

Report
June 2021

The Benefits of Inclusive Leadership

Diversity and Inclusion in BDC Capital's VC Portfolio



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The study is based on proprietary data analyzed and interpreted by Diversio and BDC.
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Message from the Executive Vice President



Jérôme Nycz
Executive Vice President,
BDC Capital

At BDC, our purpose is to ensure that entrepreneurs have access to the resources, financing, advice, networks and tools they need to succeed. Diversity and inclusion (D&I) is increasingly being understood as an important driver of business results, especially in a context of labour shortage. Even more important, D&I ensures that people find dignity and respect when they show up for work everyday.

This is why we launched the Women in Technology Venture Fund five years ago; it's why we helped launch the \$150 million Indigenous Growth Fund earlier this year; and, it's why we recently announced our investment in the Black Innovation Fund. But, as the results of this study make clear, there is still a lot of room for progress with D&I in the Canadian venture capital (VC) sector.

A good way to advance D&I is through metrics and tracking. It's with this in mind that BDC Capital partnered with Diversio to launch one of the world's first comprehensive analysis of D&I across a VC portfolio.

We were happy to see strong representation across our portfolio, but work remains to improve inclusivity. We were also disappointed to see that diversity decreases as roles become more senior.

We are publishing these results to bring more transparency to the market and to encourage other investors to benchmark their portfolio. We also want to equip founders with tools and advice in the hope that every actor in the industry can take action to advance D&I.

Finally, I would like to personally thank respondents for filling out this survey. Rest assured that we will continue to focus on this important topic moving forward. In this way, we want to play our part in creating a more prosperous country for the benefit of every Canadian.

Highlights

BDC Capital was one of the first VC investors in the world to survey its portfolio companies on D&I. In partnership with Diversio, BDC Capital sent a D&I assessment to portfolio companies in its direct investment funds.

Over 1,900 employees at 95 companies answered the survey. Here are the major findings.

Representation in the BDC Capital portfolio:

35%
of employees
are women¹

13%
are LGBTQ2+

43%
are racial and
ethnic minorities

18%
have a disability
or a mental health
challenge

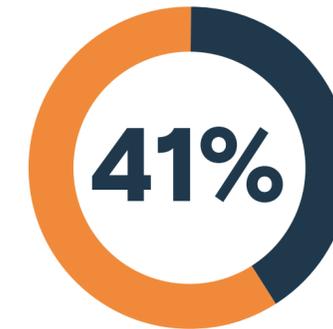
Only 4
of 1,900 respondents are Indigenous

1. Women+ includes people who identify as women, non-binary and genders other than male.

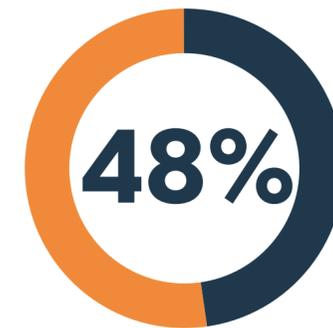
2. The dominant group is the most frequent person in the company, usually a white male with no disability.

Diversity representation is more concentrated at the junior levels.

Entry level employees:



women+
compared to only 22%
of executives



**racial and
ethnic minorities**
compared to only 32%
of executives

Minority groups had lower inclusion scores than dominant groups²

- The biggest barriers to inclusion are faced by LGBTQ2+ employees and women+.
 - Women+ and LGBTQ2+ individuals experienced the greatest levels of bias from managers.
 - Persons with a disability or who are struggling with mental health score lowest on the career development metric.
- Across racial and ethnic minorities: Black and Middle Eastern employees as well as those from mixed racial backgrounds face the greatest barriers.
- From an intersectionality perspective, Black women and mixed-race women had the lowest inclusion scores (by far).

Why diversity and inclusion are important for venture capital in Canada



It has long been known that D&I makes good business sense. Research shows that companies with gender and racial/ethnic diversity consistently deliver more innovation, higher revenues, larger profits and better employee retention.

For example, increasing leadership participation for women increased profitability by 15% for a typical firm, according to a 2016 study of 22,000 companies conducted by the Peterson Institute for International Economics.³ Another study found that companies with racial and ethnic diversity deliver 35% above standard industry returns.⁴

This is without speaking of the benefits of D&I for talent recruitment and retention, as well as increases in sales that come from a more inclusive outreach to clients.

In other words, improving a business's D&I record is something that can be done for free or at a relatively low cost while providing important upside on several fronts.

