DIVERSIFIED
ISRAELI TECH
INDUSTRY

2021
WOMEN IN STARTUPS REPORT

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Power in Diversity
Women In Startups
Report
January 2022

**DIVERSIFIED
ISRAELI TECH
INDUSTRY**

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Executive Summary

Israeli start-ups have accomplished amazing achievements and positioned our local industry as one of the strongest and most innovative industry in the world. However, while technological capabilities and financial achievements are growing fast, progress toward greater gender, racial, and ethnic diversity is not keeping pace. Start-ups have made some progress with respect to the increase of female representation. There are companies working to increase the number of women in leadership positions and improvements can be seen through the recruitment of more women to technological positions, but the number of women in these roles is still relatively low. There are also significant differences in the pace of progress between diverse demographics. The purpose of this study is to help all relevant players in the industry understand the current statistics in gender diversity, and to emphasize the value and importance of improvement, as well as to recognize companies that have implemented DEI policies as evidenced by their numbers. Power in Diversity is creating a benchmark that will set a diversity standard for the start-up industry and will help companies and investors to see how their own performance compares with that of their competitors, while providing them with access to tools and professional know-how to improve DEI. In the next edition, we hope to include data on minorities, references to people with disabilities and other underrepresented populations within the Israeli ecosystem.

The first edition surveyed 424 startups and 70 VC firms. Although there have been other assessments of diversity in the tech industry, this survey provides a unique perspective by focusing on start-ups, and specifically evaluating VC-backed companies within the tech industry.

Our goal is to collect additional data every time, providing a comprehensive picture that will inspire and motivate entrepreneurs, C-level executives, and investors to follow and bring change.

We believe collaboration is key to bringing change. Israel's ecosystem leaders should unite to promote diversity and inclusion by taking practical steps and giving diversity and inclusion top priority. Positive changes are taking place in the business world. Companies are rated based on their corporate responsibility; impact on the environment, employees, and society. Financial analysis is becoming increasingly influenced by this criteria,forming a set of standards known as ESG.

Power in Diversity develops and implements tools that promote a variety of opinions, skills, and experiences in the venture capital and hi-tech sector of Israel so that new horizons and opportunities are created and are made accessible to individuals and startups alike. Our team works with start-ups to help them understand their needs, strengths, culture, and challenges, so that they are able to successfully integrate employees from a variety of ages, identities, cultures, and socioeconomic backgrounds.

More and more companies are demonstrating great diversity efforts, and we're excited to highlight them. Even so, the average numbers are relatively low, especially since women represent 50% of the population and the range of positions in startups is diverse. There are a number of proven strategies, discussed in this report, which can help accelerate DEI, including increasing the number of women in critical positions, using external recruiting sources, implementing diversity and inclusion strategies in the company, creating an inclusive workplace, and conducting employee surveys to test inclusion in practice and measure the progress and impact.

Key Findings

Gender diversity statistics vary based on the company's size. Small-scale startups have an average of 30.8% female representation (in all positions), while medium-scale startups and large-scale startups have an average of 33% and 36% respectively.

More companies demonstrate diversity in women representation. The 40 companies mentioned in this report have good statistics regarding women's representation in general. Five of them have 50% female representation. Many of them make great efforts to promote women to leadership positions and increase the number of women in technical positions, as evidenced by the numbers.

Women make up only 27% of technical positions (including product roles, R&D, BI, and analytics).

23% of management positions are held by women. Less than one-quarter of executives (including vice presidents and directors) are women.

The health tech industry has the highest percentage of female representation in several areas. More than half of health-tech companies surveyed have at least 45% female representation. In half of the companies we checked, at least 35 percent of management positions are held by women.

14.8% of partners in Israeli venture capital firms are women, according to our research, Out of 195 partners, only 29 are female. In addition, women make up only 9% of the investing partners.

12 percent of tech companies are founded by women. That number has increased significantly over the past two years.

Statistics on gender diversity vary depending on the industry field. Health tech, Biotech, and Medical Devices boast the highest number of female representation. Cyber security, Automotive, Electronics, and Telecommunications have the lowest percentage of female representation, with 27%, 24%, 21%, and 18% respectively.

