candidates and investee companies

TOP TIPS

1. Set clear assessment processes and criteria before engaging with candidates or companies;

2. Adopt various points of view by using role-reversal techniques, scenarios or what-if analyses and multiple selection methods;

3. Collect feedback on your assessment processes, e.g. through a Net Promoter Score or simple feedback form.

MODULE GOAL

Give VCs the tools to mitigate bias (and thus foster diversity) when evaluating companies and candidates.

INTRODUCTION

Diversity and decision-making

Diversity in decision-making teams curbs the effects of cognitive biases, [24] improving the quality of outcomes and, therefore, returns.

VCs are vulnerable to a range of cognitive biases (ask your team to take the <u>Implicit Association Test</u> for demonstration), from similarity bias and overconfidence to pattern-recognition bias. [25] Those biases are particularly acute in venture capital due to:

- The pressure for speedy decision-making;
- Data scarcity;
- Environmental uncertainty.

These biases have deep and long-lasting implications on many different groups and their ability to access capital and jobs. This is something the VC industry should be acutely aware of, given its own homogeneity.

> " Bias is an important and under-researched topic in the investment world, carrying high potential impact. It is logical to expect that the systematic pursuit of the understanding of one's own biases (which we all have) will contribute to better decision-making. [26]

Elias Korosis
Partner, Hermes GPE

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[24] See definitions in the toolkit introduction.

[25] For a more comprehensive list and explanation, see e.g., **Sheehan, P. and Sheehan, A. (2017).** The Paradox of Experience. Investment Insights: Investment decision-making. [online] ETF Partners; and **Bueschen, R. (2015).** The Surprising Bias Of Venture Capital Decision-Making. [online] TechCrunch.

[26] **Sheehan, P. and Sheehan, A. (2017).** The Paradox of Experience. Investment Insights: Investment decision-making. [online] ETF Partners.

For example, cognitive biases have been shown to inhibit female-led companies' chances of raising as much money as their male-led peers. Researchers who studied the Q&A interactions between VCs (40% of them female) and entrepreneurs (12% female) that took place at TechCrunch Disrupt New York discovered that 67% of the questions posed to male entrepreneurs were "promotion-oriented" (i.e. questions which focus on hopes, achievements, advancement, and ideals - such as "how do you plan to monetise this"), whereas 66% of the questions posed to female entrepreneurs were "prevention-oriented" (i.e. questions which are concerned with safety, responsibility, security, and vigilance - such as "how long will it take you to breakeven"). They also found that male-led companies in their sample raised 5x more funding than their female-led counterparts. [27]

Tamara Rajah
Founder and CEO
Live Better With

Initially, I would have confidently said that I had not experienced gender bias [when raising money]. When I read research about the different types of questions asked to female and male entrepreneurs, with women being asked 'prevention' questions and men being asked 'promotion' questions, I was shocked - they were worryingly familiar. Answering prevention questions with promotion answers is difficult and exhausting!

[27] **Kanze, D., Huang, L., Conley, M. A. & Higgins, E. T. (2017).** Male and Female Entrepreneurs Get Asked Different Questions by VCs — and It Affects How Much Funding They Get. [online] Harvard Business Review.

[28] **Lovallo, D. & Sibony, O. (2010).** The case for behavioral strategy. [online] McKinsey & Company.

[29] **Hsu, D. & Bengtsson, O. (2012).** Ethnic Matching in the U.S. Venture Capital Market. Working Paper, Wharton Business School & Lund University.

Investing in reducing cognitive biases can push rates of return up by 7%, [28] and increase IPO and M&A exits. [29] Diverse teams drive reduced bias, and can in turn be used by VCs as a weapon to fend off cognitive biases and unlock better results.

Indeed, decisions made and executed by diverse teams deliver up to 60% better results [30] through:

• Greater focus on facts and evidence (effective against e.g. base-rate fallacy);
• More accurate information processing (effective against e.g. anchoring and information overload);
• Increased innovation (effective against e.g. stability biases).

It is important to realise that the improvement in quality does not have to be made at the expense of speed: teams that follow an inclusive process make decisions 2x faster. [31]

Moreover

> " Overcoming these biases doesn't mean abandoning intuition. But it does require [...] gut-driven investors to make a conscious effort to educate their gut instincts, a process that [...] is possible when we consciously expose ourselves to more and better data. [32]

Jonah Sachs
Entrepreneur and author

[30] **Levine, S. & David, S. (2015).** Diversity Makes You Brighter. [online] The New York Times; and **Larson, E. (2017).** New Research: Diversity + Inclusion = Better Decision Making At Work. [online] Forbes.
[31] **Larson, E. (2017).** New Research: Diversity + Inclusion = Better Decision Making At Work. [online] Forbes.
[32] **Sachs, J. (2018).** If Investors Really Listened To Data, They'd Be Investing In Women. [online] Fast Company.

