

Sorry, Facebook and Google, Ellen Pao says startups will fix Silicon Valley's diversity problem

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In 2013, Harry Glaser and Tom O'Neill started hiring for their new company Periscope Data from their professional networks. They knew

they had a problem when "we got up to be four or five white men" in the company, said Glaser, CEO of the data analytics and visualization software firm.

"We want to be part of the solution, not part of the problem in the industry," he said.

So they took a hard look at their company's culture, dialing back alcohol consumption and playing video games at work, moving up a standing meeting to 4 p.m. from 6 p.m. to accommodate people with families and banning the use of terms like "rock star" in job posts. And, in 2016, Glaser joined a new program offered by Project Include to help startup CEOs boost diversity and inclusion.

The nonprofit venture led by diversity advocate Ellen Pao has quickly become one of the most visible efforts in Silicon Valley working to draft more women and underrepresented minorities in an industry dominated by white and Asian men.

Five years after trumpeting plans to remake their workforces, the diversity numbers at major [tech](#) companies from Facebook to Google have barely budged. So Project Include is aiming its interventions at younger, more agile startups, a strategy Pao hopes could reverse decades of discrimination and inequality in tech.

"Bigger companies are really stuck. They embedded all of these biases into all of their operations," Pao told USA TODAY in an exclusive interview. "So we focused on startups because we thought, that's where you are going to see the change. It was clear working with these startups that you can get to a much better place than the big tech companies are today."

The key to the progress startups make at Project Include, says Pao: Buy-

in from the CEOs who treat diversity and inclusion as they would any other business imperative, a "must have," not a "nice to have." Setting objectives and holding people accountable for reaching them sent a clear message to their organizations that this work is a priority, she said.

Over the course of eight months, CEOs huddle privately to have hard conversations about race and gender and get advice on how to make their workplaces more inclusive. They work toward hitting three targets: 10% black, African American and African employees, 10% Hispanic or Latinx employees and 5% non-binary, with the rest of the workforce evenly split between men and women.

Of the 28 companies with more than 25 employees surveyed by Project Include in the last two years, one quarter came close to hitting or exceeded all three targets. On average, half of the startups that went through the program had workforces that were 7% black, 7% Hispanic or Latinx, 46% women and 3% non-binary.

At Periscope Data, 42% of its 162 employees are now women, up from 39% in 2017, and 38% of the executive team is female, up from 25%. It did not make such big strides in every category. Representation of blacks (5%) and Hispanics and Latinx (3%), for example, did not increase significantly.

"We saw that the top startups in our program could get to very high numbers of underrepresented groups in their workforces, so it gives me hope that people can do that across all types of startups and eventually across all of tech," Pao said. "But we are still a long way from getting there."

Growing the ranks of women and other underrepresented groups is a pressing challenge for the tech industry, whose customers are increasingly diverse. Tech companies say they need more workers from

different backgrounds to brainstorm and build better products for a global marketplace. Research shows that companies with diverse workforces fetch better returns.

At the same time, people from underrepresented groups are being excluded from technical and non-technical positions in one of the nation's wealthiest, fastest-growing and highest-paying sectors. Yet the nation's largest tech companies have struggled to make their corporate cultures more welcoming to women and people of color.

HealthSherpa, which helps low-income and uninsured people find, enroll and use health coverage under the Affordable Care Act, worked with Project Include to make sure its workforce more closely mirrored its customers, according to Cat Perez, co-founder and chief product officer.

With 19% of the nation's uninsured coming from Hispanic or Latinx backgrounds, the company increased its ranks of workers who speak Spanish and could connect with this community. Today, 20% of HealthSherpa's 24 full-time employees are Hispanic or Latinx, up from 6% in 2017. Seventeen percent of HealthSherpa employees are black, up from 15%.

"We ended up having higher percentages of underrepresented people than our cohort as well as the tech sector on average," Perez said. "It's obvious for us why we need to focus on this. Just by the nature of the people that we're serving, it's incredibly important."

Pao says any startup should be able to duplicate these results. Ultimately her goal is for startups to reflect the racial makeup of the American workforce, with 13% blacks and 17% Hispanics.

