



STARTUP DIVERSITY

REPORT

2018-2023

In Partnership with



Presented By





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About Chicago:Blend

Chicago:Blend is a 501c3 nonprofit organization working to advance diversity, equity, and inclusion (DEI) in Chicago's venture capital and startup community. We measure the VC diversity gap, help underrepresented professionals secure VC jobs, and are building a growing community of investors who share our commitment to improving the industry.





Acknowledgments

Thank you to **World Business Chicago** and its research team led by Robin Ficke. Their collaboration and expertise were essential to the publication of this report.



We also thank and acknowledge **CDW**, whose financial support makes our data collection work possible.





Overview

It is no secret that women and people of color are underrepresented in the tech industry. In a city as demographically diverse as ours, expanding opportunities for marginalized founders to launch companies and secure growth capital is essential to creating a more equitable future for Chicago.

Since our founding in 2018, **Chicago:Blend** has published annual reports about the state of diversity in Chicago's venture capital and startup ecosystem. Given the outsized role that VC funding plays in determining which products and ideas will succeed, these data collection efforts provide us with a quantifiable understanding about the extent to which women entrepreneurs and founders of color are involved in shaping our local economy.

This year, we partnered with the city's economic development arm **World Business Chicago** to compile founder demographics for "new" venture-backed companies, defined as those launched between 2018 and 2023. We identified **307 Chicago startups that raised a total of \$2.9 billion in VC funding**. Within this sample, **112 startups (36.5%)** had at least one woman founder and they collectively raised **\$434 million**, approximately **14.9% of the total VC raised** by Chicago companies founded in the last five years. We also observed that **75 new startups (24.4%)** had at least one founder of color, securing **\$1.28 billion** in venture or **44% of the total VC funding** raised by new Chicago companies. These percentages give a clearer understanding about the concentration of new companies launched by underrepresented entrepreneurs and the local share of venture funding they are raising relative to other new VC-backed companies in the region.

We conducted a similar analysis for nine other U.S. metro regions with similarly-sized tech ecosystems, including Atlanta, Austin, Boston, Denver, Los Angeles, Miami, New York, San Francisco, and Seattle. This gave us comparable data for each region, allowing us to answer two key questions – which cities had a higher percentage of new VC-backed companies founded by underrepresented entrepreneurs and what share of VC did these companies raise relative to other venture-backed companies in their respective regions?



Methodology

This report looks at demographic trends among founders of venture-backed companies that launched between **2018 to 2023**. By analyzing five years worth of Pitchbook and Crunchbase data, we sought to measure the percentage of VC-backed companies with at least one underrepresented founder, as well as the share of VC funding that went to those companies, during this five-year period.

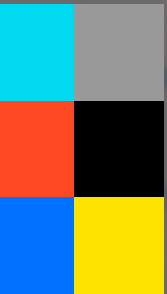
We also pulled similar data for **nine other U.S. metropolitan statistical areas** (MSA's) that have a significant concentration of VC-backed companies with at least one underrepresented founder (**Atlanta, Austin, Boston, Denver, Los Angeles, Miami, New York, San Francisco** and **Seattle**). We selected these regions because they have tech ecosystems that are similar in size to or larger than Chicago's. This enabled us to compare the performance of diverse, venture-backed founders in Chicago, over the past five years, in relation to their counterparts in other startup hubs across the country.

This analysis strictly examines companies that have raised venture capital. Companies that only raised capital from non-VC sources (e.g., angel investments, small business loans, non-dilutive capital, or other forms of financing) were excluded. Similarly, the dollar amounts provided in this report refer only to venture funding and do not include non-VC dollars raised. For instance, if a company that launched in 2020 raised \$5M in venture capital and \$50,000 in grants, this analysis would only include the former. This approach was intended to provide as close to an “apples-to-apples” comparison as possible.

We acknowledge that diversity spans a whole range of identities, including socioeconomic status, LGBTQ+ identification, neurodiversity, age and many other traits that make us unique. For this report, however, we **limited our analysis to race, ethnicity and gender identification**, as that data is most robust and widely available.

As for terminology, this report uses the non-gendered term “**Latine**” as opposed to “Hispanic” or “Latinx,” which are used by Crunchbase. The report also combines founders who are tagged in Crunchbase as “South Asian,” “East Asian,” “Southeast Asian,” and “Native Hawaiian / Pacific Islander” under the single category “**Asian American or Pacific Islander (AAPI)**.”