Why is advancing DEI important to the startup industry?

Israeli start-ups are associated with rapid growth and the ability to recruit a highly talented and skilled workforce.

An Israeli startup aspires to become global from day one. This drive may be considered a good base for Diversity, Equity and Inclusion, but actually, Israeli start-ups tend to be quite homogenous in their recruiting endeavors basing efforts on shared military experience, academic studies etc. Inherent power structures tend to make us think that compatibility and success are the result of talent and ignore the effect of social and cultural status. Therefore, we will see blind-spots. The result is a narrow-minded approach to recruitment based on who shares our cultural fit. These tendencies will eventually result in unintentional and implicit conservatism, one of the key enemies of creativity and innovation.

What is the value of DEI to start-ups? How can adopting a favorable approach to DEI benefit the vision, challenges, and strategy to create the desired DNA and character? Is DEI less relevant to organizations that operate on limited time, high uncertainty, at an extremely fast pace, or with highly talented people?

Adapting and promoting DEI strategies can support startups with their unique needs.

We divide the main reasons in to three key areas:

People & Colture

Business Development

Product Development

1. People & Culture:

A narrow definition of the relevant talent within a startup increases the objective shortage of tech talent. The shortage in technological talent grew from 10,000 engineers in 2017 to 20,000 in 2021.When we expect to recruit a very specific prototype, our talent pool is too small to meet our needs. This narrow prototype also limits the number of people who will choose to join the company. In a market controlled by employees, this approach can turn out to be a major growth barrier.
A culture of DEI increases the feeling of fairness among employees. People seek a culture of inclusion, where their voice is heard and their opinion matters. For that, one must promote a perception of "cultural add" instead of "cultural fit". The desire to find people who will fit in with us must change to a desire to add people who will enrich our culture and disrupt and challenge us as part of the constant need for creativity, agility, and innovation.

2. Business Development:

A wide range of customers requires a business to pay attention to cultural differences and specific needs. A start-up that is attentive to the contribution of an inclusive culture, will reflect the variety of its customers identities in its own workforce. This will bring added value to the company and its ability to attract a diverse client base and growing its business. Companies who have a diverse management team and understand the value of DEI, demonstrate better financial results, are able to add improvements and changes to their product offering, and are more effective at problem solving and critical thinking.

3. Product Development:

Start-ups are also measured by their ability to quickly respond to failure, to update their product as needed and to pivot. Studies shows that market share and profits from innovative products are higher in companies with higher-than-average diversity across the management team. Each of the above is essential for a company to be successful in a crowded marketplace.

Gender Diversity Numbers and Insights

This report aims to assist all the key players in the Israeli ecosystem to understand the numbers and the human capital statistics (gender wise first), and to offer professional insight based on extensive experience with start-ups. This is also a great opportunity to showcase companies that excel in this field and deliver great results.