Even more importantly, ensuring proper D&I policies is simply the right thing to do. It's about making sure that people can be themselves at work, that they can grow and thrive as people and as professionals. This is reason enough to pursue D&I as a goal in itself.

Managing D&I risk

While the benefits of increased D&I have been apparent for a while, the potential consequences of not embracing D&I have become increasingly obvious.

Social media users and social movements such as Black Lives Matter or #MeToo are increasingly holding companies accountable for the behaviour of their leaders. It seems as though every new week

reveals a new D&I incident resulting in major loss of shareholder value, employees going on strike or leaving the company, or an important loss of sales and revenue. Without speaking of the important costs of such incidents for victims of discrimination.

There are now serious business consequences to ignoring D&I. Founders and investors need to have a plan to deal with this opportunity if they are going to successfully build up their company or portfolio.

3. Marcus Noland and Tyler Moran, "Study: Firms with More Women in the C-Suite Are More Profitable." *Harvard Business Review*. February 8, 2016.

4. Vivian Hunt, Dennis Layton and Sara Prince, "New research makes it increasingly clear that companies with more diverse workforces perform better financially." *mckinsey.com*. January 1, 2015.

Diversity and inclusion in the BDC Capital VC portfolio

Women+ and people with a disability and/or mental health challenge are underrepresented compared to their proportion in the workforce.⁵ Racial and ethnic minorities as well as LGBTQ2+ folks are more present in BDC Capital portfolio companies than in the labour force.^{6,7}

It should be noted that only four people in our sample indentified as Indigenous. While we cannot say for certain if our sample is representative of all VC-backed companies across Canada, this finding seems to point to important underrepresentation of Indigenous people in the industry.

