



June 20, 2018

The Honorable Patty Murray  
Ranking Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate  
Washington, D.C. 20515

Ranking Member Murray:

Thank you for expressing your concern for workplace issues facing the U.S. entrepreneurial ecosystem and your interest in the efforts the National Venture Capital Association (NVCA) has undertaken related to this topic. On behalf of our nation's venture capital investors and the entrepreneurs they support, I write to share your concern of the need for an equal and harassment-free entrepreneurial ecosystem, and to provide details on the work NVCA has led to drive progress. NVCA's efforts are guided by our commitment to expanding opportunities for people of all backgrounds to thrive in the venture ecosystem and ensuring everyone who works in this ecosystem has a welcoming professional culture and safe work environment, free from any type of harassment, abuse, and discrimination.

NVCA launched the Diversity Task Force in 2014 to develop a clear and measurable path to increase opportunities for people of diverse backgrounds to thrive in venture capital and entrepreneurship.<sup>1</sup> We did so after closely tracked industry statistics, including those you cite in your letter, and in speaking with—and soliciting guidance from—individuals across the ecosystem. Last year, after news of sexual harassment surfaced, it became clear that harassment is interconnected with the lack of diversity and inclusiveness in our industry. Accordingly, NVCA extended its focus to address sexual harassment to help achieve the long-term objective for a more diverse and inclusive venture capital industry where everyone not only has a chance to play an important role, but also has the opportunity to succeed in a safe and welcoming professional environment. We believe a focus on both in tandem is more likely to lead to a more

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<sup>1</sup> Press release, *NVCA Forms Diversity Task Force to Foster Greater Inclusion across the Innovation Ecosystem*, December 8, 2014, <https://nvca.org/pressreleases/nvca-forms-diversity-task-force-foster-greater-inclusion-across-innovation-ecosystem>

meaningful impact on the entrepreneurial ecosystem. Accordingly, NVCA launched VentureForward in the fall of 2017 as the next chapter of our diversity and inclusion initiative.<sup>2</sup>

NVCA's actions and resources focus on five key categories:

- Providing education and training related to diversity and inclusion, human resources (H.R.), and harassment to venture capital firms and startups;
- Sharing diversity and inclusion, H.R., and harassment best practices and policies for venture firms and startups to adopt;
- Creating an online hub for sharing information and resources on diversity and inclusion, talent management and recruitment, and H.R. for everyone in the venture ecosystem to access;
- Connecting venture investors with a broader talent pool for their firms and a broader pool of entrepreneurs seeking funding; and
- Conducting research on diversity and inclusion in the venture ecosystem.<sup>3</sup>

With respect to the information requested in your letter, please see the details below on actions NVCA has taken to date to address harassment in our industry.

### **Understanding the Scope of the Problem Within the Industry**

NVCA immediately took action when news of female startup founders facing harassment was widely reported in June 2017. NVCA publicly condemned this behavior and called for a critical discussion for making systematic changes in our industry.<sup>4</sup> In the following months, NVCA led one-on-one discussions with several ecosystem participants spanning: venture investors, limited partners (i.e., investors into venture capital funds), entrepreneurs, academics, and, most importantly, many of the women who bravely came forward in the media to share their stories of harassment. It was important that NVCA use its convening authority as the industry trade association to understand the scope of the problem and the views of all stakeholders before moving forward with concrete actions.

After having these conversations, it became clear that we needed to convene individuals from all areas of the ecosystem for a group dialogue. In August 2017, NVCA brought together a group of 60 stakeholders for a constructive workshop in San Francisco that shed light on the perspectives of the various stakeholders, as well as the structures/operations of different types of organizations within the ecosystem.

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<sup>2</sup> Blog post, *Our Path Forward to Address Sexual Harassment in VC*, September 15, 2017, <https://nvca.org/blog/diversity/path-forward-address-sexual-harassment-vc>

<sup>3</sup> VentureForward <https://nvca.org/ecosystem/ventureforward>

<sup>4</sup> Blog post, *No Room for Harassment in our Industry*, June 26, 2017, <https://nvca.org/blog/no-room-harassment-industry>

From these discussions, three trends emerged:

- Some venture firms and early-stage startups have H.R. policies and best practices in place, but many do not. Oftentimes, smaller firms or startups do not have a dedicated H.R. resource on staff. Because there is no industry standard to turn to, policies, best practices, and education proved to be critical needs;
- In cases where policies or an H.R. capacity do not exist, individuals who may have wanted to report misconduct did not have a clear channel through which to do so; and
- A lack of diversity among investment decision makers at venture firms has, in some instances, led to cultural dynamics that have overshadowed an inclusive professional environment.