30.8% Women

Small Companies

33% Women

Mid-rise Companies
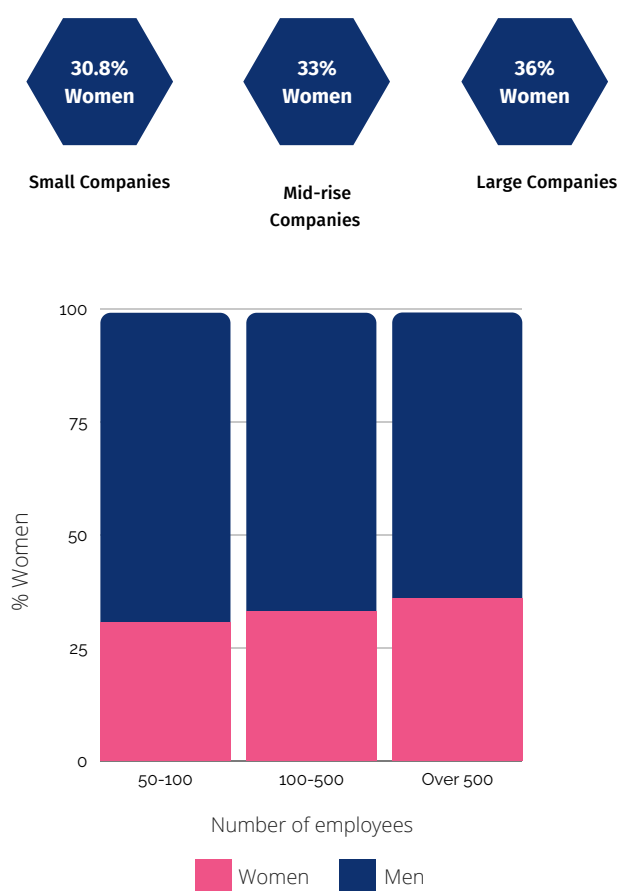
36% Women

Large Companies

Fig 1: Percentage of women by company size

Our survey results indicate that small scale start-ups employ, on average, 30.8% women (in general) while medium scale start-ups and large-scale startups employ on average of 33% and 36% respectively. Female representation in large scale companies is higher, which is not surprising. Having a diverse workforce

can be a challenge for small start-ups. Large scale companies are made up of a wider workforce where it's easier to cultivate a rich mixture of experiences and people. In addition, the larger the company is, the greater the need for more supporting roles such as HR, finance, and legal, and since women hold most of the supporting roles, the number of women grows. Because of these challenges, PID has chosen to monitor small companies which are very important to the eco system, and we hope to provide even more tools to such companies in the future.

Progressive companies should not view diversity as a necessity, but rather as an opportunity to grow and succeed. Employees' diverse backgrounds, cultures, and upbringings provide a strategic advantage. Therefore, a small start-up may seem to be at a disadvantage. To make matters worse, many small start-ups hire people they like and who are like them. This becomes even more challenging when drawing from an applicant pool that is fairly homogenous and relying on a personal network for candidates.

It is important to examine the profiles of different women. To look at the age differences, intersectional identities, and off course how many of them are engineers, software developers and senior management. According to the Council for Higher Education, the number of female students studying computer science increased from 2,600 to 5,600 in the last decade, reaching 34% today. In engineering studies, the number of graduates increased from 8600 to 10400, a moderate rise, especially in light of the recent glowing and positive discourse

on the high-tech industry. Despite this data indicating some progress, our research shows that women are underrepresented in development and technological roles in startups. Women make up only 27% of the tech positions among startups surveyed.

WOMEN MAKE UP

27%

OF TECHNOLOGICAL POSITIONS

Women in Management Positions

While looking at statistics on women in start-ups, it is important to look at the number of women in leadership positions. Women hold 23% of management positions in startups.
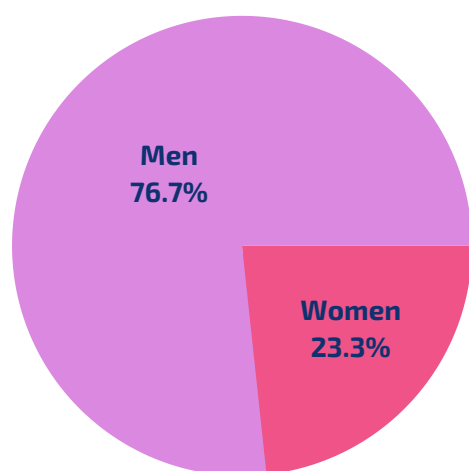

Fig 2: Percentage of women in Managment Positions

This includes management positions in HR, finance and legal, positions which are often held by women. When comparing the number of women in the ecosystem to the number of women in management positions, one must question the source of this gap is. As always, implicit bias tends to perform a significant role, when managers duplicate themselves as well as the common prototype. But also, as long as view women as the main care takers of the family, we will expect them to be less committed or neglect to create organizational structures that will fit the lives of working parents.

WOMEN HOLD ONLY

23.4%

OF MANAGEMENT POSITIONS

Numbers show greater financial results and increased innovation in companies with higher numbers of female managers. Additionally, a recent study found that companies with 30% or more women on the executive team performs significantly better than companies with 10-30% women. Consequently, companies with at least some female executives tend to outperform those with no female executives (McKinsey, 2021). This fact is not surprising. Numerous studies have shown that gender diversity in leadership roles enhances work outcomes. The reality, however, is still far behind. Women in leadership positions directly lead to more women in the organization. If a company wishes to benefit from having a diverse management team, it must be sure to remove the barriers preventing talented females from rising to senior positions, to increase the talent pipeline, improve HR practices, and raise awareness of inherent biases. Workplace flexibility needs to be developed, an inclusive organization culture should be created, role models should be increased inside the company, and they should put their mind and effort into it.