Founder Diversity



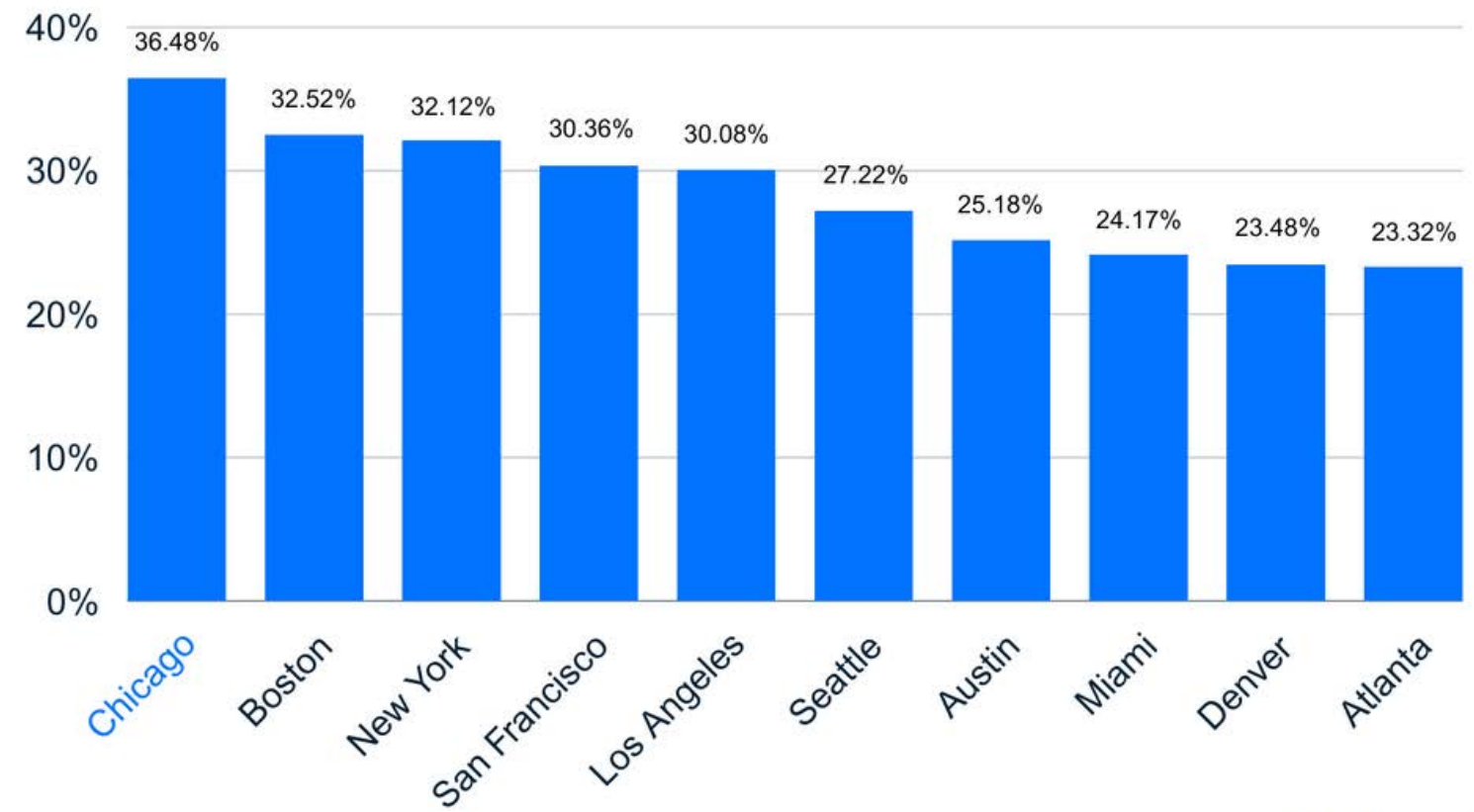
Gender

In Chicago, 112 (**36.5%**) of the 307 new venture-backed companies founded between 2018-23 had at least one woman founder, the **highest rate of gender representation of any city** included in this report.

For comparison, 239 (32.5%) of Boston's 735 new venture-backed startups had at least one woman founder, the second highest rate of gender representation. New York came in a close third, with 654 (32.1%) of their 2,036 new companies having at least one woman founder.

Chicago is the #1 metro for VC-backed companies founded by women

Share of venture-backed companies founded by women between 2018-23, by metropolitan statistical area (MSA)

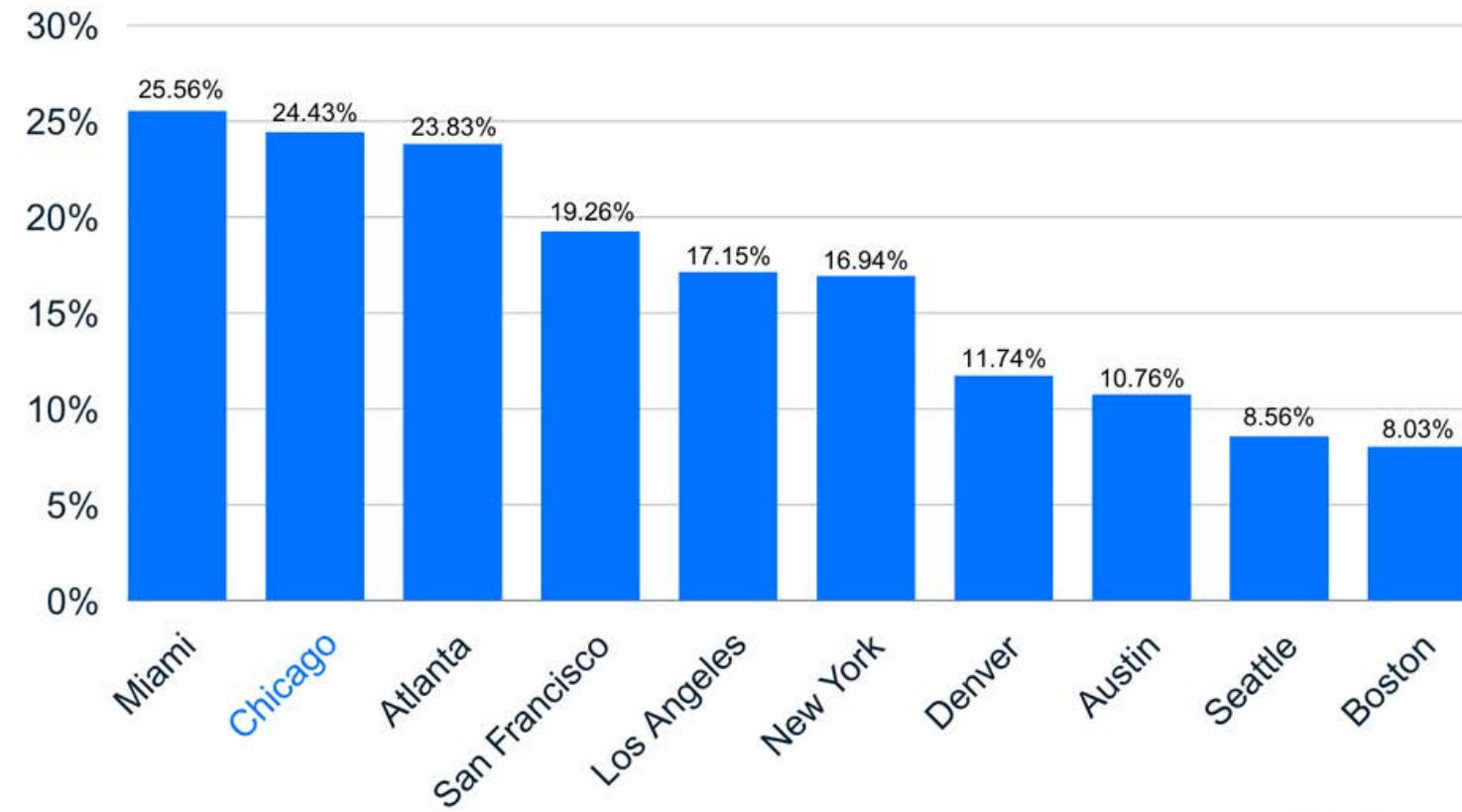


Race & Ethnicity

Among major U.S. metro regions, **Chicago had the second highest percentage (24.4%)** of venture-backed companies founded by **people of color** in the last five years behind Miami (25.6%) and ahead of Atlanta (23.8%).

Chicago is the #2 metro for VC-backed companies founded by people of color

Share of venture-backed companies founded by POC between 2018-23, by metropolitan statistical area (MSA)