### **Assessing and Addressing Risk Factors Specific to the Industry**

A key element of NVCA’s action on this issue has been understanding risk factors specific to the venture industry. The 2016 NVCA-Deloitte Human Capital Survey (“the Survey”) has been a helpful resource in understanding the composition of the venture industry.

The Survey demonstrates that most venture capital firms are small, with the average staff size of a U.S. venture firm being 17 employees.<sup>5</sup> The Survey also found that because each firm has different strategies and needs regarding diversity and inclusion, the approaches that will provide each of them with the most effective outcomes “do not follow a one-size-fits-all strategy.” For example, responses demonstrate that venture firms differ in their level of processes in place to address harassment. Certain firms require annual training on harassment and provide a clear point-of-contact for reporting harassment, while others have less concrete practices.

An additional risk factor reflected in the Survey is the lack of diversity in the venture industry. The Survey finds that 89% of investment partners (i.e., key decision-makers at venture firms) are male.

A distinguishing characteristic of the venture and startup ecosystem is the employer-employee relationship does not always mirror what is commonplace in other industries. Through the nature of the ecosystem and the venture lifecycle, limited partners, venture investors, and founders/entrepreneurs—though connected through the flow of capital—are not connected through the employer/employee structure in a traditional sense. This dynamic provides challenges that must be overcome when addressing harassment.

Understanding and addressing these risk factors have been core to NVCA’s efforts.

### **Soliciting Feedback from Industry Participants about How to Best Address Harassment**

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<sup>5</sup> NVCA-Deloitte Human Capital Survey, December 2016, <http://nvca.org/?ddownload=4596>

In July 2017, NVCA issued a call to action for individuals to share recommendations or participate in the process to develop positive actions to address harassment.<sup>6</sup> The open solicitation yielded more than 50 responses. As part of the August 2017 harassment workshop NVCA organized (mentioned above), a majority of the conversation was spent on soliciting feedback from attendees across the ecosystem, including women who had shared their experiences with the media. Another important feedback channel came through the facilitation of two working groups of legal/employment experts, H.R. professionals, and venture investors.

Recommended solutions from industry participants through these various channels generally fell into three broad buckets:

- policies and best practices;
- training and education; and
- reporting capabilities.<sup>7</sup>

### **Steps Taken to Ensure Education About Workplace Harassment Policies and Rights**

After prioritizing the recommended solutions received via our diligence processes and with the assistance of our two working groups, NVCA publicly released several H.R. resources in February 2018 to equip venture capital firms, startups, and others with industry standards to reference and adopt.<sup>8</sup> These resources include:

- **Sample H.R. Policies for Addressing Harassment & Discrimination** – Provides template language for a mission statement, non-discrimination policy, and anti-harassment policy. The latter includes a definition of prohibited conduct, complaint procedure and investigation process, prohibition against retaliation, and additional enforcement information.<sup>9</sup>
- **Sample H.R. Best Practices for Addressing Harassment & Discrimination** – Outlines seven key areas for an organization to address: policy, leadership, accountability, communication, reporting process and non-retaliation, training, and reinforcement.<sup>10</sup>
- **Sample Code of Conduct Policy** – Addresses compliance with laws, rules, and regulations; conduct that is harmful to the organization’s culture and values; honest and ethical conduct and fair dealing; and unacceptable behavior.<sup>11</sup>

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<sup>6</sup> Blog post, *We want YOU to help us root out sexual harassment and create a safe and welcoming venture industry*, July 17, 2017, <https://nvca.org/blog/diversity/want-help-us-root-sexual-harassment-create-safe-welcoming-venture-industry>

<sup>7</sup> Blog post, *The Industry Steps up with NVCA to Address Sexual Harassment in VC*, August 15, 2017, <https://nvca.org/blog/industry-steps-nvca-address-sexual-harassment-vc>