Figure 1

Gender representation

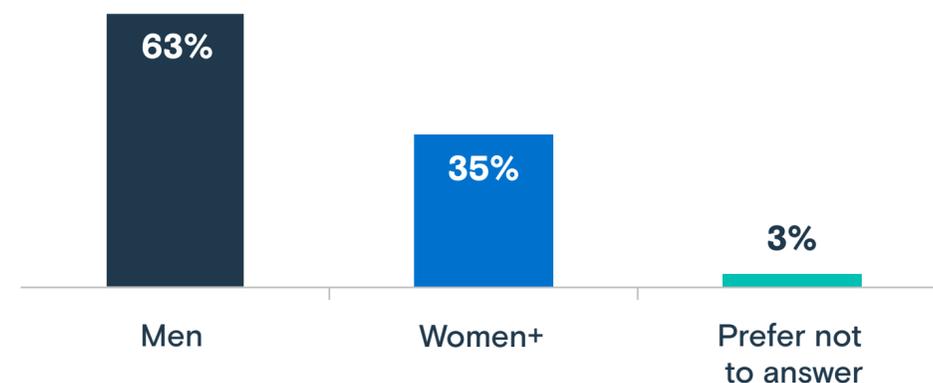


Figure 3

Sexual orientation representation

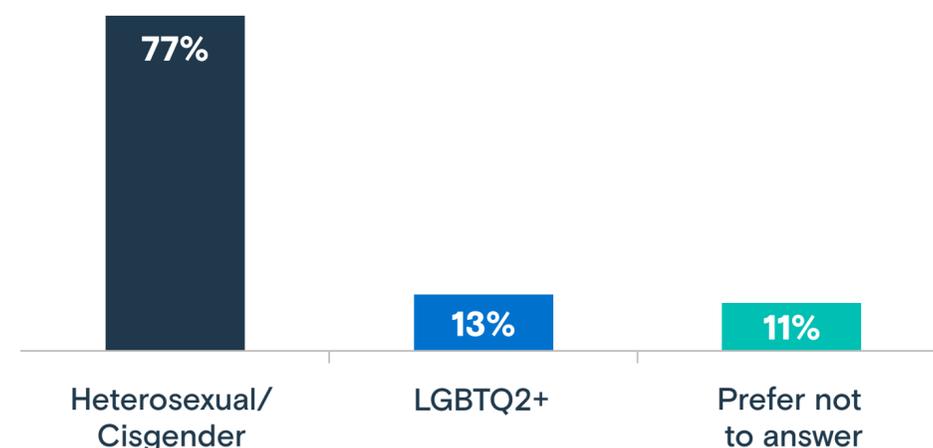


Figure 2

Racial and ethnic representation

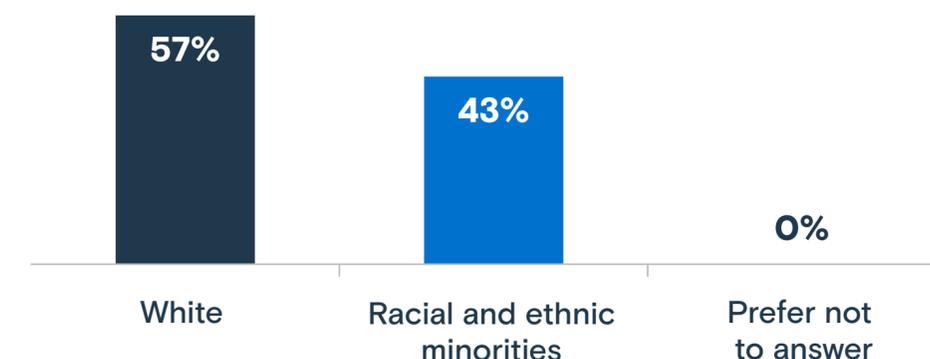
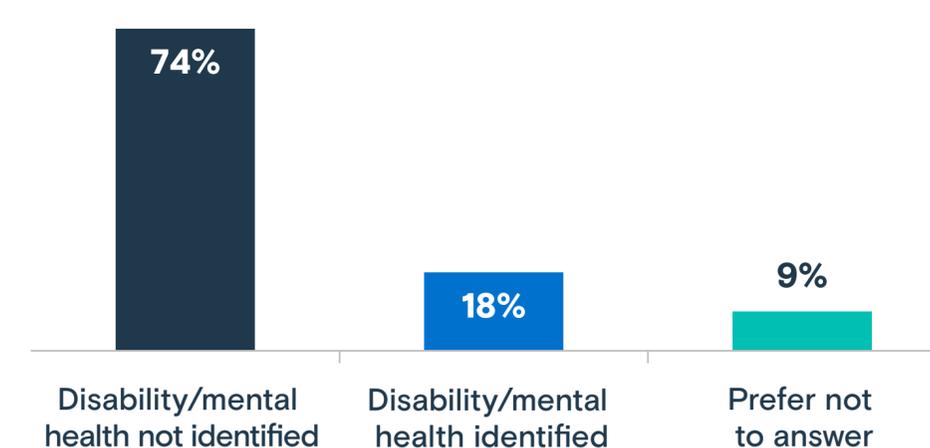


Figure 4

Disability and mental health representation



Percentages may not add to 100 because of rounding.

Source: Diversio, Survey of BDC Capital direct portfolio companies, May 2021, 1,900 respondents

5. Women 15 and older represented 47% of the Canadian labour force in 2019. Source: *Statistics Canada*. Table 14-10-0327-01 Labour force characteristics by sex and detailed age group, annual

6. Visible minorities represent 22% of Canada's labour force in 2016. Source: Laurent Martel, "The Labour Force in Canada and Its Regions: Projections to 2036," *Insights on Canadian Society*. *Statistics Canada*, March 20, 2019

7. Estimates of the number of LGBTQ2+ folks in Canada are imprecise, but mostly tend to be below the 10% mark. Source: "The Health of LGBTQIA2 Communities in Canada: Report of the Standing Committee on Health." *House of Commons Canada*. June 17, 2019.