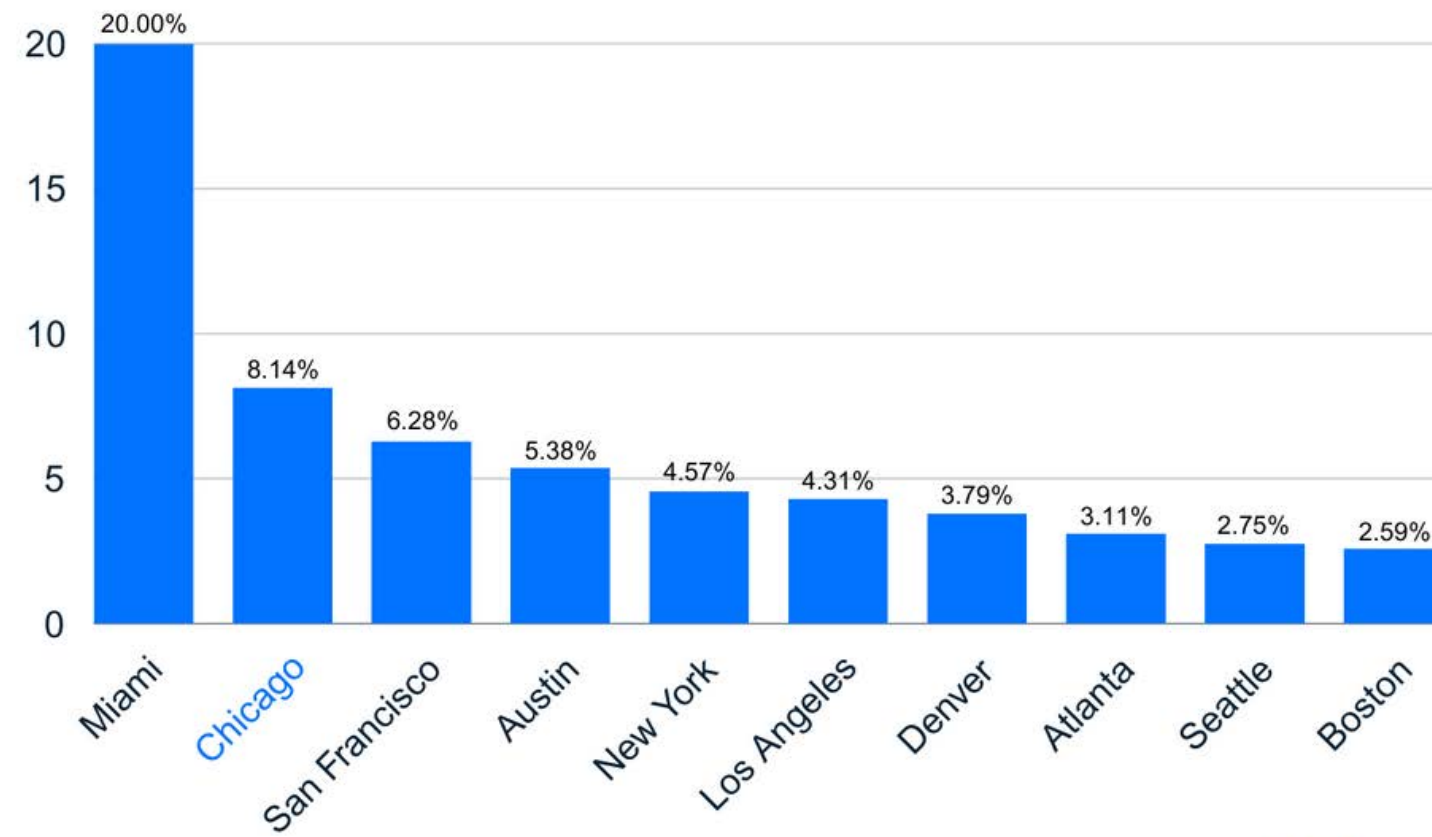


Latine Founders

Among major U.S. metro regions, Chicago had the **second highest percentage** of (8.1%) of venture-backed companies founded by **Latine founders** in the last five years after Miami (20%).

Chicago is the #2 metro for VC-backed companies founded by Latine founders

Share of venture-backed companies founded by Latine founders between 2018-23, by metropolitan statistical area (MSA)

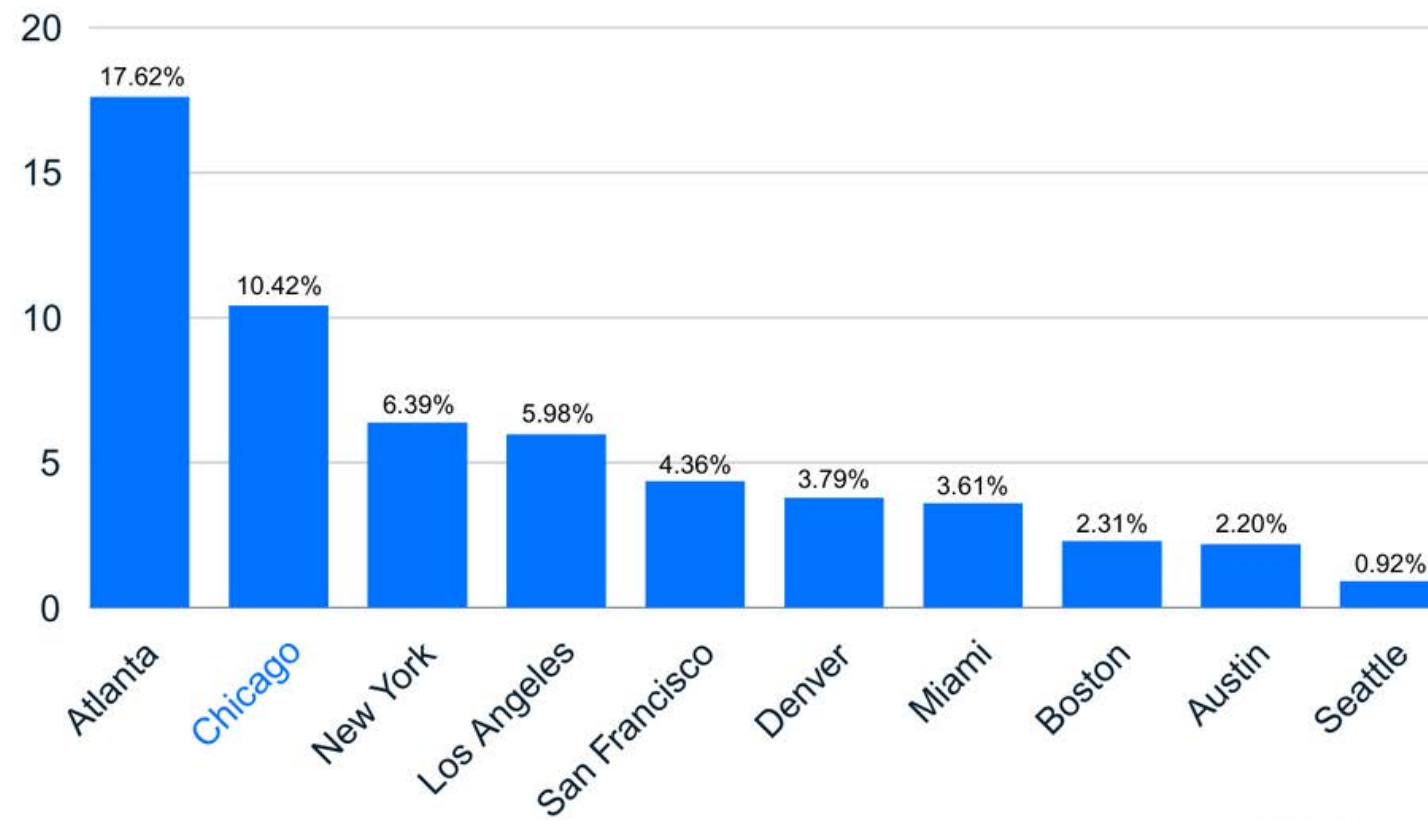


Black & African American Founders

Among major U.S. metro regions, Chicago had the **second highest percentage (10.4%)** of venture-backed companies founded by **Black or African American founders** in the last five years behind Atlanta (17.6%).