Women in VC

Venture Capital has played a vital role in advancing Israel's innovation globally over the past decades. Aiding entrepreneurs to establish life-changing products and building companies that will lead the tech industry and shape its future.

While venture capital has spurred advances in the last decades, the industry workforce is fairly homogenous. Becoming successful in venture capital can take years as companies growth can be a long process. Industry newcomers may face real challenges and barriers as a result of this. Putting the financial risks aside, the senior investment positions at venture capital firms tend to be stable and turnover is relatively low. VC has also traditionally been a business of apprenticeships, relying on existing networks and pattern matching.

9%

WOMEN INVESTING PARTNERS

Among the 70 VCs included

Only 9% of the investing partners are women. Women make up less than a quarter of the partners, which has an impact on other aspects such as the amount of investment in female founders and their ability to raise funding.

14.8%

WOMEN PARTNERS

ONLY 29 FEMALE PARTNERS OUT OF 195 PARTNERS

Our study shows that among Israeli venture capital firms, only 14.8% of partners are women. Although the number has grown by 3% in 2020, if the main role and source of power of VCs is investments, the key number to look at is the % of female investors. Despite the fast grows in investments in 2021, this percentage hardly improved.

12%

OF TECH COMPANIES' FOUNDERS ARE WOMEN
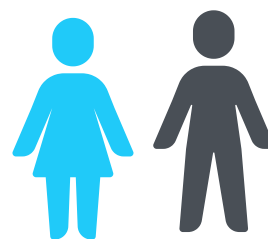
Best Women Representation
Top Companies

LARGE COMPANIES
500 EMPLOYEES
AND MORE

1. verbit
2. YOTPO.
3. eToro
4. BlueVine
5. AppsFlyer
6. GONG
7. SISENSE
8. tipalti
9. ARMIS
10. cybereason

MID-SIZE COMPANIES
100-500 EMPLOYEES

1. zencity
2. duda
3. papayaglobal
4. minute media
5. TAILOR BRANDS
6. melio
7. bob
8. ever
9. snappy
10. optimove

SMALL COMPANIES
50-100 EMPLOYEES

1. Darrow
2. 4M Analytics
3. Dot Compliance
4. Talenya
5. TIPA
6. PLANCK
7. anecdotes
8. PayEm
9. H₂PRO
10. plainID

* Excluding Health–tech companies.

tipalti

minute media

PLANCK

Best Performance:
Women in R&D

With 50% (Tipalti), 48% (Minute Media), and 44% (Planck) women work in R&D, Product, BI, and Analytics positions..

Darrow

papayaglobal
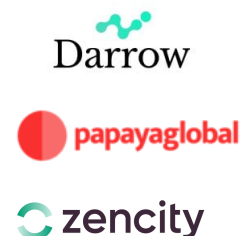
zencity

Best Performance:
Women in Management

With 50% (Darrow), 48% (Papaya Global), and 47% (Zencity) women in management positions (C-level, VP, Directors)

*Related to the companies listed above

Best Women Representation Health-Tech Companies

1	♥ HelloHeart
2	CATHWORKS
3	aidoc.
4	Y immunai
5	INSIGHTEC
6	MDCLONE
7	Medisafe
8	TAILORMED
9	EarlySense
10	DAY TWO

Our research found that health tech industry has the highest percentage of women in several areas. More than half of the health tech companies we surveyed employ 45 percent or more women. Companies at the top of the list employ 50 percent or more women, and 35 percent of executive positions are filled by women. Pharmaceutical and medical device manufacturers, digital health, service providers are all part of the health technology sector.

In this market, women are the primary consumers and decision-makers. In addition, the number of female students pursuing related technical degrees is higher than in other engineering fields.

