



Pääomasijoittajat
Finnish Venture Capital Association

Inklusiiv

Advancing diversity, equity and inclusion in private equity and venture capital

Guidelines for investors

2024

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Introduction



The private equity and venture capital (PE&VC) industry drives sustainable growth and innovation by financing and supporting companies that are forerunners in their field. But to ensure long-term success, we must hire and retain the best talent from the widest possible pool – both for our industry and the companies we support. That is why diversity, equity, and inclusion (DEI) are essential to us. For us, diverse, equitable and inclusive companies are a way to achieve excellence and all the benefits that come with having differing views, experiences, mindsets and values represented and valued.

In response to our members' requests for support in implementing DEI initiatives, the Finnish Venture Capital Association (FVCA) partnered with [Inklusiiv](#), a leading organisation in creating and sharing knowledge about DEI. In March 2023, we organised a keynote and a workshop for our ESG committee members, where we identified the actions to advance DEI proposed in this guideline. Made by the industry for the industry, this guideline offers practical tools and inspiration for our members and anyone interested in making a change in this area.

While this guideline is not intended to be binding, it provides a comprehensive, non-exhaustive list of possible actions that any organisation can take. Progressing DEI is a journey where making progress matters the most, even with small steps.

We encourage everyone to get started.



Ultimately, we want the entirety of Finland to grow. Thus, the PE & VC industry should reflect the society as a whole.

What is DEI?



DEI stands for diversity, equity and inclusion.

Diversity

Diversity means differences among people that appear throughout an organisation. In addition to demographic factors (such as age and gender), our different life experiences and cognitive factors are also part of the full spectrum of diversity. All parts of an individual's identity cannot be seen simply by looking at someone.

Equity

Equity refers to removing structural barriers in organisations through instituting fair and just policies and processes and creating equal opportunities. Different from equality, equity takes into account that not everyone has the same starting point and that adjustments need to be made to address existing imbalances.

Inclusion

Inclusion means creating an environment where all individuals are treated fairly and respectfully. This is an environment where everyone can get their voice heard, feel appreciated and can fully contribute to the organisation's success.

Why is DEI important in the PE&VC industry?



The PE&VC industry has a significant economic impact in Finland and globally, channelling private investments and developing unlisted companies. As the industry continues to grow, so does its responsibility to promote positive change, sustainable investments, and better business practices.

While the industry has been a pioneer in many issues, such as accelerating the green transition, its track record on DEI issues has been less impressive. Research shows a stark lack of diversity in PE&VC investment teams, with implications for the investments they make.¹ However, there is great motivation within the industry in Finland to take a leading role in DEI matters and use our leverage to make a difference. In addition to ethical considerations, DEI is critical to the industry's reputation and ability to generate long-term profits for limited partners.

DEI considerations are essential for performance and growth. Studies have shown that diverse teams, where individuals feel comfortable expressing their opinions, are more innovative, better at problem-solving, more motivated, and more resilient to risks.² A psychologically safe environment helps individuals and teams perform at their best. Diverse teams' broader understanding of humanity's problems makes them better equipped to develop solutions to a wide range of challenges and make better investment decisions.³

DEI considerations are also crucial in attracting and retaining talent: a diverse and inclusive team is easily approachable, and no talent slips through our fingers when different people can see themselves working in the industry. Rather than focusing solely on the numbers of women, minorities, and other underrepresented groups in the industry, it is crucial to create an inclusive culture where everyone feels welcome and valued. Building such a culture allows us to fully benefit from diverse backgrounds and views.

Failing to prioritise DEI issues leads to growth limitations regarding markets but also with respect to the workforce. Given Finland's population structure and the impending shortage of skilled labour, these issues cannot be overlooked.

Ultimately, we want the entirety of Finland to grow. Thus, the industry should reflect the society as a whole.

*Footnotes at the end

What is unconscious bias and why is it important?

One of the most common reasons for homogenous teams to miss out on opportunities arising from diverse viewpoints and ideas is unconscious bias. Unconscious bias refers to the internalised beliefs and stereotypes that influence our thoughts, behaviours, attitudes and decision-making processes in ways that are often beyond our conscious awareness.

These biases can be based on a variety of factors, such as race, gender, age, ethnicity, religion, sexual orientation, socioeconomic status, and physical appearance.

Some of the most common unconscious biases include:

1. Confirmation bias: Tendency to seek out information that confirms our existing beliefs and to ignore information that contradicts them.
2. Affinity or similarity bias: Occurs when we favour people who are similar to us in terms of characteristics like ethnicity, education, shared interests or gender. We may unconsciously discriminate against those who are different from us.
3. Halo effect: Occurs when we form an overall positive impression of someone based on something we perceive as a positive trait, such as physical attractiveness or previous success, and then attribute other positive qualities to them.