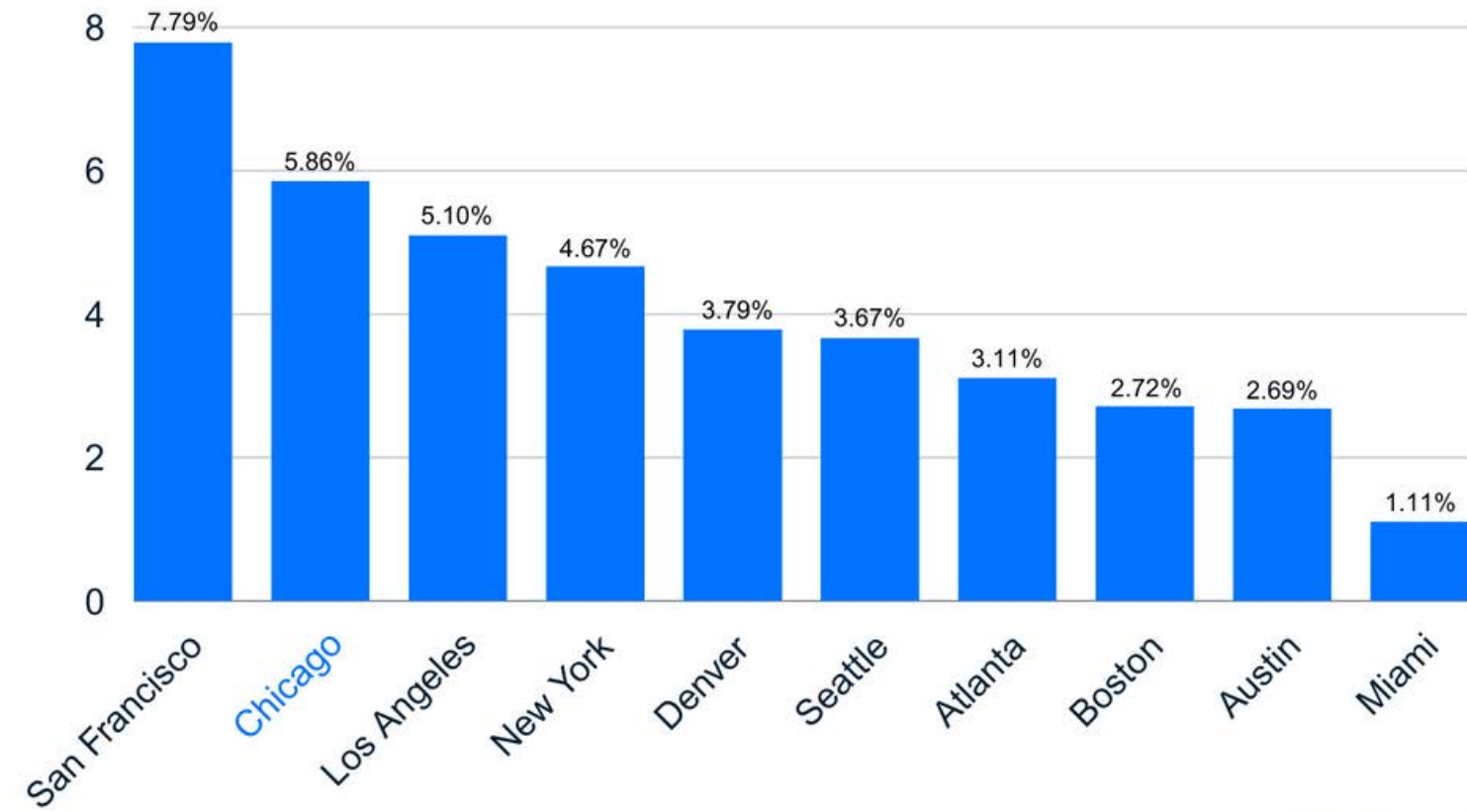
Chicago is the #2 metro for VC-backed companies founded by Black founders

Share of venture-backed companies founded by Black or African American founders between 2018-23, by metropolitan statistical area (MSA)



Chicago is the #2 metro for VC-backed companies founded by AAPI founders

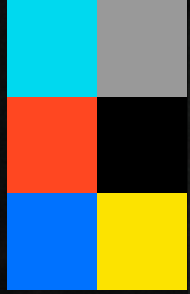
Share of venture-backed companies founded by Asian American & Pacific Islander (AAPI) founders between 2018-23, by metropolitan statistical area (MSA)



Among major U.S. metro regions, Chicago had the **second highest percentage (5.9%)** of VC-backed companies founded by **AAPI founders** in the last five years after San Francisco (7.8%).