About 60 percent of health tech companies we surveyed employ at least

45%
Women

And

35%
Women in executive positions
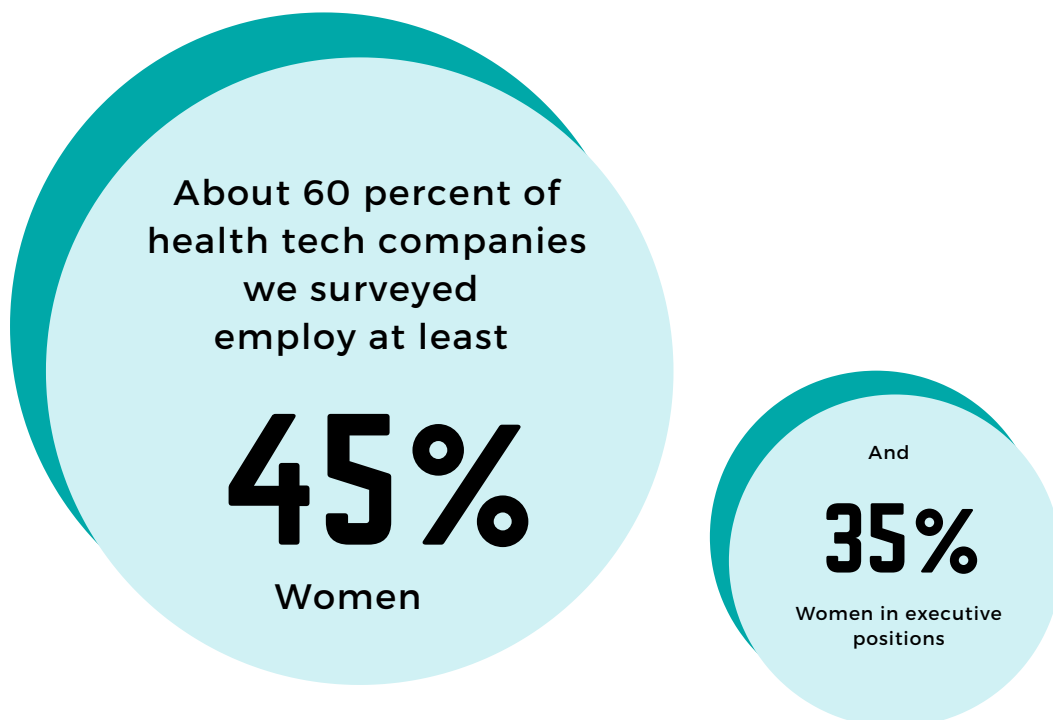
The industries with the lower representation of women are Cyber security, Automotive, Electronics (Semiconductors and electrical manufacturing), and Telecommunications.
This can be explained by the number of women studying engineering from high school to the university. The number of qualified employees and students studying related fields definitely plays a role.

When compared to the number of women who graduate STEM degrees, the numbers drop 5%-10% between graduating academic studies and entering the industry. In STEM studies, 23% of women take mathematics, biology, and biotechnology courses, compared with 6% of men. Men tend to study engineering professions (Israeli Bureau of Statistics 2020).

Women's higher numbers in biotechnology and health start-ups may be explained partially by these factors, but they are not the only factors at play.