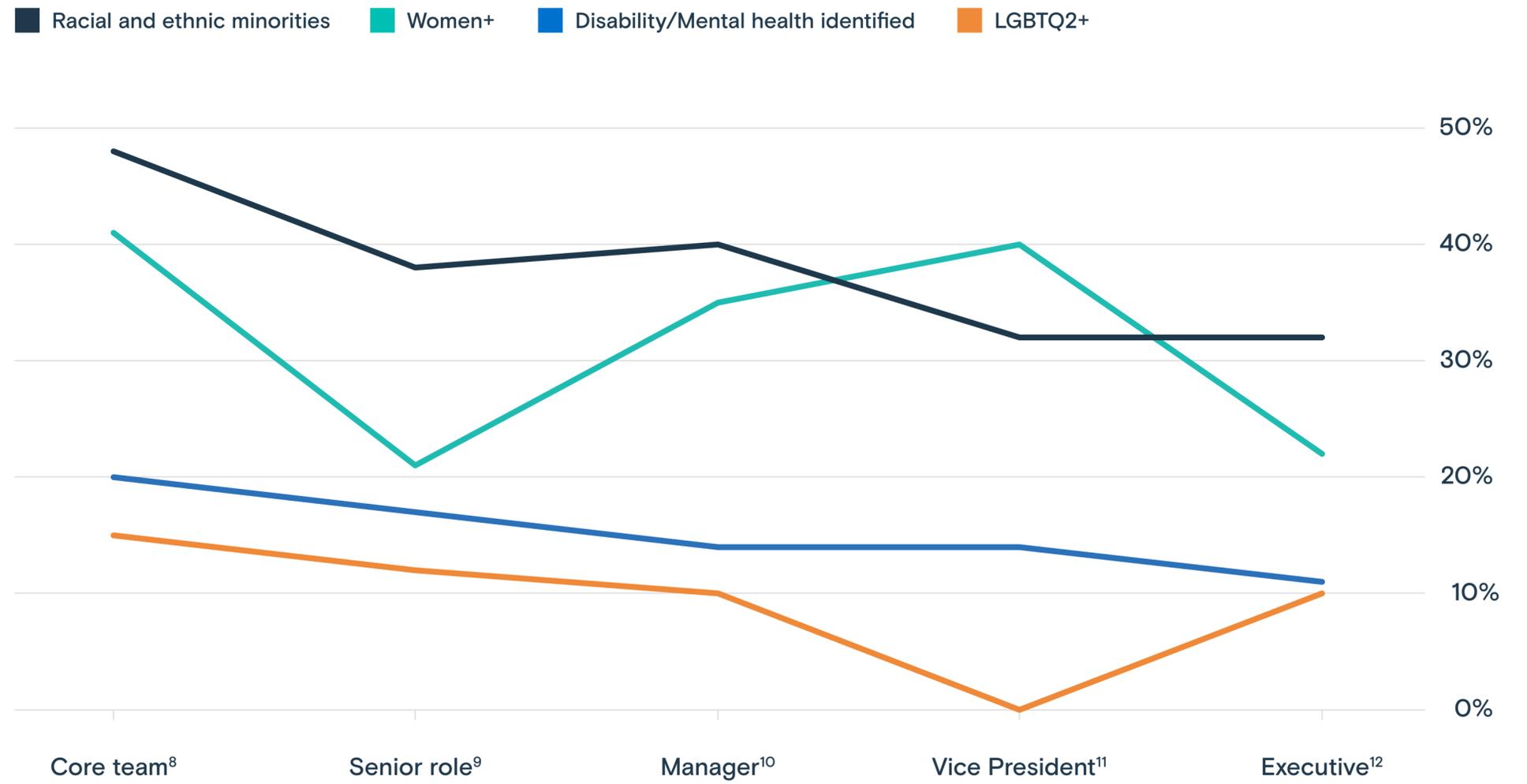
Representation decreases as seniority rises

We see that representation is more concentrated at the junior levels with women+ and racial and ethnic minorities making up 41% and 48% of employees at the entry level, respectively. While at the executive level, women+ and racial and ethnic minorities make up 22% and 32% of employees, respectively. A similar drop of representation in senior roles can be seen for LGBTQ2+ employees and people with a disability or mental health challenge.

This is consistent with what has been seen in other venture company portfolios in Canada by Diversio. We believe that companies seeing a similar trend in their business should seize the opportunity to increase representation in their executive team early on, as making changes once the company has grown will likely be much harder.

Figure 5

Diversity breakdown by role in BDC Capital portfolio companies



8. e.g. Developer, Associate, Recruiter, Client Specialist
 9. e.g. Senior Developer, Senior Marketing Associate, Senior Client Success Associate, Senior Operations Associate
 10. e.g. Technical Lead, Design Lead, Communications Manager
 11. e.g. VP of Marketing, VP of HR
 12. e.g. CEO, COO, Head of Finance, Head of Product

Source: Diversio, Survey of BDC Capital direct portfolio companies, May 2021, 1,900 respondents

Inclusion scores are lower for non-dominant groups

Companies across the portfolio have a good starting baseline when it comes to inclusion. Top areas of strength across the portfolio are workplace flexibility, workplace safety, and recruiting and hiring. However, it is important to note that differences in these metrics exist when it comes to the scores of the dominant group (i.e. white heterosexual men without a disability) and other groups across portfolio companies. Additionally, there is significant room for improvement when it comes to career development and fair management.

Across five of six metrics, inclusion scores are lower for the non-dominant groups than they are for the dominant group. Women+ and LGBTQ2+ individuals experience the greatest levels of bias from managers. And persons with a disability or those struggling with mental health score lowest on the career development and inclusivity metrics.