Funding

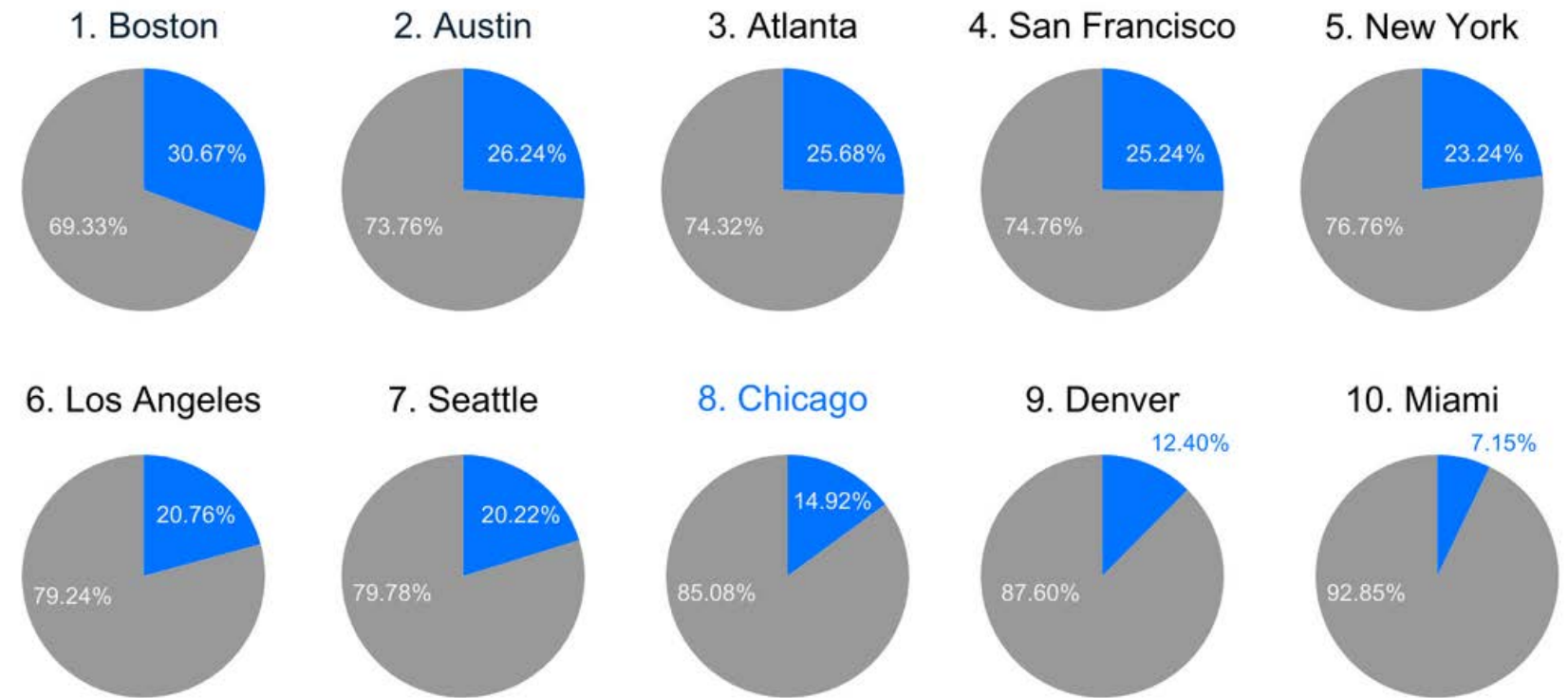


Women-Founded Companies

14.9% of VC funding raised by Chicago companies went to women founders

Share of venture capital funding in each metropolitan statistical area (MSA) raised by companies* with at least one woman founder

Just **14.9%** of all VC funding raised by Chicago-based companies went to companies **founded or co-founded by women** in the last five years—the third lowest percentage of any city in this report.



* Companies founded between 2018-23

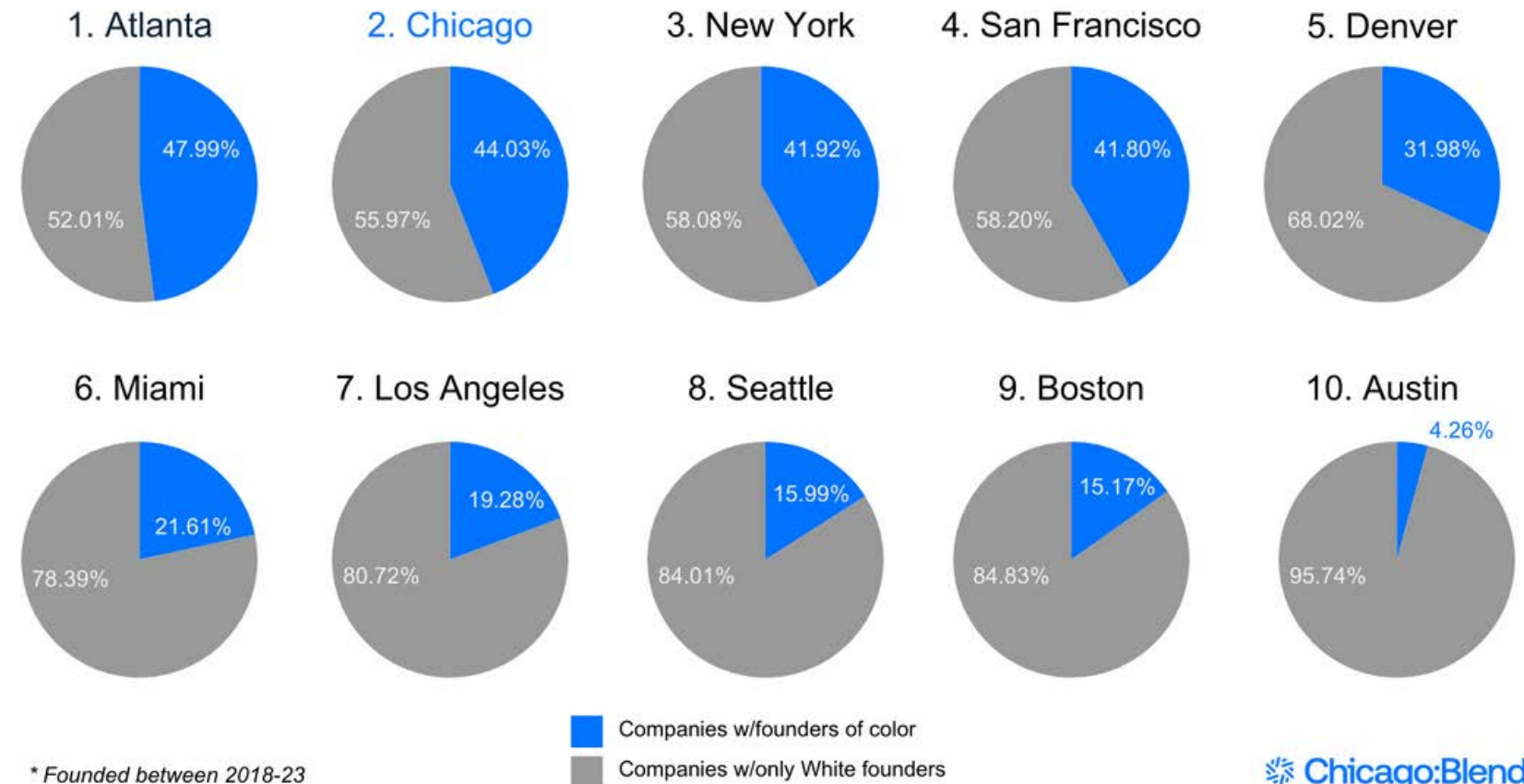
Companies w/women founders
All other companies

Companies Founded by People of Color

44% of VC funding raised by Chicago companies went to founders of color

Share of venture capital funding in each metropolitan statistical area (MSA) raised by companies* with at least one founder of color

44% of VC funding raised by Chicago companies launched in the last five years went to companies founded by people of color—the **second highest percentage of any city** in this report after Atlanta (48%).

