

# The Path to Partner: An exploration of women's experiences in the partner-level recruitment process in the German Venture Capital industry

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NEW CHAPTER



THE LONDON SCHOOL  
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## The German Venture Capital (VC) industry shows ongoing gender disparities

In 2019, the International Finance Corporation (IFC) highlighted the global issue of insufficient gender diversity within VC, impacting firms' investment strategies and reducing support for female entrepreneurs<sup>i</sup>. Similarly, the German Private Equity and Venture Capital Association underscores a substantial gender disparity in the country's VC sector, particularly among partner roles<sup>ii</sup>. According to the KfW Development Bank, only 7% of VC decision-making roles in Germany are held by women in 2022, with even greater disparity in the deep

*"[The VC Fund] had a couple of women at the levels below but felt that none of them were ready to move up to a partner stage."*

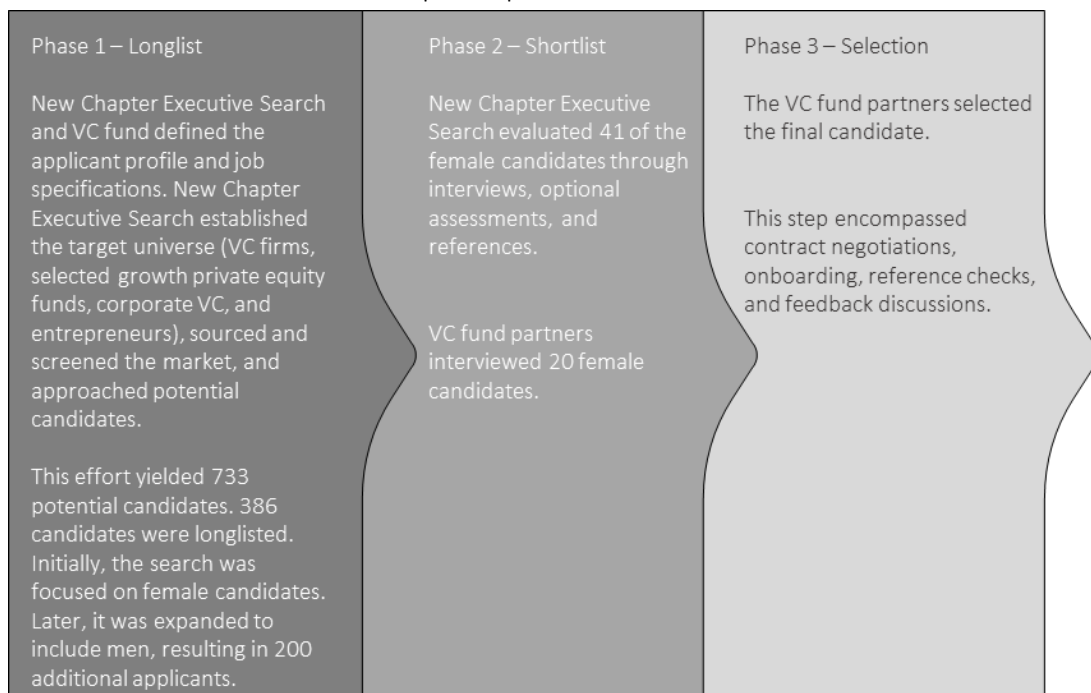
*– Executive Search Professional*

tech-focused domain<sup>iii</sup>. The root causes could include a lack of qualified female candidates in lower-level VC positions, possibly stemming from unequal access to

education<sup>iv</sup>. Further, limited female representation constrains women's progression to partner positions<sup>v</sup>. Consequently, organic promotions are hindered, necessitating the external recruitment of female partners. However, individual, organizational, and industry-level factors may discourage qualified external candidates from joining VC funds. As these factors oftentimes become explicit during recruitment, the initial contact, and interactions with the female candidates are essential mechanisms to ensure more diverse VC leadership. Executive search firms, female candidates, and VC funds themselves can play a crucial role in mitigating these effects and facilitating the recruitment of women to partner positions.

## Gender diversity becomes increasingly relevant for German VC funds

A change in their partner-level structures alongside industry demands for partner-level diversity led the VC Fund to seek a new female partner<sup>vi</sup>. Over four months, New Chapter Executive Search conducted a three-phase process.