Across racial and ethnic minorities: Black and Middle Eastern employees as well as those from mixed racial backgrounds face the greatest barriers. From an intersectionality perspective, Black women and mixed-race women had the lowest inclusion scores (by far).

The graphics below and in the following page show inclusivity scores for different groups across six inclusion metrics.

Scores could range from 1 (worst) to 10 (best). Higher scores indicate more positive answers by respondents.

For example, to survey the level of inclusivity in a company’s culture, participants were asked “Do you feel your opinion is valued by your team?” People in the dominant group had an average answer of 8.4 out of 10, while all other minority groups had an average score at least a point below.

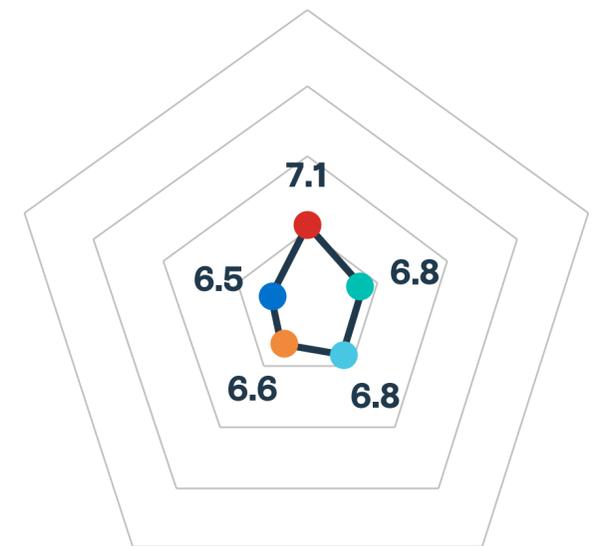
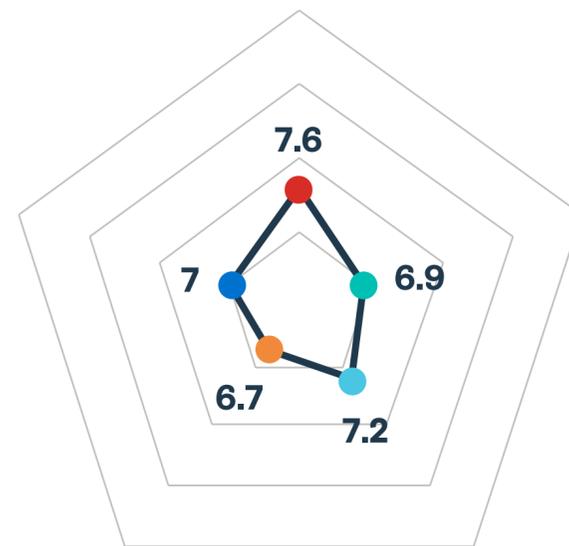
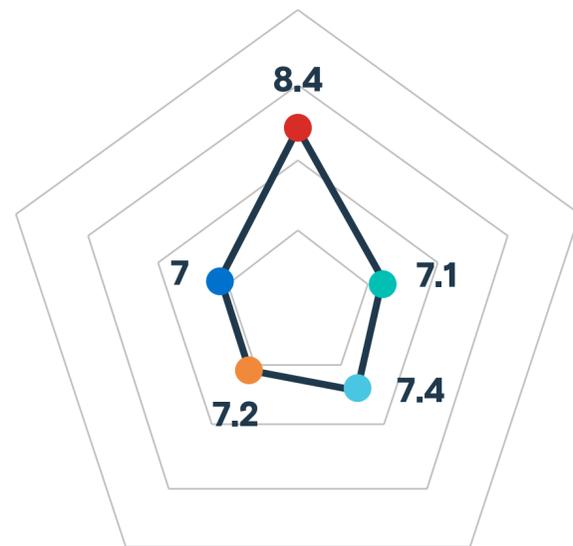
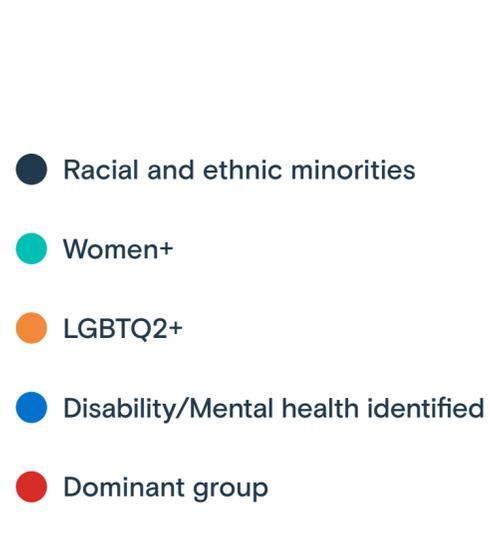


Figure 6 – Inclusive culture

Whether employees feel like they are a part of a team and can meaningfully contribute alongside peers. Question: “Do you feel your opinion is valued by your team?”