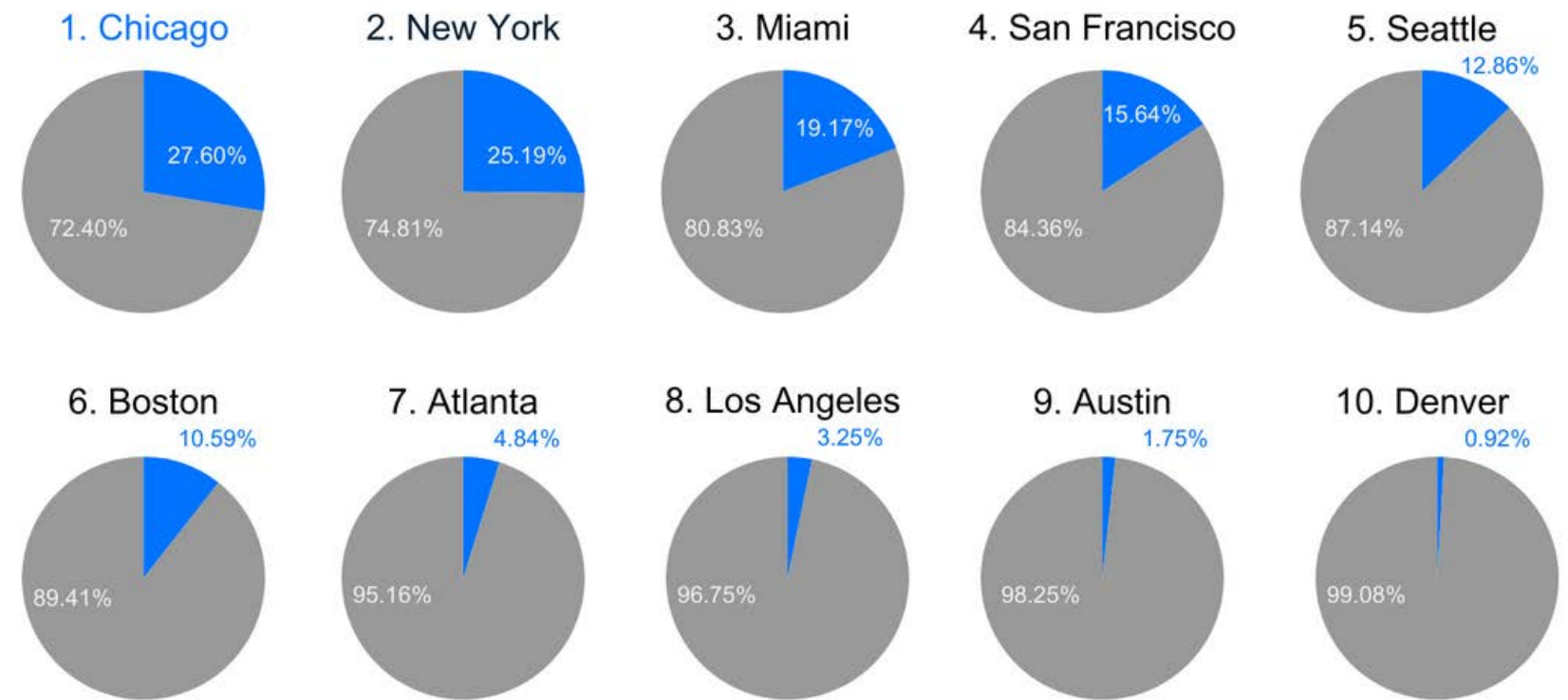


Latine-Founded Companies

Chicago leads the nation in the share of local VC funding that went to Latine-founded companies

Share of venture capital funding in each metropolitan statistical area (MSA) raised by companies* with at least one Latine founder

Chicago leads the U.S. in the local share of VC funding (27.6%) raised by Latine-founded companies in the last five years—the **highest percentage of any city** in this report ahead of New York (25.2%) and Miami (19.2%).



* Companies founded between 2018-23

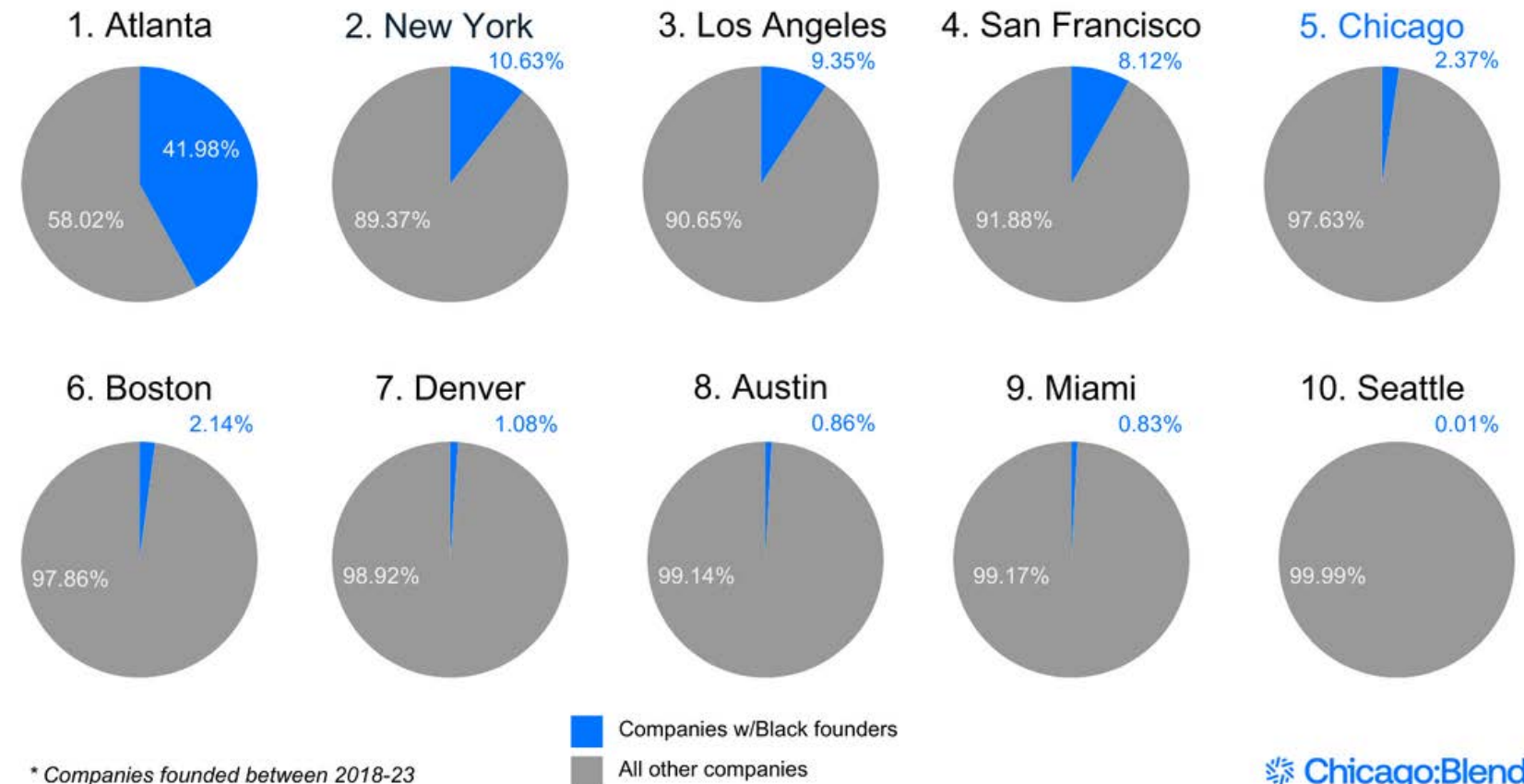
■ Companies w/Latine founders
■ All other companies

Black & African American-Founded Companies

2.4% of VC funding raised by Chicago companies went to Black-founded companies

Share of venture capital funding in each metropolitan statistical area (MSA) raised by companies* with at least one Black or African American founder

Just **2.4%** of all VC funding raised by Chicago-based companies went to companies **founded by Black founders** in the last five years—the **fifth highest percentage of any city** in this report.