## **Executive Search Firms can play a significant role in diversifying the VC industry**

A study conducted by *HR and Organizations* master's students at the London School of Economics and Political Sciences provides evidence that executive search professionals take on an essential role in shaping women's recruitment experiences, affecting their willingness to take on partner roles in VC. Their impact is twofold:

### **Executive search professionals support VC firms in designing an attractive process and generating a suitable candidate pool.**

Executive search professionals, such as New Chapter Executive Search, contribute to diversifying VC firms by designing an attractive recruitment process and providing access to new, sometimes hidden candidate pools. VC firms oftentimes do not have the resources or capabilities to search for candidates beyond their immediate networks which disadvantage women due to their historic industry underrepresentation. Therefore, executive search firms are essential to counter contemporary recruiting trends observable in DAX, MDAX, and SDAX boards benefitting male candidates<sup>vii</sup>. They must ensure that their candidate pool includes equally qualified female candidates who are open to a new position. By exclusively proposing female candidates in an initial search, New Chapter Executive Search actively decreases the hiring firm's opportunities to compare male and female candidates. The research suggests that androcentric job descriptions and ideas of successful VC leadership continuously impact candidate evaluations and consequently hiring decisions. By taking men out of the equation, New Chapter Executive Search facilitates the hiring firm's unbiased evaluation of the presented candidates. Further, they mediate women's

experience of the double bind, allowing them to express themselves more freely without the anticipation of potential backlash<sup>viii</sup>.

### **Executive search professionals coach female candidates, impacting their willingness to join the recruitment process.**

Beyond setting up and guiding the recruitment process, New Chapter Executive Search professionals take an active role in coaching and guiding female candidates through the recruitment process. Through challenging women's internalized stereotypes that may hinder their pursuit of VC leadership opportunities, they nudge women towards applying. Executive search professionals can create an environment that allows women who underestimate their readiness to participate, guiding them toward recognizing their potential. This shows the importance of acknowledging the different experiences women have in the VC industry, due to societal biases and subsequent self-doubt. This way, executive search professionals motivate female candidates to take an active role in shaping their career trajectories. This support is positively evaluated by female candidates, highlighting the necessity of a targeted and tailored approach to recruitment: Generic messages or opportunities not in line with women's fields of expertise are often negatively evaluated, decreasing the chance of successful recruitment.

**Going forward,** New Chapter Executive Search professionals must recognize their own implicitly held biases to benefit the diversification of the VC industry. Given that executive search professionals are susceptible to in-group biases, the number of male executive search professionals in the German recruitment landscape is potentially hindering women's advancement into leadership positions<sup>x</sup>. Smaller, female-led firms or female teams in bigger executive search companies are therefore essential to ensure women are widely included in a firm's top-level recruitment. Similarly, executive search firms should challenge the hiring firm's readiness to recruit a woman, questioning their motivation and biases that may hinder a successful process. This means collaborating with hiring firms to create realistic, inclusive, and attractive positions that reflect women's potential. Specifically, countering biases in candidate profiles and interview questions shaped by current VC partners is essential.

### **VC firms need to demonstrate authentic openness to diverse backgrounds**

Whilst employing an executive search firm is an essential first step to diversification, VC firms define a plethora of organizational conditions that affect women's willingness to join them. Factors such as the organizational culture, the significance assigned to diversity initiatives, and mentoring opportunities can significantly impact women's involvement in VC.

#### **Current industry and organizational powerholders must acknowledge the difficulties women experience when working in male-dominated industries.**

Disregarding the gendered context of VC leadership can hinder women's advancement rather than even the playing field: The partners' focus on general diversity might inadvertently lead to tokenism, where women are included merely to meet diversity quotas. This approach reinforces stereotypes, suggesting that women are interchangeable representatives of diversity, rather than individuals with unique skills and qualifications. To be hired just because I am a woman discourages those female candidates who strive to be selected based on their skills and experience. This may become explicit during interviews, where partners must

refrain from asking gendered questions such as those pertaining to motherhood<sup>x</sup>. Conversely, a clear, and genuine commitment to diversity can enhance women's willingness to join the firm. Such culture includes for example policies that acknowledge the continuous inequalities women face in care responsibilities, allowing women to succeed in their jobs despite the responsibilities they face at home.

#### **A lack of mentoring opportunities hinders women's progression into VC<sup>xi</sup>.**

Navigating male-dominated industries can be daunting, even with many years of successful management experience in relevant industries. By establishing internal and industry-wide mentorship and sponsorship programs, VC firms can take an active role in supporting women in

navigating through the challenges of male-dominated environments. This also provides opportunities for women who do not show the specific credentials oftentimes underlying the job descriptions put forward by VC firms: Organizations must be open to diverse backgrounds beyond the traditional routes, acknowledging women's ongoing underrepresentation in STEM and the

financial industry<sup>xii</sup>. This offers a short-term solution to enable women to break into the industry beyond efforts making these fields more diverse for future generations. Otherwise, VC funds are continuously creating candidate profiles that women are unable to fill – hindering women from applying and succeeding in VC leadership positions.