Founders, investors, and culture of the companies should also be considered, along with the topics they focus. There is definitely a model here for other industries to follow.
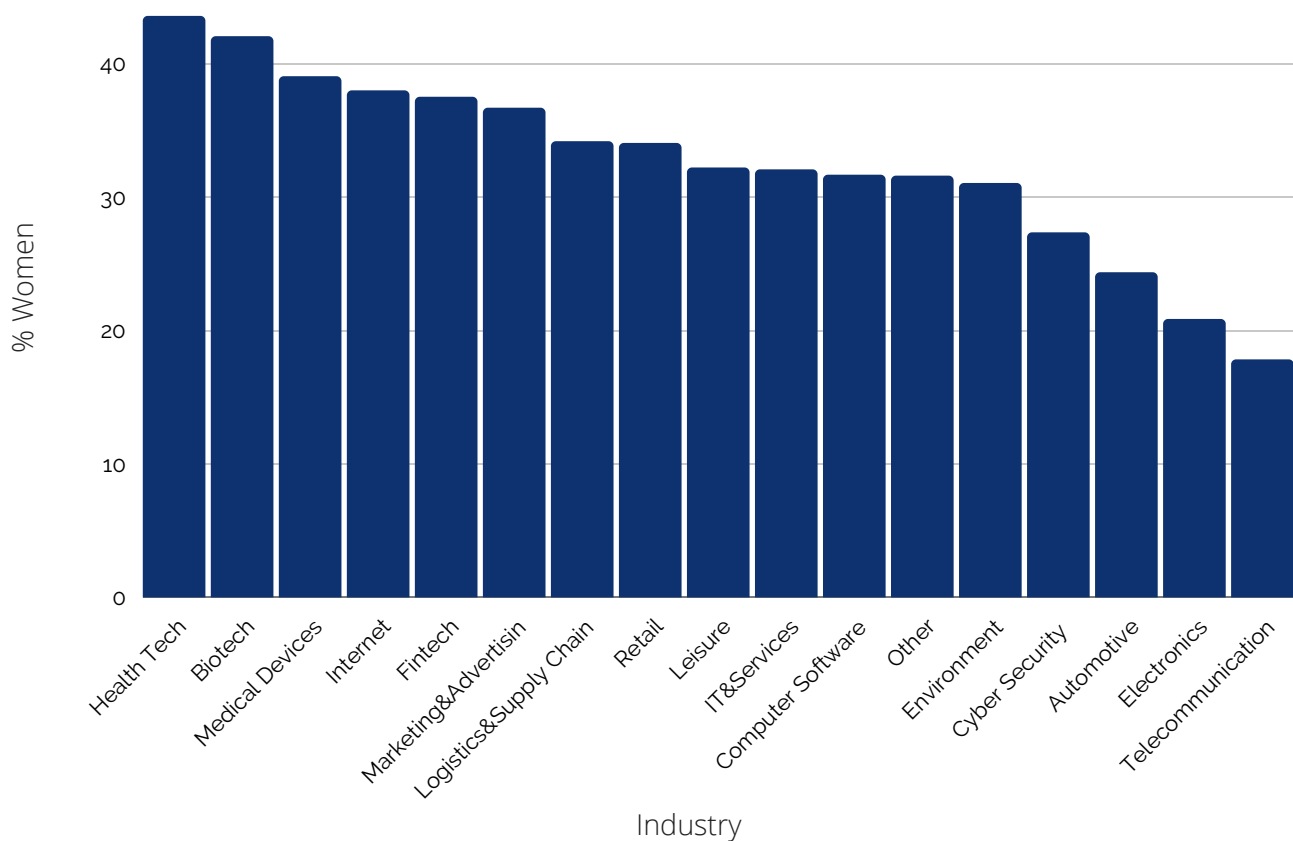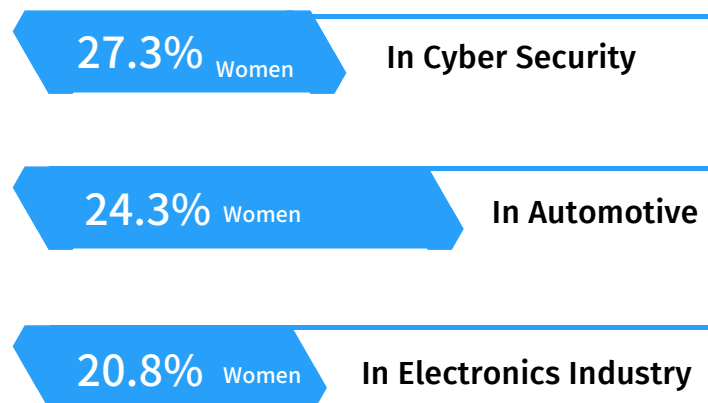
27.3% Women — **In Cyber Security**

24.3% Women — **In Automotive**

20.8% Women — **In Electronics Industry**

Fig 3: Percentage of women by industry

Successfully Promoting Diversity Equity & Inclusion

One of the best ways to promote an open-minded, global company culture is by promoting inclusiveness and diversity. In addition to improving your company's ability to understand colleagues, clients, and customers around the world, this makes the workplace a more stimulating and enjoyable environment, improves your product and market fit, and increases company profits. To promote DEI successfully in startups we should ask 3 questions:

1. Can startups incorporate diverse identities and diverse needs?

2. Can we start with diverse recruiting? Is it possible to promote diversity without creating a thorough foundation of equity and inclusion?