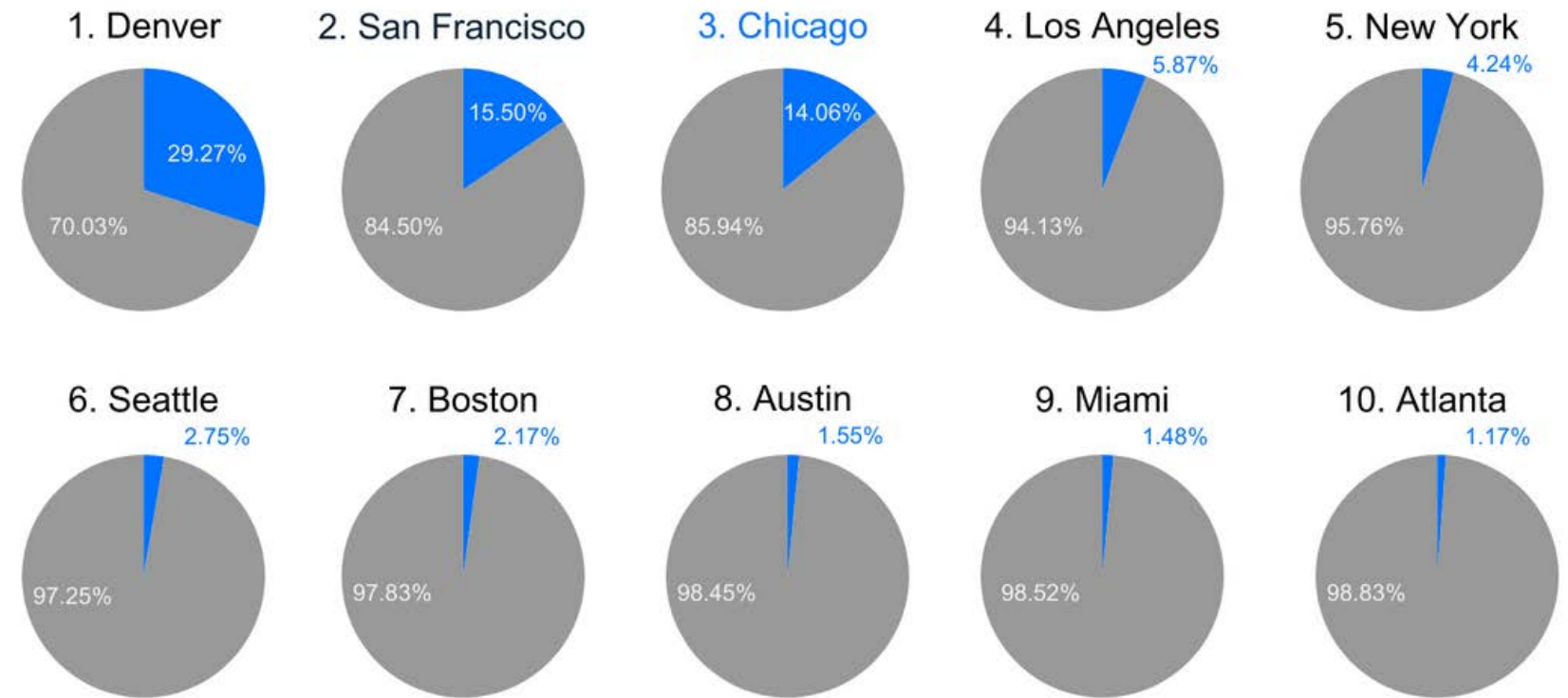


Asian American & Pacific Islander-Founded Companies

14% of VC funding raised by Chicago companies went to AAPI-founded companies

Share of venture capital funding in each metropolitan statistical area (MSA) raised by companies* with at least one Asian American and Pacific Islander (AAPI) founder

14.1% of all VC funding raised by Chicago-based companies went to **companies founded by AAPI founders** in the last five years—the **third highest percentage of any city** in this report.



* Companies founded between 2018-23

■ Companies w/AAPI founders
■ All other companies

Conclusion

Women-founded VC-backed companies are well represented in Chicago relative to other cities, but they are raising a smaller share of VC funding

Chicago is outperforming most cities when it comes to the local share of new companies launched by women and people of color. We have the highest local percentage (36.5%) of new venture-backed companies founded or co-founded by women compared to other cities and the second highest local percentage (24.4%) of new companies founded or co-founded by founders identifying as Black or African American, Latine, and Asian American or Pacific Islander (AAPI).

It is a different story when it comes to funding. For instance, although a higher proportion (36.5%) of Chicago's new VC-backed companies are founded or co-founded by women, these startups are raising a significantly smaller percentage of VC (14.9%) compared to Chicago companies founded by men in the last five years. This tells us that new women-founded companies in Chicago are raising smaller funding rounds (as a share of total local VC funding in Chicago) when compared to women-founded startups in other metro regions. Alternatively, 26.2% of all local VC funding in Austin went to new women-founded startups, placing them behind only Boston, despite the fact that only 25.2% of their new startups have at least one co-founded by women, suggesting that fewer women are raising more capital in that region.

Black-founded VC-backed companies are well represented in Chicago compared to other metro regions, but they are raising a smaller share of VC funding

We see a similar story for new Black-founded companies in Chicago. Despite having the second highest percentage (10.4%) of venture-backed companies founded by Black or African American founders in the last five years relative to other cities, these startups raised just 2.4% of all VC funding allocated to Chicago companies, placing Chicago fifth behind Atlanta (42%), New York (10.6%), Los Angeles (9.4%), and San Francisco (8.1%).

Conclusion

Latine-founded companies are well represented among Chicago's VC-backed startups and they are raising a higher share of VC funding relative to other cities

A bright spot for Chicago is Latine-founded companies, which represented 8.1% of all new venture-backed startups in our region, coming in second to only Miami where 20% of their new VC-backed startups had at least one Latine founder. From a funding perspective, Chicago's Latine-founded companies raised 27.6% of total VC funding allocated to new companies in Chicago, the highest local share compared to other regions included in this analysis.

Women of color continue to be underrepresented among Chicago's new VC-backed companies and they are raising a smaller share of VC funding relative to their counterparts in other cities

Only 22 new companies in Chicago had at least one founder identifying as a woman of color, representing just 7.2% of the city's 307 VC-backed startups founded in the last five years behind San Francisco (11.3%), New York (9.4%), Atlanta (9.3%), Denver (9.1%), and Los Angeles (8.8%). These 22 companies raised just \$166 million (5.7%) of the total \$2.9 billion allocated to all Chicago VC-backed startups founded between 2018-23, underscoring the equity gap facing women of color seeking to start companies and raise venture funding.