MITIGATING BIAS AND PROMOTING DIVERSITY IN DECISION-MAKING

Have clear assessment processes and criteria

Having a transparent, predetermined assessment process and criteria will keep biases in check and ensure companies and candidates are assessed fairly and objectively. [33]

- **For companies** - Use checklists such as Kahneman et al.'s (2011) [34] (see the **Appendix**) to prevent overconfidence, and to ensure that a mix of promotion and prevention questions are asked to all founders. The Environmental Technologies Fund have written a very useful paper on the psychology of decision making in Venture Capital, [35] which is well-worth reading;

- **For candidates** - Use competency-based, structured interviews [36] where all candidates are asked the same questions (see the **Appendix** for sample questions), and score assessments; applying ratings and scores reduces the chances of making decisions based on opinion and potentially biased gut instincts.

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[33] For example, researchers at the Clayman Institute found that gender biases in choosing between a male and female candidate for a police chief position were reduced when those making the selection committed to an evaluation criteria before reviewing applications. See **Correll, S. (2013).** In **Fisk, S. (2013).** Leveling the Playing Field: Eliminating gender bias in the workplace. [online] The Clayman Institute for Gender Research.

[34] **Kahneman, D., Lovallo, D. and Sibony, O. (2011).** Before You Make That Big Decision... Harvard Business Review, June 2011.

[35] **Sheehan, P. and Sheehan, A. (2017).** The Paradox of Experience. Investment Insights: Investment decision-making. [online] ETF Partners.

[36] Research by **McDaniel (1994)** showed that structured interviews were more accurate than unstructured interviews. See **McDaniel, M. A., Whetzel, D. L., Schmidt, F. L., & Maurer, S. D. (1994).** The validity of employment interviews: A comprehensive review and meta-analysis. Journal of Applied Psychology, 799, 599-616.

Remember to set your assessment process and criteria upfront rather than during the process:

- **For companies**, it will make it harder for individual VCs to change the terms of the investment case to make their preferred action seem more attractive (interest bias);

- **For candidates**, it will reduce the likelihood of assessors changing their minds or being influenced by bias.

Change points of view and angles of vision

Allowing a multitude of angles of vision to be brought in when making decisions will prevent pattern-recognition bias (particularly for senior executives who might over-rely on their experience) and action-oriented bias (e.g. by allowing cons - not just pros - to be highlighted in investment papers).

- **For companies** - Use re-framing and role-reversal techniques that consider multiple outcomes, such as:

  - Scenario planning (understanding the likely future outcomes of a decision);
  - Decision trees ("if this, then that");
  - "Playing devil's advocate" ("why shouldn't we invest?");
  - Klein's (2008) [37] "pre-mortems", i.e. brainstorming all the ways in which a project could go wrong ("VC X is proposing to invest in company Z. Move forward two years after the investment is made. What are all the reasons the investment could have gone wrong?").

- **For candidates** - Use multi selection methods rather than just interviews: where possible, aim to incorporate ability tests, case studies etc., to open up the variety and breadth of the assessment, and minimise the risk of biased decisions.

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[37] **Klein, G. (2008).** Performing a Project Premortem. IEEE Engineering Management Review, 36(2), 103–104.

Simon Murdoch
Managing Partner
Episode 1

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One test which is very useful in the later stages of the interview phase is to ask the candidate to come to a day of startup pitches with us, then after each pitch we ask them what they thought about the deal they just saw. We are looking for good judgement about the deals and entrepreneurs but also for sensible differences of opinion with us, i.e. they don't need to agree with everything we like - more important is to add useful thoughts to our conversations about which companies to back.

Collect individual feedback before gathering the team

Whether on investment or hiring recommendations, team members should be allowed to express their views individually and independently of one another before debating as a team. This will lower the chances of correlated errors (team members influencing one another [38]), and prevent the conformity that reduces judgement quality.

[38]   There is a classic experiment in which people are asked to estimate how many coins there are in a transparent jar. When people do that independently, the accuracy of the judgment rises with the number of estimates, when they are averaged. But if people hear each other make estimates, the first one influences the second, which influences the third, and so on.