Figure 7 – Fair management

Whether employees feel that managers are fair, allowing employees to advance and celebrating them for good work. Question: “Do you receive fair and objective feedback from your manager on your performance?”

Figure 8 – Career development

Whether employees have mentors and sponsors within the organization that create opportunities and invest in their success. Question: “Is there someone in a position of influence in your company who is invested in your growth and development?”

Source: Diversio, Survey of BDC Capital direct portfolio companies, May 2021, 1,900 respondents

- Racial and ethnic minorities
- Women+
- LGBTQ2+
- Disability/Mental health identified
- Dominant group

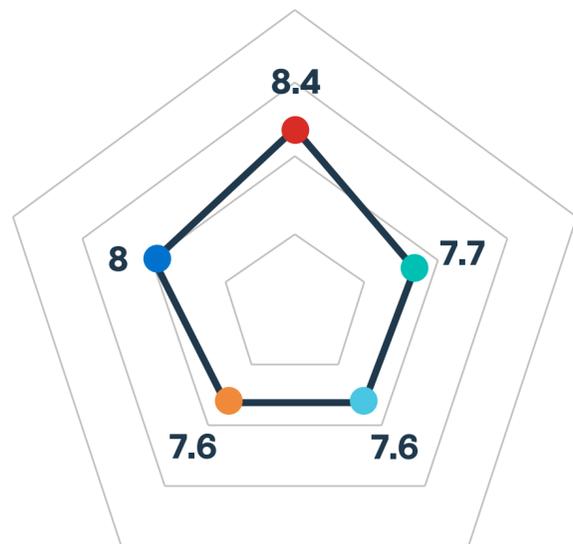


Figure 9 – Workplace flexibility

Whether employees are able to balance work and personal obligations without undue stress. Question: “Do you have the flexibility and support you need to manage personal care obligations?”

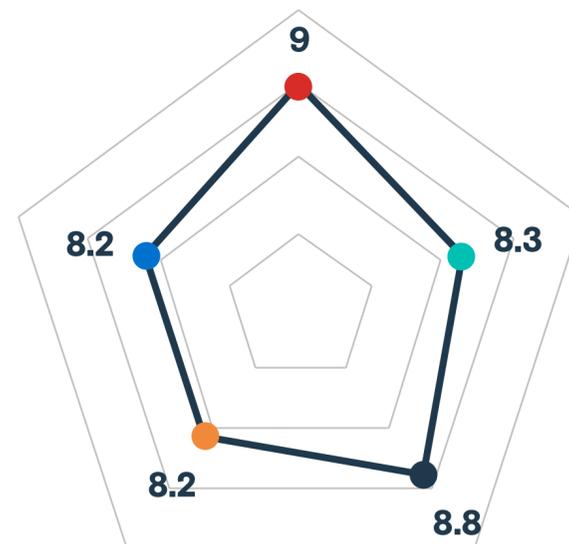


Figure 10 – Workplace safety

Whether employees experience sexual, physical or mental harassment in the workplace. Question: “In your experience, is your workplace free from harassment?”

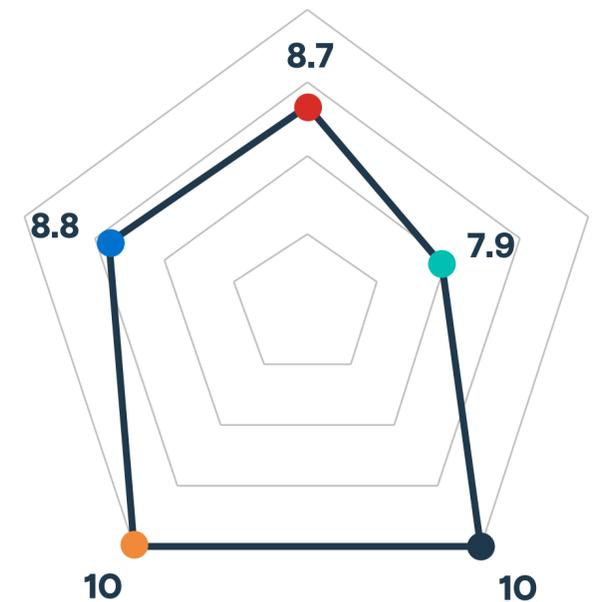


Figure 11 – Hiring and recruitment

Measures the diversity in the most recently hired cohort of employees. A perfect score signals diversity that is equivalent to diversity in the population. Determined based on demographic information gathered during survey such as gender, ethnicity and tenure.