### **Female candidates affect their own and each other's recruitment experiences**

This research moves beyond the role the executive search firm and the VC fund play in recruitment, emphasizing how female candidates can influence their own experience. Women's individual barriers cancel out the positive effect New Chapter Executive Search and hiring firms can have on recruitment. Female candidates may internalize adverse

*"It wasn't a clear yes: I want this and I'm fully going for it, but there was some doubt in myself. Is this even the right thing for me? Let's use this process to understand if this is what I want to do." – Female Candidate*

connotations associated with the societal perception of women as more risk averse<sup>xiii</sup>. Due to androcentric candidate requirements and behavior expectations, women are at risk of experiencing a level of self-doubt that is harmful to their experience of the recruitment process<sup>xiv</sup>.

Moreover, accomplished female professionals may discourage the entry of women into the field based on their negative experiences<sup>xv</sup>.

It is therefore imperative for female professionals within VC to gain the necessary skills to counter the aforementioned effects. This might be accomplished through networking with other women in VC or related fields, allowing them to gain the confidence necessary to succeed in the various recruitment rounds. Building and investing in mentorship programs can assist other women in navigating the male-dominated culture of the VC environment<sup>xvi</sup>. This will increase the representation of female leaders in partner roles, transforming the industry landscape and fostering personal development for each female applicant<sup>xvii</sup>. The subsequent female leaders can serve as powerful role models to inspire more women to enter STEM fields and the VC industry, creating a self-reinforcing cycle that motivates women to seek out educational and professional opportunities that allow them to develop the necessary skills and expertise.

## In future recruitment efforts ...

### Executive Search Professionals need to ...

- ✓ assess hiring firm's readiness for diverse hiring.
- ✓ collaborate with hiring firms to design processes mindful of women's unique experiences in male-dominated fields prior to the interview stage.
- ✓ discuss the role of gendered questions in recruitment with the hiring firm.
- ✓ coach women throughout the recruitment process, to ensure successful outcomes.

### Hiring firms must ...

- ✓ acknowledge the need for gender diversity, signaling support for women through designated policies and authentic organization-wide culture initiatives.
- ✓ refrain from asking gendered questions during recruitment.
- ✓ establish mentoring programs, supporting women to navigate the male-dominated environments of VC.

### Women can...

- ✓ impact their own recruitment experience through acknowledging and countering internalized biases about their own capabilities.
- ✓ build and invest in female networks and mentorship programs to actively create communities to support each other through career transitions.

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- <sup>ii</sup> German Private Equity and Venture Capital Association (BKV). (2023). A new VC agenda for Germany and Europe. Why we need to mobilize private growth capital and how to do it. [https://www.ie.foundation/content/4-publications/22\\_2146\\_cop\\_ief\\_bvk\\_2023\\_en\\_07\\_online\\_es.pdf](https://www.ie.foundation/content/4-publications/22_2146_cop_ief_bvk_2023_en_07_online_es.pdf)
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- <sup>iv</sup> Diekman, A. B., Weisgram, E. S., & Belanger, A. L. (2015). New routes to recruiting and retaining women in STEM: Policy implications of a communal goal congruity perspective. *Social Issues and Policy Review*, 9(1), 52-88. <https://doi.org/10.1111/sipr.12010>
- <sup>v</sup> Calder-Wang, S., & Gompers, P. A. (2021). And the children shall lead: Gender diversity and performance in venture capital. *Journal of Financial Economics*, 142(1), 1-22. <https://doi.org/10.1016/j.jfineco.2020.06.026>
- <sup>vi</sup> Dous, J. (2023, February 14). VC. People. Insights. Briefly. <https://www.linkedin.com/pulse/briefly-vc-people-insights-newsletter-up-julia-dous/>
- <sup>vii</sup> ALLBRIGHT. (2023). *Frauen finden: Unternehmen setzten auf Headhunter, um mehr Vielfalt in die Vorstände zu bringen*. <https://www.allbright-stiftung.de/headhunter>
- <sup>viii</sup> It is imperative to emphasize that the current study does not primarily focus on this aspect, and any conclusions regarding the effects of recruitment processes exclusively for women require additional research.
- <sup>ix</sup> Siegel, R., König, C. J., & Zobel, Y. (2020). Executive search consultants' biases against women (or men?). *Frontiers in Psychology*, 11, 541766. <https://doi.org/10.3389/fpsyg.2020.541766>
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- <sup>xiii</sup> Ahern, K. R., & Dittmar, A. K. (2012). The changing of the boards: The impact on firm valuation of mandated female board representation. *The Quarterly Journal of Economics*, 127(1), 137-197. <https://doi.org/10.1093/qje/qjr049>
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