3. What are the benefits & values we can gain from it?

Fast pace, aggressive objectives, and the narrative of living on limited time can all act as barriers to DEI. But if we focus on other start-up qualities such as agility, facing huge challenges and working at rapid pace, then we can see how this can translate to quick processes and a clear understanding of the benefits of DEI. What we need to do is adapt the nature of the processes to the character of the company following the elements highlighted below:

1. Identify the company's needs, goals, pain points, and main mission of the three main pillars: people & culture; business; product

2. Do you suffer from an acute shortage of employees? Are you having problems recruiting? Do you experience high turnover and spend a great deal of energy replacing talent? Do you plan to expand fast? Therefore, how have you invested in inclusive diverse recruiting?

3. Acute problems in product development and engaging new markets may stem from a lack of diverse perceptions and experiences. This shortage might be challenged or solved with out-of-the-box thinking activated by diverse life experiences, diverse talents, and an increase in cultural diversity.

4. Check your inner interactions. Are your marketing and sales strategies struggling? Are there gaps between management R&D and sales? DEI strategies are also designed to solve those gaps.

Based on these pillars, we can define the foundations of the process, connect pain points, challenges, goals and what identify the benefit DEI will create in terms of real interest in the process and substantial results.

The VC industry's contribution to success

Increasing the number of female investors, partners and professionals in VCs might lead to the desired increase in the number of investments in female led start-ups. We hope that investors will overcome implicit bias, but the actual presence and leadership of women in investment processes will also move the needle and create (a sometimes unconscious) change in the way men view female led start-ups. The reason for low % of investments in female led start-ups is not just their small actual number but is also the result of implicit bias and our tendency to choose those who resembles us. More women in investment positions also improve the pipeline of women entrepreneurs, as they will be more inspired and motivated.

For the industry to reach its full potential and keep leading as the Israeli start-up nation, it is essential that we step up our workplace diversity. The VCs responsibilities go far beyond providing returns to investors. VCs create value for job markets, entrepreneurs, and society as a whole through business innovation. Eventually it's a win-win situation. The firms will be able to improve their deal sourcing and talent recruitment.

Significant change will not happen without a declared decision and a strategic structured methodology. If we want to set goals, we can look at US VC based numbers for some inspiration as they show steady progress in increasing gender diversity. (Deloitte 2021, VC Human Capital Survey Third edition)

These numbers are the result of strategic goal setting and attention to market needs. Without it, we won't be able to move the needle. Additionally, the companies will be better placed to attract underrepresented talent and be a more attractive place to work. Thus, they can be much more appealing to their portfolio companies and maintain their competitive advantage by offering a wide range of solutions and demonstrating higher creativity on a daily basis.

What can the funds do?

The VC Funds should understand where they want to stand on the DEI map. They should formulate policies, collect data, and take concrete steps toward overcoming barriers inside and at their portfolio companies and assess progress continuously. They should hire more women in influential investment positions, measure their talent pipelines and the diversity of their portfolio companies, offer consulting services and resources for under-representing entrepreneurs, and they should not be afraid to confront this issue and ask the right questions.
The global industry is moving rapidly to adopt this standard, which has a major impact on the global economy as a whole, and we cannot fall behind.

Information and Sources

The Women in Start-up report, powered by Power in Diversity is a result of a large data collection and long analysis process that constitutes PID's first step toward DEI industry measurement, ultimately leading to an industry benchmark. It focuses on women employees in general, women in management positions, investors, and founders in the Israeli start-up ecosystem.