Depersonalise debate

Genuine debate requires diversity in the backgrounds and personalities of the decision makers, a climate of trust, and a culture in which discussions are depersonalised.

- **For companies and candidates** - Use a number of assessors across selection stages, to ensure companies and candidates are assessed by a range of individuals from a mix of seniority, background, gender, ethnicity etc.: using a selection of people increases the richness of information and the quality of assessments people make;

- **For candidates** - For each interview, use individual assessors rather than interview panels: McDaniel (1994) showed that structured individual assessor interviews were the most accurate at 46% reliability.

Counter the speed-accuracy trade-off

There is a trade-off between how fast a decision can be made and how many mistakes are made while making it (see e.g. Henmon, 1911). [39] VCs are particularly pressured to make decisions fast, and should therefore take extra care when assessing companies and candidates to avoid inaccurate decisions.

Try to avoid scheduling meetings or interviews when extremely time-pressured, as the likelihood of making quick and biased decisions will increase when VCs are not fully engaged and distracted by other tasks.

[39] Henmon, V. A. C. (1911). The relation of the time of a judgment to its accuracy. Psychological Review, 18(3), 186-201.

Build clear feedback loops

As highlighted by First Round Capital, [40] building a dealflow or hiring process is very similar to building two products at the same time, namely:

*   the process itself; and
*   the resulting portfolio and team.

The "end users" for such products are the investee companies and candidates, and their experience of the process should therefore be recorded and acted upon. Creating those user feedback loops will allow processes to be improved towards greater diversity (e.g. by identifying damaging or biased questions, strongest and weakest interviewers). It will also set the base for a virtuous cycle: users satisfied with the process are likely to refer other more diverse entrepreneurs and candidates.

*   **For companies** - Think about building a Founder Net Promoter Score (NPS) [41] as a free and easy way to collect feedback on your interactions;

*   **For candidates** - Follow up both with those who got offers and those who didn't, and ask them what could have gone better about the process.

Some general feedback questions that can be asked to check for bias include:

*   What was your overall experience of working with the recruiter or investment manager?
*   Were the questions you were asked good for testing your skills as a candidate or your competence as a founder?
*   Do you feel like our process assessed you fairly?
*   What questions do you wish you were asked?
*   Did you have any questions about the fund that didn't get answered?
*   Did you feel like the process and culture were inclusive?
*   Did interviewers make you feel comfortable and help you through the process?

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[40]   **First Round Review (n.d.).** Develop Your Hiring System Like a Product to Eliminate Bias and Boost Retention. [online]
[41]   **Lahoud, N. (2017).** Introducing Nara, our happiness bot. [online] Medium.

04

ONBOARDING AND CULTURE

Maintaining solid D&I foundations through ongoing support for the employee and investee company

TOP TIPS

1. Make sure you understand the candidate or company's needs before the offer close;

2. Set up a Buddy System as an open feedback and support channel;

3. Build the bases for a long-term, permeating D&I plan: for companies, this could take the form of an Inclusion Clause; for candidates, a Personal Development Plan.

MODULE GOAL

Give VCs the tools to create an inclusive integration experience for portfolio companies and candidates.

INTRODUCTION

Diversity and onboarding

Inclusive workplaces result in

- Higher retention;
- Higher engagement.

Onboarding is a crucial moment for making new portfolio companies and new employees feel included, and lays the foundations of a new employee or investee company's relationship with your fund. As such, building an inclusive onboarding experience is pivotal to creating an inclusive company culture as a whole. [42]

Unfortunately, inclusive onboarding doesn't always happen, as funds focus on getting new employees to contribute as fast as possible, and portfolio management can get in the way of new deals. It can quickly become more about quick process than quality experience, and in doing so, funds fail to connect newcomers to their new role, team, and community: 1/3 of new employees report having a serious problem between accepting their offer and starting with their employer, and c.a. 70% of office workers felt that they would have settled into their role quicker and improved their performance had there been a better onboarding process in place.

[42] **Faragher, J. (2017).** A third of new starters experience poor onboarding. [online] Personnel Today.

OFFER MANAGEMENT

Pre-Close: understanding the company or candidate

This step will help build a picture of what is important to both your fund and the company or candidate, and gives you the chance to talk through any concerns ahead of making the offer.

Note: this step is a lot more obvious for companies, as it is essentially part of the Term Sheet negotiation.

