

# **Gender Disparity Among Venture-backed Healthcare Companies and Their Investor Base**

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The composition of corporate boards is increasingly being scrutinized to ensure adequate representation of female and non-white board members. Most of the research into board diversity focuses on public companies whose board composition data must be publicly reported and is thus readily available to interested observers. The good news is that increased scrutiny seems to be generating positive signs of progress: for example, among the Russell 3000 index, an equity index which represents about 98% of all US incorporated equity securities, the share of women directors in 2020 was 18.5%, having grown by 4.2% since 2016<sup>1</sup>. After a 2018 California state law was passed requiring a minimum of two women on public company boards, companies in that state added more than 500 women to their boards in 2018 and 2019 combined<sup>2</sup>. This far outpaced placement of female directors in 2016 and 2017, before the passage of the state law, in which a total of 208 positions were filled by female directors over that two-year period<sup>3</sup>. The bad news is that this progress has been less tangible in the private company arena.

This dichotomy is even evident in the same California law which makes a distinction between privately held companies relative to their public counterparts. The law stipulates a phased-in approach that will subsequently target private companies in addition to public companies with requirements that by the end of 2021, boards with six or more members must have at least three women, and boards of five must have at least two.

<sup>1</sup> [https://www.30percentcoalition.org/images/PDF/NON\\_Coalitions\\_Documents/TCB-Corporate-Board-Practices-2020-Edition.pdf](https://www.30percentcoalition.org/images/PDF/NON_Coalitions_Documents/TCB-Corporate-Board-Practices-2020-Edition.pdf)

<sup>2</sup> <https://www.bizjournals.com/sanjose/news/2020/10/14/sb-826-women-boards-impact.html>

<sup>3</sup> <https://www.calpartnersproject.org/claimyourseat>

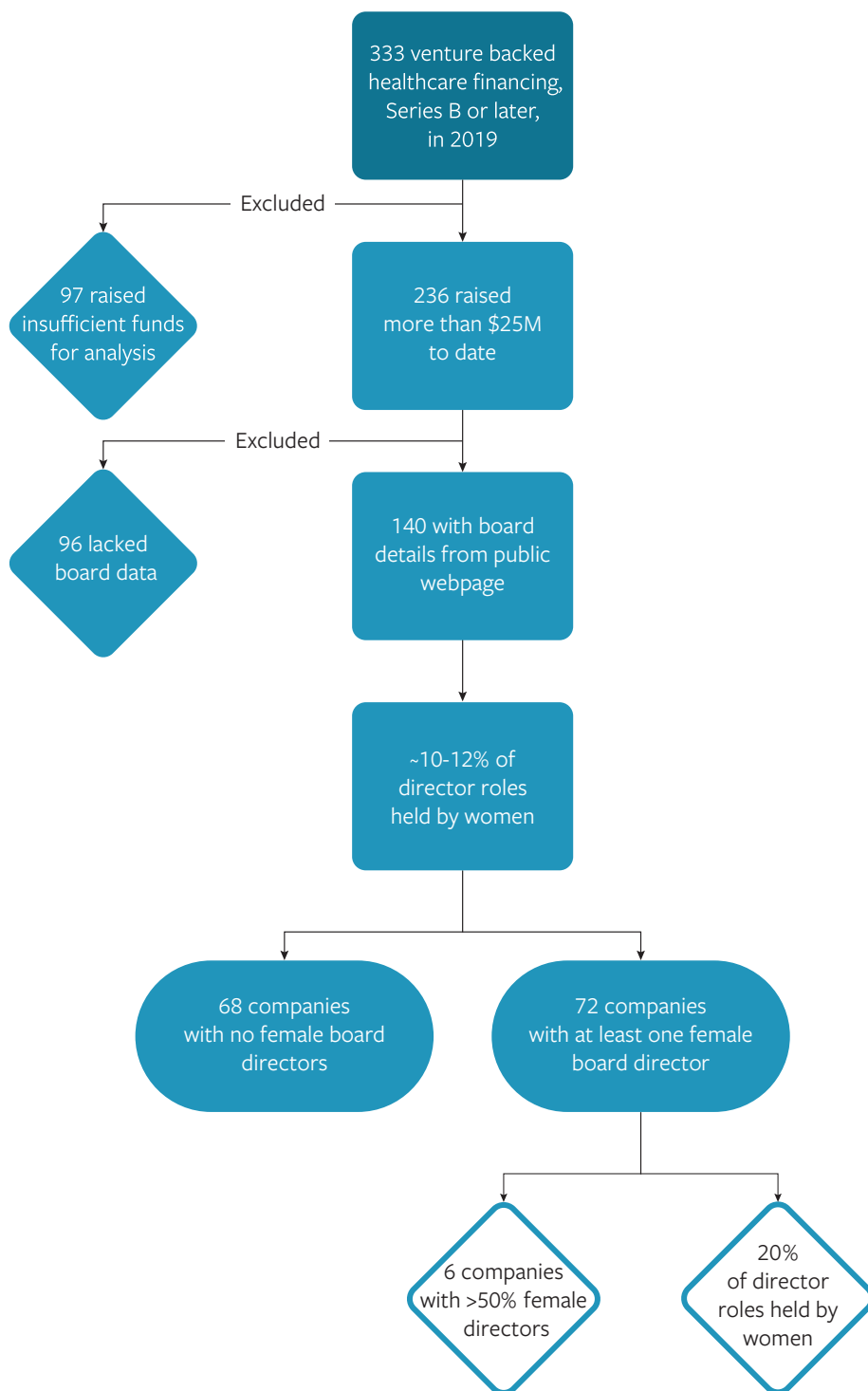
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## Healthcare Company Financings

