

# Discrimination in the Venture Capital Industry: Evidence from Field Experiments

Ye Zhang

Discussant: **Celine (Yue) Fei** (UNC)  
Kenan-Flagler Business School, UNC at Chapel Hill

2022 FMA Annual Meeting

# Road Map

The Paper

My Comments

Final Remarks

## The Paper in a Nutshell

- This paper runs an experiment to explore venture capitalists' preference towards startup founders' race and gender. startups”).
  - Implements an incentivized resume rating (IRR) experiment, a “donation game,” pitch email.
  - 69 VCs; 1216 hypothetical startup profiles evaluated; (Kessler et al. (2019) 74 HRs).
- Key findings
  - Kessler et al. (2019): comparing outcomes of the first half of the profiles and the second half of the profiles to detect implicit discrimination.
  - Women-led startups are 16.67% less likely to be contacted by investors and also receive 19.4% less funding compared to similar men-led startups.
  - Consistent with Morgan and Vardy (2009), VCs are more likely to discriminate against high-quality minority candidates, but towards low-quality minority candidates
- A lot of more interesting findings in the paper (e.g., reasons for discrimination).

# Road Map

The Paper

My Comments

Final Remarks

## Comment 1 – Why study both racial and gender, not only one?

- In particular, the results are different (insignificant). Also, the mechanisms can be different.
  - Table 3 – Some significant results for females. No significant results for Asians.
  - The bias towards Asians is mainly driven by the belief in future returns of the investment (Table 10 ); The bias towards females is taste-based discrimination (Table 11).

## Comment 2 – Why position in the labor literature, not in the VC literature?

- The paper starts with "a significant amount of attention and debate about discrimination concentrate on top-level, high-skilled labor markets."
- However, the paper is about investor preference (not the founder's).
- There is a clearly defined literature on discrimination in VC and angel investments.
- In addition to the papers cited in the paper, also Hellmann, Mostipan, Vulkan (2019, NBER WP); Cassel, Lerner, and Yimfor (2022); Cook, Marx, and Yimfor (2022).

# Road Map

The Paper

My Comments

Final Remarks

## Final Remarks

Very cool paper and good luck!

### Minor Questions

- Why Asian only? How about Black and Hispanics?
- Does VC reputation plays a role?
- Will the format of the profile/email change the result?