- What to discuss? For companies and candidates:
    - Aim to ascertain whether a company's leadership or candidate will be a positive asset to Diversity & Inclusion and if not, take steps to ensure that this is addressed (e.g. through training);
    - Ask questions that allow you to understand whether the company or candidate has felt comfortable in your working environment, and has felt comfortable with every person that they have met or interviewed with: from a diversity perspective, it is a good idea to ask questions around how they felt when they first walked into the office, whether they felt intimidated by anyone, or whether they felt that they would struggle to work with a particular individual;
    - Talk through other term sheets or job opportunities that they may be considering to see how you stand against direct competitors (relative to diversity).

- What to discuss? For candidates:

    – Try to understand how the candidate is feeling about the job, and what are the main things that are important to them (e.g. personal circumstances, child care, flexible working, religious commitments, base salary);

    – Does the candidate feel that there is an opportunity to progress, grow, and develop themselves within the organisation? What, if any, limitations do they potentially foresee with this opportunity?

Referencing

- **For companies and candidates** - there are two main reasons why it is essential to take candidate and founder/CEO references during the offer stage:

    – To ensure that the company's leadership or candidate references well for you, i.e. what are they like within a working environment, and will they help preserve the culture of your business (as mentioned in the previous section, it is essential to ascertain whether a new employee will be a positive asset to Diversity & Inclusion);

    – Referencing can also provide you with a better understanding of what is important to the company or candidate in joining your portfolio or firm (e.g. introductions or strategic advice for companies; flexible working or child care for new employees).

INDUCTION

Let new companies and employees know that D&I matters to you

This can be done via:

- Sharing your D&I resources, including your internal policies (see Modules 1 and 5);
- D&I onboarding sessions during induction (and afterwards!);
- For candidates: invitation to your Employee Resource Groups (ERGs).

Paint the bigger picture

For onboarding to feel inclusive, new companies and employees need to feel like they're "in the know". This can be achieved by:

- Sharing your team's current roadmap or strategy to give them an understanding of what the team does, and their priorities at the moment;
- Providing an organisational chart or explanation of how the team shares responsibilities;
- For companies - making sure they know who their main point of contact is on the investment team (without isolating them from the rest of the team), how the relationship will work, and how they fit into the portfolio (see e.g. Kima Ventures' onboarding kit or Foundry's onboarding email).

Set up a Buddy System

Implementing a Buddy System within the workplace or portfolio can be invaluable to an organisation as it provides benefits for both the new company or employee and yourself as the investor or employer in gauging how they are settling into the portfolio or new role, and to talk through any potential concerns:

- It gives a new entrepreneur or employee a chance to integrate early on within the portfolio or workplace, ensuring that they have someone to speak to during the first few months;
- A formal Buddy System can also become an unstructured way to share knowledge or learnings across the portfolio and broader organisation;
- It is essential that a Buddy System crosses genders, ages, seniority, ethnicity as it will help to embed the new company or employee into your organisation's culture.

Ultimately, the aim of the Buddy System is to create an environment where entrepreneurs and employees can ask the question "is this [behaviour] normal"?

" As someone who recently joined a new VC firm, I found a fantastic onboarding experience was arriving to find that the team had scheduled half an hour 1:1 with all the members of the investment and extended support team during my first week. The aim was to 1) allow me to know the basics of who does what and 2) allow me to have an allocated space to ask some stupid questions and some big picture questions that coming new into a new place always entails.

Lillian Li
Investor, Eight Roads

Make a glossary of terms available

Every company has their own unique company language - acronyms or specific terms. It's important to help newcomers feel like they're speaking the same language as the rest of the community, so provide them with the resources to help them get up to speed.

For companies: consider an Inclusion Clause

Upfront Ventures' Inclusion Clause [43] requires that each portfolio company include an "inclusion rule" in their HR policies so that at least one member of a population currently underrepresented within the company shall be formally interviewed for any open executive position.

Making an Inclusion Clause a standard part of your Term Sheet could foster diversity in portfolio companies' top end of the funnel, without being overly authoritarian and thus risking a strong push back from companies (companies only have to be willing to interview more diverse candidates, they are not forced to hire them).

For candidates: have a Personal Development Plan

The primary aims of a PDP are:

- To give direction for individuals towards the achievement of their short-term or long-term goals by looking at their behaviours, attitudes and results;
- To allow individuals to learn more about themselves, their strengths and weaknesses, and how they can be managed for self-benefit.

By nature, a general concern for underrepresented individuals is career progression, so to ensure a diverse and inclusive culture, PDPs can be incredibly powerful as you are looking from day one at how you can develop the candidate as an individual.