<sup>8</sup> Press release, *NVCA Unveils Resources to Help Address Sexual Harassment in Venture Ecosystem*, February 22, 2018, <https://nvca.org/pressreleases/nvca-unveils-resources-help-address-sexual-harassment-venture-ecosystem>

<sup>9</sup> *NVCA Sample H.R. Policies for Addressing Harassment and Discrimination*, released February 22, 2018, <https://nvca.org/download/60958>

<sup>10</sup> *NVCA Sample H.R. Best Practices for Addressing Harassment & Discrimination*, released February 22, 2018, <https://nvca.org/download/60972>

<sup>11</sup> *NVCA Sample Code of Conduct Policy*, released February 22, 2018, <https://nvca.org/download/60966>

- **Model Investors' Rights Agreement Language** – Section 5.11 includes a provision for portfolio companies to adopt a code of conduct and anti-harassment and discrimination policy.<sup>12</sup>

These resources were included within the NVCA Model Legal Documents.<sup>13</sup> The Model Legal Documents are the industry standard for how venture deals are structured; are the most visited part of NVCA's website; and are widely known and referred to in our industry.

### **Best Practices to Accurately Assess and Address Workplace Harassment**

Through NVCA's diligence, we realized early in the process that releasing policies alone would only go so far without a more simple and actionable framework for industry leaders to reference. To that end, we accompanied the release of the three model policies noted above with a best practices guide (i.e., *Sample H.R. Best Practices for Addressing Harassment & Discrimination*, also highlighted above) to assist with policy adoption and to maximize their effectiveness.<sup>14</sup> The guide provides recommendations for policy implementation, leadership standards, and creating a safe channel for harassment reporting to improve legal protections and processes in the workplace.

### **Suggestions for How to Strengthen and Improve Legal Protections and Processes in the Workplace**

Our experience has been that the most powerful mechanism for producing change on harassment is a fully-engaged industry that is dedicated to addressing and resolving harassment. For that reason, NVCA and our member firms have devoted significant time and resources, as detailed in this letter. The efforts of our industry have raised awareness of the issue and started a serious conversation within our industry about how we can improve. We are grateful for the attention that policymakers, such as yourself, have paid to how various industries have reacted to harassment.

### **Additional Measures Taken to Address Workplace Harassment and Risk Factors**

Consistent with NVCA's belief that harassment is related to the lack of diverse individuals in the industry, we have also led the efforts outlined below—with the support of industry participants—to promote a more diverse and inclusive entrepreneurial ecosystem.

- **White House Demo Day Pledge** – Commitment signed in August 2015 by over 40 venture capital firms to support inclusive innovation.<sup>15</sup>

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<sup>12</sup> *NVCA Model Investors' Rights Agreement*, released February 7, 2018, <https://nvca.org/download/5066>

<sup>13</sup> *NVCA Model Legal Documents*, <https://nvca.org/resources/model-legal-documents/>.

<sup>14</sup> *NVCA Sample H.R. Best Practices for Addressing Harassment & Discrimination*, released February 22, 2018, <https://nvca.org/download/60972>

<sup>15</sup> Press release, *Leaders of the Venture Capital Industry Commit to Actions to Advance Inclusion in the Entrepreneurial Ecosystem*, August 4, 2015, <https://nvca.org/pressreleases/leaders-of-the-venture-capital-industry-commit-to-actions-to-advance-inclusion-in-the-entrepreneurial-ecosystem>