A survey was distributed to dozens of backed VC companies asking them to participate and provide their human capital numbers. They were asked to complete the assessment through a web-based survey and send us the results. We collected data that we didn't have the option to get voluntarily by combining a special algorithm with several information systems used in the venture capital industry and through online platforms and confirmed the data that was send to us from the companies in the same way. Several funds had a representative complete the survey, providing information on their portfolio companies. We also collected data about the company's talent management, employees from the Arab sector, Haredim employees, people with disabilities (as is common knowledge), people from the Ethiopian community, and any underrepresented populations in the Israeli ecosystem.

The 424 start-ups included met the following criteria: an active, private, venture-backed company with significant activity in Israel. Each company has at least 50 employees and raised at least 1 million $ in funding. The companies on our list had to validate our data and provide additional information about their diversity policies.

The survey was conducted from October 1 to December 30, 2021.

Additionally, the survey collected gender data on women in the Israeli VC industry including 70 funds, using public data that was authorized by the funds.
The survey sample is representative of the start-up industry. The margin of error we sought corresponds to 5% for data collected by our algorithm, compared to the companies' reports, and to 1.1% for questions regarding VC human capital answered by the funds' representatives.

In this report, some survey results are analyzed by size of companies, based on the following definitions:

• Small companies (50 to 100 employees)

• Mid-size companies (100 to 500 employees)

• Large companies (500 employees or more)

To increase industry measurement and our ability to offer PID tools to any industry contributor who is willing to take a step towards greater success and a more diverse company, we highly recommend you consult the relevant factor in your company and complete our survey or contact us to provide us with relevant data and tell us about your efforts in promoting DEI in the Israeli workplace.

Summary

The first edition of PID's diversity report discusses gender diversity in the start-up industry. There has been significant progress in promoting diversity and inclusion within these companies. Many of them recognize the importance of gender diversity and its contribution to the company's success. There has been an increase in the recruitment of women to the tech industry in general , and in the recruitment of women to management and technological positions in particular.

Several companies present impressive statistics on gender equality, reflecting current statistics in society. Some have stepped up their efforts and implemented great initiatives to increase the pipeline and support recruitment of women to technological roles and management positions. Others have adopted organizational cultures that embrace acceptance of women in the workplace, specifically within management and tech positions, and adjust work conditions to the reality of our current lives. However, there is still room for a great deal of improvement with much that can still be done. The companies that still have low statistics on female representation need to focus on identifying the needs of their organization and establishing a culture of belonging and inclusion, as well as investing resources in the expansion of the pool of candidates available to support a diverse employee population.

There is no doubt that the low percentage of women in technology positions is caused by several factors, some of which are independent of the ecosystem and the high-tech industry and require changes at different levels. However, the fact that forty of the companies we profiled in the report (and dozens more) have developed an organizational culture that promotes acceptance, inclusion, and diversity which has achieved proven results and good statistics, indicates that it can be done.

With women making up less than a quarter of the top management positions, and the leading positions in the company filled by a specific profile, it is a lot harder to promote an inclusive perspective for these leadership roles among under-represented groups, particularly women. Promoting women to managerial positions will naturally lead to more women in all positions within an organization, to different and diverse opinions within the company, and hopefully to a cultural mind shift of accepting difference regardless of sector, gender, age, or external appearance.

We also discussed the number of women in the venture capital industry in this report. It covers both the number of women investors as well as the number of women partners. It was our hypothesis that the low number of women founding tech companies in the industry was correlated with the low number of women working in key roles in venture capital funds, and an increase in female venture capitalists would certainly help female entrepreneurs.

In terms of representation of different groups, such as Arabs, Ultraorthodox, Ethiopian, and people with disabilities, we are far behind and have much more to do. To make things happen, there is a lot of work and deep professional processes that must be implemented. but we at PID believe that once an organization embraces the difference and takes action, it does not matter who you are, but what you bring with you to the table.

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ABOUT POWER IN DIVERSITY

Power in Diversity Israel is a joint venture of over 60 Israeli VC firms and over 170 Israeli start-ups, coming together to promote diversity and inclusion in the Israeli tech industry.

We believe that diversity is one of the key elements for innovation and ingenuity. For Israel to continue to serve as an international model for innovation, it is essential that the members of the Israeli tech industry reflect the diverse world we live in. As we increase diversity within our community, our companies – and society as a whole – we will achieve greater success.

Learn more and join us here.