A PDP template is available in the **Appendix**.

[43] **Suster, M. (2018).** The VC Inclusion Clause [online] Medium.

05

POLICY

How to choose inclusive policies and ensure that VC decision-makers have considered the impact of their firm's policy decisions on diversity and inclusion

TOP TIPS

1. The fact that legal and HR are typically outsourced in a VC firm means it is even more important that firms have a clear stance internally on D&I which all stakeholders understand;

2. Partners or decision-maker within funds should ask themselves the questions below to better understand who is currently excluded from accessing job opportunities or capital from their funds, and consider whether there are tactical steps they can take in the short term, or what longer term actions are required;

3. Partners and decision makers should consider writing a code of conduct for their fund and presenting it to all stakeholders.

MODULE GOAL

Help VCs to put in place policies in their business to promote diversity and inclusion, and promote these to their investee companies.

INTRODUCTION

Diversity and Policy

The average size of a typical VC fund means that there is rarely a dedicated resource focused on creating and monitoring specific policies to encourage inclusion. When Diversity VC spoke to VCs as part of a benchmarking and calibration exercise, many said that they either were not aware of what their policies were for things like parental and sick leave, or that they didn't believe they had any, beyond what is legally mandated in the UK.

PRACTICAL ADVICE

Make your position on promoting diversity & inclusion clear

The Equality Act 2010 [44] legally protects people from discrimination in the workplace and in wider society. It replaced previous anti-discrimination laws with a single Act, making the law easier to understand and strengthening protection in some situations. It sets out the different ways in which it is unlawful to treat someone.

However, there is an important difference between not discriminating against people, and those people feeling as though they belong in a workplace and environment, and they can be their whole selves whilst there.

You might wish to consider writing a company policy that emphasises your stance on the importance of a diverse workforce. You should have a clearly defined anti-discrimination and equal employment policy. The NVCA has published a useful list of policies for attracting and retaining diverse talent (including mission statement, non-discrimination policy, recruiting strategy, mentorship programme) which is available at https://nvca.org/ecosystem/ventureforward/.

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[44]   GOV.UK. (2013). Equality Act 2010: guidance. [online]

Sophia Clarke
Head of Business Operations
Habito

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I'm Head of Business Operations at a startup (Habito) and when we moved into our current offices, I made a simple but important change to my calendar invite footer – after our new address, I added 'the accessible entrance to the building is next to the cafe; if you need any additional information please let me know.' This way, people don't have to ask for this key detail should they need it, and it sets the right tone for anyone who reads the email, especially job candidates, that your specific needs will be met if you want to come and work with us at Habito.

Consider whether your fund is being inclusive in every aspect of your work. For example, these are some questions which a partner or decision-maker at a VC fund might want to ask themselves:

- Is there an accessible entrance to your building? Would an entrepreneur, or a potential hire, using a wheelchair be able to access and use the space?

- If they organise an event, do the food and drinks that they supply cater to religious and cultural groups? Do they have a procedure for collecting dietary requirements (for example, from portfolio companies for off-sites or events)?

- Do they allow employees and partners to take time off for their religious and cultural holidays?

Once they've talked about these questions - consider who is currently excluded from working at your fund, or accessing capital from it, and whether changes can be made to ensure this is no longer the case. Even if changes can't be made today, understand what would need to happen for a change to come about.

Parental leave

Parental leave is a key issue when discussing inclusion, since it can have such a dramatic impact on depressing parents' earnings. The statutory requirement for UK companies for maternity pay is 39 weeks, and for paternity leave it is 2 weeks. [45] The statutory rate of maternity pay is 90% of average weekly earnings (before tax) for the first 6 weeks (£145.18), or 90% of average weekly earnings (whichever is lower) for the next 33 weeks. The statutory weekly rate of Paternity Pay is £145.18, or 90% of your average weekly earnings (whichever is lower). [46]

Shared parental leave, where parents can share up to 50 weeks of leave and 37 weeks of statutory pay after their baby arrives, was introduced by the UK government in April 2015 as an 'opt-in' policy available to employers. Between April 2015 and September 2017, the rate of take-up of shared parental leave has been very low (between 1-3% of eligible couples). [47]

With this in mind, consider whether your fund is doing enough for employees or partners with families.