- **Bridging the Gender Gap: Entrepreneurship, Women, and Investing, Organized by Crunchbase, NVCA, and U.S. Small Business Administration** – Convened stakeholders in San Francisco in April 2016 to engage in a serious dialogue about the underrepresentation of women in the innovation ecosystem.<sup>16</sup>
- ***Building a More Inclusive Entrepreneurial Ecosystem*** – NVCA report released in July 2016 featuring actions taken by NVCA and its member firms to directly address the lack of underrepresented groups participating in venture capital and entrepreneurship and provides an overview of diversity and inclusion initiatives led by collaborators across the U.S.<sup>17</sup>
- ***NVCA-Deloitte Human Capital Survey*** – 2016 survey of the U.S. venture industry with data from 217 firms representing more than 3,000 employees developed a baseline understanding of the demographics of the workforce, as well as talent management and recruitment strategies and human capital strategies.<sup>18</sup> NVCA is currently working with Deloitte to refresh the survey in 2018. We plan to continue to field this survey to track industry needs and progress over time.
- **Policies Driving Innovation Hosted by NVCA** – Convened industry stakeholders in San Francisco in March 2017 to review data, insights, and resources for helping investors and entrepreneurs build diverse, inclusive, and competitive teams.<sup>19</sup>
- ***Sample H.R. Policies for Attracting and Retaining Diverse Talent*** – Publicly released H.R. policies (initially in March 2017<sup>20</sup> and updated in February 2018<sup>21</sup>) that provide template language for venture firms and startups to adopt related to recruitment strategies, childcare leave, mentorship programs, and flexible work arrangements. The goal of these policies is to assist organizations in fostering diverse and inclusive cultures.
- **VentureForward Blog Series** – Launched in November 2017 for industry leaders to share their perspectives on why diversity and inclusion are important for the future of venture capital, their firm’s activities and approach to diversity and inclusion, and guidance for how industry participants can drive meaningful change.<sup>22</sup>

In addition to NVCA’s efforts, several complementary industry initiatives are underway to address harassment and to foster a more diverse and inclusive entrepreneurial ecosystem. These include:

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<sup>16</sup> <https://www.crunchbase.com/event/bridging-the-gender-gap-2016419#section-overview>

<sup>17</sup> *Building a More Inclusive Entrepreneurial Ecosystem*, July 27, 2016, <http://www.nvca.org/?ddownload=3705>

<sup>18</sup> *NVCA-Deloitte Human Capital Survey*, December 2016, <http://nvca.org/research/human-capital-survey>

<sup>19</sup> NVCA Blog, *Having a Talent Strategy Makes a Difference*, March 20, 2017, <https://nvca.org/blog/talent-strategy-makes-difference>

<sup>20</sup> *NVCA Sample H.R. Policies for Attracting and Retaining Diverse Talent*, released March 7, 2017

<https://nvca.org/pressreleases/nvca-unveils-sample-h-r-policies-build-inclusive-cultures-venture-firms>

<sup>21</sup> *NVCA Sample H.R. Policies for Attracting and Retaining Diverse Talent*, updated and released February 22, 2018, <https://nvca.org/pressreleases/nvca-unveils-resources-help-address-sexual-harassment-venture-ecosystem>

<sup>22</sup> <https://nvca.org/blog/ventureforward>

- **All Raise** – An organization with the mission to accelerate the success of female funders and founders.<sup>23</sup>
- **#MovingForward** – An open-source platform for highlighting VCs committed to diverse, inclusive, and harassment-free workplaces.<sup>24</sup>
- **Callisto** – A developer of technology to combat sexual assault and harassment with plans of expansion to the entrepreneurial ecosystem in 2018.<sup>25</sup>
- **Paradigm** – Partners with innovative organizations across industries to design diversity and inclusion strategies, consult and advise on execution, and train employees and leaders.<sup>26</sup>
- **Girls Who Invest** – Focuses on education, industry outreach, accessibility and career placement to inspire and support young women to become tomorrow's leading investors.<sup>27</sup>
- **SheWorx** – A global platform empowering 20,000+ female entrepreneurs to build and scale successful companies.<sup>28</sup>

We share your view that intentionality leads to change. We also know that venture capital firms and the entrepreneurs they fund have made unparalleled contributions to our country's economic prosperity through innovation and value creation. The health of the entrepreneurial ecosystem and its continued success are dependent on the intentionality of today's industry leaders to foster a more diverse and inclusive work environment.

We appreciate the committee's and your attention to this important topic, and we welcome further discussions to continue progress towards a more equal and harassment-free entrepreneurial ecosystem. We know there is more work to do, and NVCA remains committed to its leadership role on this issue.

Sincerely,



Bobby Franklin  
President and CEO

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<sup>23</sup> <https://www.allraise.org>

<sup>24</sup> <https://wearemovingforward.github.io>

<sup>25</sup> <https://www.projectcallisto.org>

<sup>26</sup> <https://www.paradigmiq.com>

<sup>27</sup> <http://www.girlswhoinvest.org>

<sup>28</sup> <https://www.sheworx.com>