Unconscious biases can be challenging to detect and overcome, but awareness, education, training and open team discussions can help individuals and organisations identify and address these biases and promote greater DEI.

It's only human to hold unconscious biases, there is no shame in having them. However, it is essential to recognize their existence and take action to unlearn them in order to mitigate their impact.

Action



This section provides recommendations for transforming awareness of the importance of DEI into tangible action within PE&VC teams, deal flow and portfolio companies. The change starts with investment teams – other positive effects will follow. Therefore, most of these actions focus on internal DEI work within PE&VC investors' own organisations. Actions that can be taken with regards to the deal flow and portfolio companies highlight ways in which VC&PE companies can educate, assess, report and network to advance DEI as part of their operations.⁴

With any of these actions, following up and reporting is crucial for development to be monitored and communicated in an effective way.

Internal action

Leadership

- Engage senior management in driving DEI efforts – the commitment, tone and support from the top are crucial in achieving actual change.
- Name one partner and board member responsible for DEI initiatives and provide them with support in that role.

Recruitment

- Critically review and define language and proficiency requirements for all jobs.
- Define required attributes for candidates, ideally in a panel, and make sure that they are evaluated consistently throughout the selection process.
- Write job advertisements in inclusive language, such as inclusive gender pronouns and descriptions that can apply to people from different backgrounds.
- Broaden the scope of your recruitment communications. Proactively reach out to underrepresented talent and promote job ads in new channels.
- Discuss DEI ambitions and requirements when working with recruitment consultants or headhunters.
- Create board member shortlists that equally represent all genders.
- Use applicant numbers to ensure anonymity in the screening of applications.
- Use a standardised list of interview questions to ensure that the same questions are asked from all candidates.

Portfolio Companies

Educate

- Raise awareness about the meaning and value of DEI among founders and management (for inspiration, please see the above section “Why is considering DEI important for the PE&VC industry?”).
- Support portfolio companies’ learning and development on DEI, for example, by organising joint DEI training for portfolio companies and providing them with spaces to share best practices and learn from one another.
- Share open sources for learning (suggestions at the end).

Assess

- Determine and monitor KPIs for both business development and DEI matters, simultaneously ensuring that they support each other.
- Allocate sufficient resources to achieve these KPIs and make leadership accountable for progress.

Report

- If not already in place, support the creation of DEI policies for portfolio companies. A DEI policy can also be part of the social dimension of a company’s ESG policy.

Network

- Help portfolio companies find and connect with relevant peer networks.
- Recognise and utilise thought leaders, i.e. individuals who have the power to affect the decisions and actions of others and can act as important forerunners in DEI matters and promote change.

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Summary of Actions

Internal

- Tone from the top
- Increase organisation's awareness through DEI and unconscious bias trainings
- Inclusive recruitment processes
- Review language and proficiency requirements
- Outline career paths and development opportunities for underrepresented groups already in the organization
- Follow-up and report internally and externally on career paths
- Employee wellbeing and DEI surveys
- Create an accessible workplace
- Leverage career societies
- Encourage equal use of parental leave and enable childcare

Deal Flow

- Lead by example
- Add DEI related questions to due diligence and define necessary actions
- Communicate your DEI intentions, actions and success stories
- Outbound dealflow, i.e. actively seek and approach companies that are founded by individuals from underrepresented backgrounds
- Monitor the number of meetings you take with founders from different backgrounds
- Recognize the possible effects of unconscious bias when deciding which founders to meet
- Encourage openness regarding deal flows among PE&VC companies

Portfolio Companies

- Communicate and explain the value of DEI to founders
- Determine and monitor KPIs for both business development and DEI simultaneously and supporting one other
- Organise DEI trainings for all portfolio companies and share best practices
- Find and help portfolio companies to connect with relevant peer networks
- Recognise and utilise thought leaders
- Support the creation of a DEI policy for the portfolio companies

References

1. Unconventional Ventures (2022), [The Funding Report – The Untapped Potential in the Nordic Startup Ecosystem and Beyond ; State of European Tech 2022](#)
2. Deloitte Review (2018), [The diversity and inclusion revolution: Eight powerful truths ; McKinsey&Company \(2020\), Diversity wins: How inclusion matters](#)
3. Forbes (2017), [New Research: Diversity + Inclusion = Better Decision Making At Work](#)
4. Inklusiiv & Validei (2022), [DEI in the Nordic VC industry – Perceptions, realities and the way forward](#)

Additional material

- [Inklusiiv's DEI Resource Bank](#)
- [Cloverpop's White Paper on Hacking Diversity with Inclusive Decision-Making](#)

More information

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