> " I was the first woman to have a baby at LocalGlobe, and we didn't have a maternity policy until I was 6 months along. The uncertainty around what the policy would be wasn't great [....] I was very fortunate that my partners generously agreed a 5 months fully paid maternity leave with a 6th month part-time, which is now the policy for the fund as a whole.

Tara Reeves
Partner, LocalGlobe

[45] **GOV.UK. (n.d.).** Maternity pay and leave: Pay. [online]
[46] **GOV.UK. (n.d.).** Maternity pay and leave: Pay. [online]
[47] **Gordon, S. (2017).** Few families opt for shared parental leave. [online] FT.com.

Some of the policies decision-maker's could consider to help parents include:

- Flexible hours (working around childcare);
- Working from home policy;
- Mandating that fathers take parental leave so that women in teams are not unfairly disadvantaged;
- Increasing the parental leave pay above statutory minimums;
- Job sharing.

Code of Conduct

Over the last 10 years, and in 2017 in particular, there have been various examples of partners or employees at VC firms behaving badly towards entrepreneurs and colleagues, including but not limited to sexual harassment. Consider whether your firm should write a code of conduct or code of ethics policy, laying out the boundaries within which employees and partners are expected to operate, and procedures for which entrepreneurs, employees and other partners (and anyone else) can express a concern or file a complaint. Consider whether you make this code of ethics publically available to entrepreneurs, either through a link in the email signature, or on your website.

Each firm should have someone responsible for dealing with complaints when they occur. Everyone at the firm should be aware of who this person is, and how to approach them with an issue.

As per Module 4, consider whether you could also create an external Buddy System outside the firm but within the industry, where founders and employees can freely ask the question "is this [behaviour] normal?"

Sample HR policies for attracting and retaining diverse talent

The NVCA (National Venture Capital Association) published "Sample H.R. Policies for Attracting and Retaining Diverse Talent" ("the Policies") - to assist venture capital firms in fostering diverse and inclusive cultures. Prepared by Proskauer Rose and Miller Law Group with support from Silicon Valley Bank, the Policies are an extension of the work of the NVCA Diversity Task Force, and will be made available on nvca.org with all the other model legal documents NVCA shares with the venture community.

Included in the document are sample policies for a firm mission statement, non-discrimination, recruitment, childcare leave, mentorship, participation in outside affinity groups and activities, and flexible work arrangements. While not an exhaustive list, the Policies serve as a springboard for firms to develop cultures that will send a positive signal to people of diverse backgrounds. No two firms are alike, and NVCA encourages venture firms to adopt and/or adapt the Policies in a way that fits the business reality and culture of individual firms. NVCA also encourages venture firms to share these Policies with their portfolio companies to help entrepreneurs build more competitive, diverse teams.

The NVCA's policy documents are available on their website: https://nvca.org/ecosystem/ventureforward/.

A

APPENDIX

CONTENTS

HOW TO ADVERTISE A POSITION [48]

A typical job description will comprised three parts: an introduction, a description of a suitable candidate and the project.

Note: Always ensure job descriptions are neutral in their vocabulary - e.g. there are many different online tools for decoding gender bias in job descriptions including Gender Decoder and Textio.

Part 1: Ad introduction

Suggested components:

- 20 words snapshot / preview
- SEO, top of the pile, tech terms in the first 20 words then repeat twice (search engine algorithms return ads where certain terms are in the first 20 words and repeated 4 times)

Examples

- Programme Manager with strong agile is required for a Global Online Travel company to drive a transformation.

- Front End JavaScript Developer with experience with JavaScript, HTML5, CSS3, React, Gulp, ES6 and Agile development experience is required to join a prominent technology investor on an initial 3 month contract based near Silicon Roundabout.

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[48] Based on a guide kindly provided by **La Fosse Associates.**

Part 2: The Person

Suggested components:

- Previous experience
- Qualifications (ideal/mandatory)

Examples

- We are searching for someone who has successfully completed a transformation in a global company, moving the entire technology function to a pure agile environment.

- This person should have experience working in an online consumer environment with a well-known brand and have a strong grasp of the digital landscape.

Part 3: The Project

Suggested components

- Sell the project - why would the right candidate want to be a part of the project?
- State the business value behind the project

Examples

- Reporting to the CTO, this Programme Director is responsible for a specific change for the delivery part of the organisation; to move from a disjointed delivery model to an efficient agile set-up.

- The organisation is committed to becoming a more product led environment; therefore this transition is critical to their success. The Programme Director is a key part of this transition and will work to socialise the benefits of an agile delivery organisation.