This is the next act for Pao, whose high-profile discrimination case in 2015 against her former venture capital firm Kleiner Perkins Caufield &

Byers put Silicon Valley sexism on trial. Pao lost the case but gained a national platform to call for reform in the tech industry.

The daughter of Chinese immigrants who holds degrees in engineering from Princeton University and law and business from Harvard University, Pao has worn different hats in tech, serving as interim CEO of Reddit and joining forces with tech veterans Freada Kapor Klein and Mitch Kapor who are leading voices in the tech diversity push. She's also drawn the spotlight to the double whammy of race and gender discrimination faced by women of color in tech.

In May 2016, Pao launched Project Include with a group of prominent women tech advocates. Last year, the television rights to her bestselling memoir, "Reset: My Fight for Inclusion and Lasting Change," were picked up by producer Shonda Rhimes and Netflix.

Nationwide, the tech industry is 75% male, 70% white and 20% Asian. In Silicon Valley, tech firms' lack of diversity is magnified. Blacks and Hispanics in the top 75 tech firms make up between 3% and 6% of workers and women of color 1% or less, according to the Equal Employment Opportunity Commission's Diversity in High Tech report.

Tech startups are in the same rut. A recent survey of more than 500 entrepreneurs by venture firm First Round Capital found that some 78% of the startup founders said their organization had no formal plans or policies in place to promote diversity and inclusion and, of those, 15% said they had no plans to institute one. But sentiment may be shifting. The share of entrepreneurs who had adopted formal plans increased to 21% from 17% from the prior year, according to the survey.

In November, Facebook co-founder Dustin Moskovitz encouraged startups to take early steps to fix their diversity problem when he published a Medium post explaining why his workplace productivity

company Asana joined Project Include.

"Many members of the team are from underrepresented groups and they want and deserve to work in an environment where they feel they belong," he wrote. "Additionally, the Asanas who do not have those backgrounds have clearly expressed that they want this kind of environment too (and explicitly do not want to work in a homogenized or 'bro-y' office)."

Research shows that companies with more diverse teams are more innovative, aligning business objectives with social justice, he said. "We're ultimately part of a much larger community and we need to manifest the change we want to see in the world," Moskovitz wrote.

So far, three batches of startups have gone through the Project Include program, which is currently recruiting for its fourth.

Project Include charges the startups, which range in size from 25 to 1,000 employees, thousands of dollars on a sliding scale. The program encourages startups to focus on gender and race at the same time. The more progress companies make, the easier time they will have identifying, hiring and retaining employees from different backgrounds, Pao says. Companies with diverse and inclusive workplace are more attractive to other underrepresented groups, including people with disabilities and military veterans, she says.

For CEOs looking for a quick and easy way to increase diversity, there isn't one. But over the course of the program, Pao says tech leaders gain confidence from each other. They lean on each other and Project Include as they scrutinize their hiring practices and work to make inclusion one of their company values. They talk through the issues they are facing, even the most sensitive, such as the backlash from white employees to diversity efforts in the workplace.

"At the very beginning people were a little more nervous. They were worried about saying the wrong thing or doing the wrong thing and getting attacked for it," Pao said. "That has been the most powerful piece, knowing that other people are struggling with these same issues. It's not that 'I am a bad leader,' or 'I'm behind.' There is no blueprint for solving these issues and everybody's facing these issues," Pao says.

Dan Teran, co-founder and CEO of Managed by Q, says he worked with Project Include to prioritize diversity and inclusion at his workplace management company, which was acquired by WeWork earlier this month.

"I was excited to see that there was a lot of people who were taking what is obviously a challenging and complicated issue really seriously at the executive level at the very early stages of companies," he said.

Before Teran joined the cohort, Managed by Q had 15% underrepresented people of color. After Project Include, it reached 21%—10% Hispanic and 11% African American—out of a workforce of 700.

"There are lots of lead bullets, but no silver bullets. If it were an easy problem to fix, it would be fixed," he said. "I'll be the first to say we are not perfect but it's like anything in life: Habits you form early in the life of a person or a company stick with you."

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