Moving the Needle

Comparing how opportunities to launch companies and raise growth capital are distributed on a city-by-city basis is helpful in understanding how Chicago performs relative to other major metro regions. Locally, we see some bright spots as well as room for improvement. Certainly, there are other factors at play that were not included in this analysis, including the population demographics of these 10 regions and the sectors in which their startups are building, which invariably impacts the size of funding rounds.

No matter how we slice the data though, the underlying point is that we still have a long way to go as a city and as a country to improve equity in the VC and startup community. There is no single solution that will solve this problem, but there are strategies that we can collectively undertake to move the needle on racial, ethnic, and gender parity.

Diversify the investor class

Essential to Chicago:Blend's mission is the idea that increasing diversity among check-writers will result in more underrepresented founders raising venture capital, improving their prospects of long-term success in the marketplace. VC is a people business based on loose and often closed networks of investors and data shows that people tend to invest in and do business with others who share similar endowed traits. Fortunately, there are several efforts underway to diversify the VC industry.

For our part, Chicago:Blend hosts a fellowship program to help underrepresented aspiring investors break into VC and we have already helped more than 80% of our program alums land a VC role post-program. Other programs to expand opportunities include the **Illinois Venture Capital Association's** Scholar Program and efforts led by national organizations like **BLCK VC**, **SomosVC**, **All Raise**, **HBCUvc**, and **Venture Forward**. These programs are making a difference and are worthy of continued support and investment by corporate and philanthropic donors.

An aligned strategy involves getting more women and people of color to start angel investing. Even though Chicago has its fair share of high net worth individuals, most of them are not angel investing, choosing instead to invest in less risky asset classes like real estate or private equity. Simply put, angel investing is not core to the culture among Chicago's capital allocators. There are several angel syndicates to help more women and people of color become angel investors, including **VITALIZE Angels**, **The Josephine Collective**, and **Lofty Ventures**, just to name a few.

Moving the Needle

More non-dilutive funding for early-stage founders

Being able to demonstrate traction is often a prerequisite for VC funding, which makes the injection of early-stage non-dilutive funding essential for any new company. In Chicago alone, there are numerous efforts that are tackling this issue head-on such as **TechRise by P33** which, in a few short years, has helped local underrepresented founders secure the capital needed to grow and eventually position themselves for VC funding. Individuals can also make tax-deductible contributions to this initiative, creating a larger pool of available non-dilutive funding for early stage entrepreneurs.

Expand your networks

Institutional investors like venture capitalists are naturally adept at networking. There is no shortage of underrepresented startup founders in Chicago and beyond that are building game-changing companies, but VCs often rely on their existing networks to generate new deal flow. Making a concerted effort to connect with founder communities outside of one's traditional network expands the universe of founders and, thus, the pool of investment opportunities, but it requires intentionality. In Chicago alone, various incubators and founder communities like **1871**, **mHUB**, and **MATTER** have programs specifically designed to bring more overlooked founders into the startup ecosystem. Developing relationships with those innovators presents a fresh source of new deal flow and different perspectives.

Collectively, these strategies have the potential to dramatically change the narrative around how opportunities to launch companies and raise VC are distributed. As we work together to address this diversity gap, it is our hope at Chicago:Blend that, in five more years, these numbers will look very different.

Stay Connected



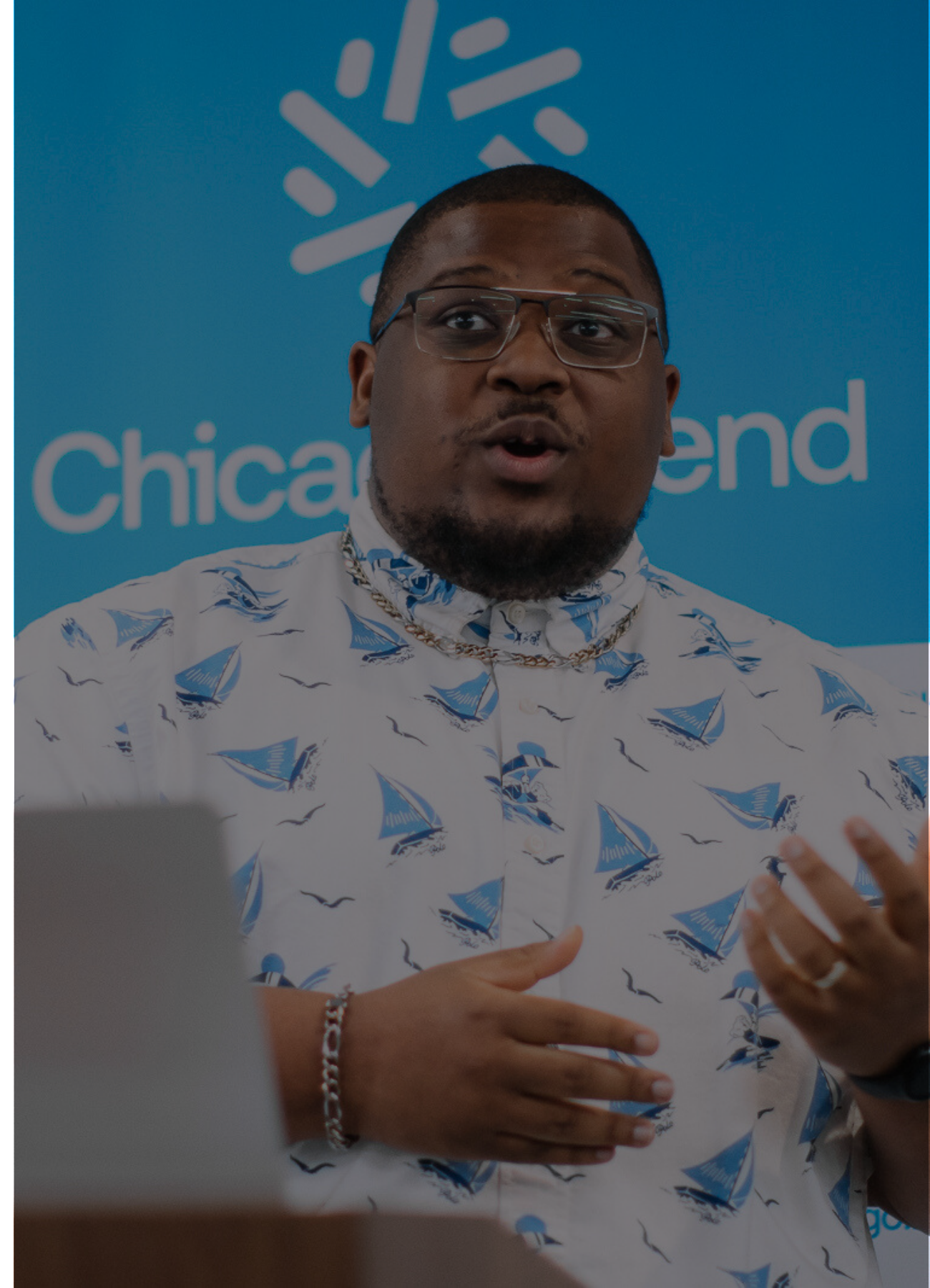
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