KAHNEMAN ET AL. (2011) CHECKLIST FOR INVESTMENT DECISIONS

	Potential issue	Remedy
Check for self-centered biases	Is there any reason to suspect errors driven by the self-interest of the recommending team?	Check proposals for over-optimism, single-case scenarios etc.
Check for the Affect Heuristic	Has the team fallen in love with its proposal?	Apply quality controls on the checklist in a systematic and rigorous way.
Check for Groupthink	Were there dissenting opinions within the team? Were they explored adequately?	Create environments where disagreements are perceived as productive and resolved objectively.
Check for Saliency Bias	Could the diagnosis be overly influenced by an analogy to a memorable success?	Look for several analogies (past investment successes and failures) and try to analyze how similar/different they are to the current situation.
Check for Confirmation Bias	Are credible alternatives included along with the recommendation?	Insist that people submit at least one or two alternatives to the main recommendation and explain their pros and cons.
Check for Availability Bias	If you had to make this decision again in a year's time, what information would you want, and can you get more of it now?	Make a checklist of the data needed in order to make an investment decision.

	Potential issue	Remedy
Check for Anchoring Bias	Do you know where the numbers came from?	Re-anchor analyses with figures generated by other models or benchmarks, and request new analysis.
Check for Halo Effect	Is the team assuming that a person, organisation, or approach that is successful in one area will be just as successful in another?	Question the halo: is the inference justified? Is there concrete evidence the repeat entrepreneur can succeed again or is it assumed? If the first investment was a success, was that success attributable to chance events or competency?
Check for Sunk-Cost Fallacy, Endowment Effect	Are the recommenders overly attached to a history of past decisions?	Look at investments like an incoming VC would.
Check for Overconfidence, Planning Fallacy, Optimistic Biases, Competitor Neglect	Is the base case overly optimistic?	Play devil's advocate.
Check for Disaster Neglect	Is the worst case bad enough?	Undertake pre-mortems.
Check for Loss Aversion	Is the recommending team overly cautious?	(Re-)align incentives to share responsibility for the risk or to remove the risk in the first place.

AN INTERVIEW PLAYBOOK [49]

General Guidance

Questions in selection interviews should be:

- Planned in advance and written down;
- Directly related to the selection criteria;
- Related to the same areas for all candidates to ensure comparability;
- Justifiable on grounds of the work to be done;
- Reviewed for potential bias;
- Clear and unambiguous.

The value of each question to the selection process should be assessed:

- Is this question likely to elicit information which will give a fair assessment of this applicant's ability to work in this particular area of the organisation?

- Is it based on unwarranted assumptions about the similarity of applicants' previous experience, financial resources or lifestyles (e.g. where a job involves necessary unsocial or irregular hours, assumptions should not be made about the likelihood that women are less likely to be able to cope with working hours)?

- Does it have the potential to disadvantage any person in relation to any "Protected characteristics" described in the Equality Act (i.e. age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sexual orientation)?

- How is the information elicited going to be assessed and can the response be rated objectively and reliably?

- Can the individual applicants be reliably compared on the basis of their answers to this Question?

[49] Based on **The Equality Academy (2011).** Fairness in Interviewing. [online] and Carr, L. (n.d.). Diverse Interview Panels. [online]

Extra interview tips

- Interviewers must think about and focus upon what people can do, not what they cannot do. Check for bias in the questions posed to different groups. What you cannot do is exclusionary - what you can do is invitational;

- Interviewers must have proficiency in and show sensitivity to the needs and cultural differences of some members of underrepresented groups - try to choose assessors who can relate to candidate and advocate for the candidate;

- Consistency and fairness needs to be created in the way questions are distributed amongst the interviewers. If interviewing separately, it needs to be decided whether each is allocated specific questions or are they asking the same questions in order to compare views on responses?

- Interview members need to be aware of their own body language or unconscious behaviour that introduces bias or the impression of, like chatting to one candidate before, interrupting, seeming distracted, disinterested, irritable or dismissive.

Questions when interviewing

Questions VCs should ask themselves:

- Do all recruiting practices and materials meaningfully and visibly reflect your organisations commitment to diversity/transformation?

- Have you as a firm identified barriers to inclusion and developed specific strategies to eliminate barriers?

- Are the panel members aware of potential barriers to inclusion and personal or cultural bias?

- Have all tests or screening tools be reviewed for bias?

From the answers to the above questions, define what behaviours you could usefully explore in an interview (e.g. attention to detail, tenacity, communication skills, problem-solving ability, accuracy, adaptability, tolerance). Decide what are the top five key assessment criteria - pick five that are most relevant to you and the role you are hiring for.