Given the lack of public data sources on private company board composition, we established a proprietary database of venture-backed healthcare companies that operate in the industry sub-sectors in which the authors' employer, Deerfield Management Company L.P., actively invests: therapeutics, medical devices and diagnostics, and healthcare services and healthcare information technology. Using Pitchbook, a commercially available source of financial data, transaction data was sourced for calendar year 2019 looking at healthcare companies in the above noted sub-sectors at the Series B stage

or later, which resulted in a total of 333 companies. Companies which had raised less than \$25m to date were excluded, as we hypothesized companies below that threshold may not yet have attracted meaningful institutional backing or have a fully mature board of directors, which yielded a total of 236 companies. Using public-facing corporate webpages for these companies, we sought to identify membership and the gender composition of the corporate boards. For avoidance of doubt, this analysis did not contemplate scientific or clinical advisory boards.

## Financing Database Result Set



A total of 96 of the 236 companies who had raised substantial venture financing did not include details of board membership on their corporate webpage. This observation was unexpected, given the original exclusion criteria aimed at narrowing the result set to more mature companies as defined by cumulative dollars invested. It is uncertain whether this lack of transparency might be associated with more or less board diversity, a hypothesis that could not be tested through the data available to the authors. Among the 140 with board composition details, 68 (48.5%) had no female board members. As a result, women make up about 10% of board director roles, from the n=140 result set. When looking at those with at least one female board director, that grows to 20%. We also observe both the average and median board size grow minimally when there is at least one female director, suggesting the addition of female board members is not likely to make the boards lose efficiency due to unwieldy size.

Only six organizations had 50% or more female board membership. The authors applaud those six organizations for their efforts. Additionally, five of those six organizations were helmed by female CEOs at the time of financing.