Source: Diversio, Survey of BDC Capital direct portfolio companies, May 2021, 1,900 respondents

Inclusion pain points in BDC Capital's portfolio

Women+ were 2.1X more likely than men to report witnessing/experiencing harassment in the workplace

Black and Middle Eastern employees were 1.6X more likely to feel like they were not valued by their peers



The 6 Cs of inclusive leadership

While better training and company policies can help improve D&I in a company, it is important to remember that leadership starts at the top—especially in start-ups, where resources are limited and culture is still in flux.

Mindful founders and entrepreneurs are key to creating safe, inclusive cultures for their employees at an early stage. Research by Deloitte, an international consulting firm, has shown that leaders who strive to develop the following six traits will go a long way to overcoming their own biases and creating a more inclusive company.

① Commitment

Inclusive leaders are committed to standing up as allies to diversity and inclusion. They are also committed to learning from their personal experiences and those of others. This means being committed to taking actions and being held responsible for results on this objective.

② Courage

Inclusive leaders have the courage to take a stance in public for D&I causes, whether that be LGBTQ2+ or Black Lives Matter. For example, would you have the courage to stand up to a racist or homophobic client? Second, they have the courage to challenge entrenched organizational attitudes. And third, they have the courage to display humility and accept that they do not have all the answers.

③ Cognizant of biases

Bias can embody many different forms. Our upbringing, our experiences or our culture can all impact how we make decisions. Inclusive leaders will be aware of their own biases and find ways to overcome those barriers to make optimal decisions. They'll also make efforts to try and prevent organizational biases from seeping in.

④ Curiosity

Inclusive leaders should be open-minded, curious and want to be exposed to different cultures. They will want to see other perspectives and minimize their blind spots. Remember that you're part of the solution and part of the conversation. It's important to have a healthy curiosity to try to understand others and how they view things.

⑤ Cultural intelligence

Understanding different cultures and being aware of them is a hallmark of inclusive leaders. For example, if you're interviewing someone and they're not looking at you in the eyes, it may not be a sign that the candidate lacks confidence. In some cultures, looking down when someone looks at you is a sign of respect. Inclusive leaders will see beyond cultural differences to find the real value that every employee can bring to a team.

⑥ Collaborative

Inclusive leaders take the time to get to know their team and figure out what works. They also make sure that everyone works together and is given the space they need to share their ideas.

Case study

Thriving with diversity and inclusion

A dedicated program allowed Miovision to create a culture where all employees feel comfortable

Miovision began with just three people: Kurtis McBride was attending the University of Waterloo when his summer job counting traffic alerted him to the potential of using digital technology to gather, store and analyze traffic data. In 2005, McBride partnered with two of his fellow students to bring his traffic-solution idea to life.

Fifteen years and countless innovations later, Kitchener, Ontario-based Miovision is a recognized leader in helping cities get more out of their road networks by identifying actionable intelligence from multimodal traffic data.

But as the company grew beyond its initial three founders, the increasing number of employees brought its own challenges. Ensuring that employees were able to perform at their best and feel comfortable within the organization became an important focus for the company.

“Ultimately, employees will perform better if they feel they can be themselves at work,” says Jennifer Roy Wincey, VP of People Operations & Culture at Miovision. “That’s really what an inclusive business culture is all about.”

“What many people don’t understand is that D&I is about accommodating everyone—even those who might not support it at first.”

Jennifer Roy Wincey,
VP of People Operations & Culture,
Miovision

Let employees express their views

Wincey says the first thing the company did was to provide a way for employees to share their views on D&I in a safe, non-judgemental environment.

“There is simply no substitute for listening carefully to employees,” says Wincey. “D&I is a journey and we’re all at different points on the journey in terms of our knowledge and attitudes.”

To get a better sense of where Miovision employees stood, Wincey encouraged them to share their views during in-person discussions and via an anonymous online platform.

“To some extent, we learned what we already knew: that while some embrace D&I, others perceive it as threatening or even shameful,” says Wincey. “Some feel that they or their ancestors are responsible for the realities faced by historically disadvantaged groups.”