Then:

- Ask for examples of actual scenarios from work and community or family life, hobbies or interests

- If the person could not deal with an issue, like a past conflict with a manger, or solve a problem, then what did they do in response? Seek varied examples.

Example questions

Decision Making Skills and Judgment
- Tell me about a good decision you made recently at work.
- Tell me about a recent problem you faced at work and how you found the best solution.
- Tell me about a mistake you made at work and how you dealt with it.
- What recent innovation have you made at work that had a positive outcome?

Stress Tolerance
- Describe a time when you were faced with a stressful situation that demonstrated your coping skills.

Resilience
- Tell me about a time when you received negative feedback from your manager or supervisor. How did you handle this?

Adaptability
- Tell me about a time you had to quickly adjust your work priorities to meet changing demands.

Problem-solving
- Describe a difficult problem you had to sort out in your last job.

Initiative
- Describe a new idea or suggestion that you made to your supervisor recently.

Judgment/decision-making
- Tell me about a time that you had to use your judgment and make a decision in your previous job.

Team work
- Describe a time that you demonstrated the ability to be an effective team member.

Leadership
- Tell me how you went about setting the goals for your department and gaining commitment from your staff.

Negotiation skills
- Describe a situation when you negotiated with others in your organisation to reach agreement.

Attention to detail
- Describe what you do to control mistakes in your work.

Work Standards
- Tell me about a time that you were not satisfied with your work performance. What did you do about it?

Planning and organizing
- Describe a situation in which you had to schedule your activities to meet an objective.

Communication Skills
- Give me an example from your previous job where you had to rely on information given to you verbally to complete a task.
- Give me an example of a complex process or task you had to explain to another person or group of people.
- Tell me about a challenging writing assignment or important report you had to prepare recently.

Interpersonal Skills

- We have all had to work with someone who is difficult to get along with. Give me an example of when this happened to you and how you handled it.
- Tell me about a situation when a colleague was less cooperative than you needed or wanted.
- Tell me about two of your colleagues/customers/employees who are very different to each other. How do you interact with each one?
- Describe a situation when you had to persuade someone recently to accept an idea/plan/product.

Optional for senior and managerial positions

- What is your understanding of the position?
- What are the challenges and demands of this position?
- What are the values in life that you hold most dear?
- Where do you see these values playing out most vividly in your life?
- In what areas of your life are they neglected?
- What is your belief or perception about our firm's culture or the culture that we intend to create?
- How do you perceive your potential fit within the culture?
- How will you past experiences serve you in this position?
- What attracts you to investment banking?
- What types of tasks would you prefer to avoid?
- In what aspects of yourself could you be challenged or stretched by the culture?
- What influence will your management and leadership style have on the culture?
- What are the biggest compliments that people have given you?
- What personal feedback do you most easily receive?
- What are the criticisms that people have made about you?
- What in peoples feedback have you find difficult to hear?
- What are the strengths and resources that you bring to the position?
- What are your personal challenges or shortcomings?
- What are the growth points or edges that you still need to work on?
- What do you find most useful in terms of how you prefer to be managed?
- What management style brings out the best in you?
- What management styles do not work for you?
- How do you deal with confrontation and conflict?
- Give me examples?
- How do you deal with non-performing staff? (loaded question in a diverse culture with all our issues of exclusion as a potential cause of poor performance)
- Can you give me a few examples?
- Did you have alternative hypotheses about why they were non-performing?
- Has this application/interview process made you aware of any blind-spots within yourself?
- What do you think brings out the best in people?
- How do you do that?

Questions to be Avoided

Interviewers should avoid questions which are irrelevant to the applicant's professional performance, e.g. about personal relationships and family composition.

Some examples…

To either gender
- Are you planning to get married?
- What are your plans for a family/ how old are your children?
- What does your spouse do?

To women
- Do you think that you will be able to deal with difficult male clients?
- How would your husband react to...?
- What arrangements will you make for your family if you have to work away from home?

To members of minority ethnic groups
- Where do you/your parents/your grandparents come from?
- Do you think that being from an ethnic minority will be a problem here?
- Do you think that you will be able to fit in?

As a rule of thumb, always aim to question whether you would ask the same question(s) to any other candidate.

PERSONAL DEVELOPMENT
PLAN TEMPLATE [50]

Development Area	Development Activities	Supported by	Timeline

DIVERSITY VC