	Female Board Members (n) (Average/Median)	Female Board Members (%) (Average/Median)	Board Size (Average/Median)
<b>Private Companies With At Least One Female Board Member (n=72)</b>	1.59/1	20%/20%	6.76/7
<b>Private Companies with Identifiable Board Data (n=140)</b>	0.82/1	12.73%/10%	6.12/6
<b>Public Companies, GICS Universe (n=171)</b>	2/2	25.7%/25%	10/9
<b>Public Companies, RBICS Universe (n=977)</b>	2/1	19.5%/20%	8/8

These private companies were also compared to their US-based, publicly traded peers. Private companies were outpaced by both the 171 companies which comprise the Health Care Global Industry Classification Standard<sup>4</sup> (GICS) group, as well as the larger Healthcare Revere Business Industry Classification System<sup>5</sup> (RBICS) group of companies. The RBICS group contains many more small and mid-sized market capitalization companies, as well as pre-commercial companies, than the GICS group. The larger market capitalization companies of the GICS group have improved female

representation among their director roles, with a commensurate growth in board size as well. We note that “better” in this context is only an average and median of two female directors among the GICS group, and thus has considerable headroom for improvement. The RBICS group performs only marginally better than their private peers, despite a larger overall board size.

<sup>4</sup> <https://www.msci.com/gics>

<sup>5</sup> <https://insight.factset.com/resources/factset-revere-business-industry-classifications-datafeed>

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## Healthcare Private Investors

Pitchbook was subsequently used to identify the most active investment firms in the healthcare space in calendar year 2019. We focused on the top 50 investors, based on the number of deals in which they participated. Together, they accounted for 222 non-unique financings (i.e., two or more members from the result set could have participated in the same deal(s)). Among these investment firms, we performed an analogous assessment of gender diversity of their investment professional teams, with a focus on dedicated healthcare investment professionals where possible.

Four of the top 50 were excluded from further analysis because they did not publish information on their investment team on their public facing website. Another two were excluded because they were smaller funds within larger firms already captured in this analysis. Among the remaining 44 with evaluable data, four had no female investment professionals. Overall, the 44 investment firms are represented by ~20% female investment professionals. One firm did achieve gender parity, however, it only has two total investment partners (one

male and one female). Two others achieved >40% female investment professionals (five of 12 and six of 14, respectively).

Importantly, this analysis could not systematically identify senior investment professionals relative to their junior counterparts due to differences in title naming conventions across firms. As such, we would note the 20% number likely overestimates the proportion of senior female investment professionals with board placement discretion among their portfolio companies.

## Call to Action Among Venture Investment Community

Overall, our findings are consistent with other observations that gender diversity is improving but is still far from parity. A 2019 report that looked at private equity and venture capital broadly, agnostic of industry sector, found 70% of senior investment teams to be all male, and only 15% of senior investment teams to be gender balanced<sup>6</sup>. Similarly, another 2019 report found only 13.5% of partners at venture capital firms are female<sup>7</sup>.

Given the outsized role that investors, particularly venture investors, play in early corporate governance and thus board seat allocation and placement, the gender diversity of investment firms cannot be ignored in the context of gender diversity of private company boards. Interestingly, both analyses point to less than 1 in 5 roles at privately backed healthcare company boards and their venture investors as being held by women. Our analysis suggests private company board gender diversity is adversely affected by a corresponding under-representation of female senior investment professionals among the investment firms analyzed. We

are aware of initiatives and due diligence guidelines that call for limited partner investors to look for diversity among both the investment teams they trust their dollars to, as well as the portfolio companies in which they invest. We are encouraged by these signs, and hope these become essential diligence items and not simply “nice to haves” as another means to improve gender diversity throughout the ecosystem.

targeting female scientists to help advance their discoveries to market. For more information, please visit [www.Deerfield.com](http://www.Deerfield.com).

## About Deerfield

Deerfield is an investment management firm committed to advancing healthcare through investment, information and philanthropy. Deerfield has committed to multiple initiatives to improve diversity. Starting in 2015, Deerfield launched its Fellows program, designed to attract students from New York City-area colleges and universities from diverse backgrounds interested in pursuing healthcare or finance fields. In partnership with Oxeon, the Break into the Boardroom program was launched in 2016 to assist senior female healthcare executives with training and guidance intended to help them obtain their first board role. In 2019, Deerfield launched a Women in Science initiative

<sup>6</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/gender+at+ifc/resources/gender-balance-in-emerging-markets](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/gender-balance-in-emerging-markets)

<sup>7</sup> <https://femalefunders.com/women-in-venture/>

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