Staff based at the company’s sales office in Germany, for instance, were more likely to embrace D&I, as were women and members of racialized groups. Other employees, however, were sceptical about D&I and questioned its value.

A deliberate approach to D&I

Informed by what staff had shared, Wincey created a D&I plan that involved a mix of surveys, events and resources, along with key performance indicators to help track progress.

Twice a year, a specialist surveys employees about everything from how comfortable they feel at work to whether work assignments and promotions are fair and equitable. The survey includes a space for free-form commentary.

The specialist then analyzes the results, comparing them with those of other tech companies as well as with various groups within the

company (e.g. women, members of racial and ethnic minorities). The results are shared widely and inform decisions about next steps.

Since formalizing its D&I program two years ago, Miovision has seen significant increases in several key measures, such as levels of employee engagement and of employees’ perception that the work environment is inclusive and free from harassment and discrimination. In addition, the number of women employees is up by 40%.

“Our most popular recent internal event was an online forum about the impacts of the pandemic on mental health,” says Wincey. “The fact that our CEO described some of his personal experiences during the session helps employees recognize that no topic is off-limits. When leaders model D&I, employees are more likely to feel included and free to bring their whole selves to work.”

What you can do to improve D&I in your business

These are practical solutions that can be implemented by any organization, regardless of size or sector. They are not exhaustive, but they are a great first step on the journey to becoming a more diverse and inclusive company.



Action	Description
Implement a code of conduct and anti-harassment policy	Build out an internal code of conduct and anti-harassment policy, with direct input from employees to help communicate values and expected behaviours at work. Download the free code of conduct and anti-harassment template created by Diversio.
Allyship training	Implement mandatory training for all employees to build cultural awareness, understanding, and learn to spot microaggressions in their own behaviour. The Government of Canada has developed a free toolkit to help managers and employees combat racism and discrimination in the workplace.
360 reviews	Implement a process through which managers receive confidential, anonymous feedback from their peers, direct reports and their own managers. Conduct 360 reviews on a quarterly or bi-annual basis to provide managers with regular feedback.
Core hours	Allow employees to vary their arrival and departure times with a requirement of being present during specified “core hours,” e.g. 10 a.m.-4 p.m. You can institute a no-meeting rule for the flex hours outside these core hours.
Mandatory interviewing rule	Implement a rule mandating an interview with every individual a) who submits a resume and b) whose background is currently underrepresented on the team.
40% rule	Implement a policy mandating at least 40% women candidates be considered at the first stage of the interview process. Pair the rule with a gender-balanced interview panel at all stages.
Leadership open-door-days	Launch virtual open-door-days where employees can drop in for a conversation with a senior leader. Encourage employees to ask questions, make suggestions and bring actionable ideas for improvement to the meetings.
Skip level meetings	Implement skip level meetings where employees at and above the vice president level have a monthly meeting with a new group of 5-10 employees that are more than one level down the organizational hierarchy.
Milestone recognition	Have managers and employees collaborate to set specific goals and targets within their teams and celebrate employees who meet them, ensuring recognition of high-impact, introverted employees.
Sponsorship program	Implement a sponsorship program that pairs high-potential junior employees with senior employees. Focus on pairing high-performing Black, Indigenous and people of colour, and women in each department with executive sponsors. Train both sponsors and the sponsored on how to maximize value from the relationship.

Data and methodology

How did we measure diversity and inclusion?

Founders in BDC Capital's direct VC investment portfolio were asked to deploy Diversio's 4-minute pulse survey to their employees. They had up to May 2021 to complete the survey. We received answers from over 1,900 employees at 95 companies.

The survey collected employee demographics, roles and experience data. Demographics included: gender, Indigenous identity, race, ethnicity, sexual orientation, mental health and disability.

How did we measure inclusion?

Survey responses were analyzed based on six inclusion metrics and given a score out of 10. Answers were compared between minority and dominant groups, with the dominant group being the most frequent person in the company. This method allows for comparison between group experiences.

Learn more about Diversio's methodology by visiting their website at diversio.com.



Fostering a diverse and inclusive start-up ecosystem.

- [Learn more](#) about BDC Capital and our work with some of the country's most innovative firms.
- Thank you to Diversio for helping us create and validate this report. [Learn more.](#)

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Ce document est aussi disponible en version française.

ISBN: 978-1-989306-78-9
ST-VCDIVERSITY-E2106