

# Investments in Black, Latino, and Women Founded Companies in Chicago's Startup Ecosystem

A view of the share of growth capital being raised by startups founded by underrepresented founders, including opportunities, strengths, and weaknesses.



In partnership with:



# Table of Contents



<b>03</b>	Executive Summary
<b>04</b>	Background
<b>05</b>	Black Founders
<b>07</b>	Hispanic or Latino Founders
<b>09</b>	Women Founders
<b>11</b>	Investors
<b>12</b>	Findings
<b>13</b>	Methodology
<b>14</b>	Resources

# Executive Summary



Black, Hispanic or Latino, and women-identifying startup founders raise a smaller share of venture capital and private equity funding than their White or non-woman peers. This is a well-known fact within the startup ecosystem, and is true both in Chicago and across the nation: since 2019, these underrepresented founders in Chicago captured just **10.2%** of all venture capital deployed.

However, progress is being made, in no small part to the supportive ecosystem built by change-makers in Chicago's venture capital and startup universe. **Between 2019 and 2021, the amount of venture capital raised by these underrepresented founders increased to \$601M (159%), with \$575M raised so far in the first half of 2022.** By comparison, total venture capital raised increased by 136%\* between 2019 and 2021.

In this edition of the Chicago Business Bulletin, the **Research Center at World Business Chicago, in partnership with Chicago:Blend and Fifth Star Funds**, looks into the performance of startups founded by historically underrepresented populations. This analysis establishes a baseline, filling a knowledge gap for the Chicago startup ecosystem by using deal database data to identify a fuller range of venture capital deployed to Black, Hispanic or Latino, and women founders.

## Findings:

- We used a thoughtful research methodology to establish a baseline for Black, Hispanic or Latino, and women founded startups. However, we raise a call to action to investment databases and ecosystem entities for better data collection, especially for pre-venture capital deals and founders from marginalized populations not studied in this report.
- In 2022, the proportion of startups involving women, Hispanic or Latino, and Black founders that raised any amount of venture capital rose to 23.3%, up from 8.2% in 2019. **Despite the broader slowdown in venture capital activity, these founders have raised almost as much in 2022 as they raised in all of 2021.**
- **Compared to other top startup ecosystems, Chicago has a higher share of startups with a Black or Hispanic or Latino founder participating in venture capital deals.** Since 2019, 5.1% of companies participating in a venture capital deal had a Black or Latino founder, compared to 2.5% nationally.
- Median deal size for Black founded startups is larger than that of all startups raising venture capital in Chicago. On the flip side, the amount of venture capital raised by Hispanic or Latino founded startups is largely driven by two large, late-stage deals.
- Only ten private equity deals have involved Black, Hispanic or Latino, or woman founded companies from 2019 through 2022, representing less than 1% of all private equity invested in Chicago companies in that timeframe.
- Chicago's Black, Hispanic or Latino, and women entrepreneurs are launching their own funds that have equity-focused investment theses.

## Fact Sheet:

 There are nearly **70** Black and Hispanic or Latino founded startups in Chicago, which have captured **2.7%** of all venture capital raised in 2021\* and **13.3%** raised so far in 2022.

 There are over **350** women founded startups in Chicago, which captured **6.4%** of all venture capital raised in 2021\* and **10.5%** raised so far in 2022.

 Since 2019, **32.6%** of all investors involved in venture capital deals in Chicago invested in Black, Hispanic or Latino, or women founded startups.

\*All venture capital raised in 2021 excludes one outlier mega-deal of \$5.2B.

# Background



## This analysis builds on existing research, and offers a more complete picture of Chicago's venture capital-backed startup landscape.

Existing research suggests that nationally, Black, Hispanic or Latino, and women founded startups each capture 1% of venture capital funds distributed annually. This disparity is a well-known problem, and thought leaders nationwide continue to invest in making the startup ecosystem more accessible and equitable.

At the core of making change is understanding the data. Deal databases like Pitchbook and Crunchbase are the most prominent data sources for deal activity by underrepresented founders, but generally publish insights on the national landscape with limited metro area detail. In Chicago, **ChicagoBlend's 2022 Startup Diversity Survey** offers a snapshot of 77 respondents, where 39% of founders identified as non-White or non-men. On the investor side, its 2021 *VC Diversity Survey* finds that 22% of 771 venture firm employee respondents identify as non-White, and 34% as women.

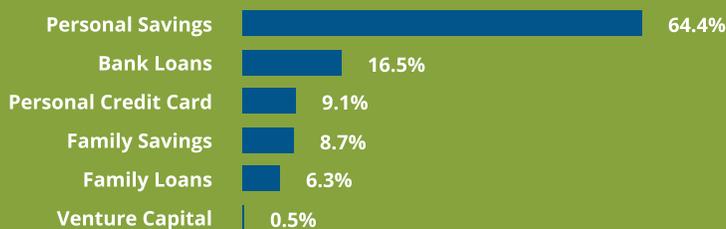
In this analysis, we address a gap in understanding the diversity of Chicago's startup ecosystem through non-survey data. Specifically, we use Crunchbase's *Diversity Spotlight*, a crowdsourced dataset of over 27,000 startups nationwide. While this is the most complete list of startups with underrepresented leaders and founders available, we note limitations with this methodology — see more on page 13. For example, Crunchbase does not currently offer Diversity Spotlights for all marginalized populations, including LGBTQ+ founders or founders with disabilities. Additionally, limited data in the Diversity Spotlight dataset prevents us from comprehensively analyzing access to venture capital by Asian, Native American, and Middle Eastern founders.

## Underrepresented entrepreneurs outside of the venture capital ecosystem also face barriers to accessing capital.

This analysis is intentionally narrow in scope, offering insights only on underrepresented founders raising venture capital in Chicago's startup ecosystem. However, just 0.5% of entrepreneurs report accessing venture capital to start up. Most entrepreneurs are self- or debt-financed.

### Top sources of startup capital

By percentage of all entrepreneurs reporting using each source



Difficulty accessing capital disproportionately affects non-White entrepreneurs; for example, over 1 in 5 Black entrepreneurs reported that the lack of access to capital affected profitability. Difficulty accessing capital correlates to lower rates of business ownership: nationally, just 18.7% of businesses nationwide are minority-owned. In Chicago, just over 2,100 businesses have sought *diverse certification* status, despite there being nearly 140,000 businesses in Cook County.

Sources: Accenture; Ewing Marion Kauffman Foundation · U.S. Census Bureau Annual Business Survey (2020) · City of Chicago MWDBE Firm Database · U.S. BLS QCEW

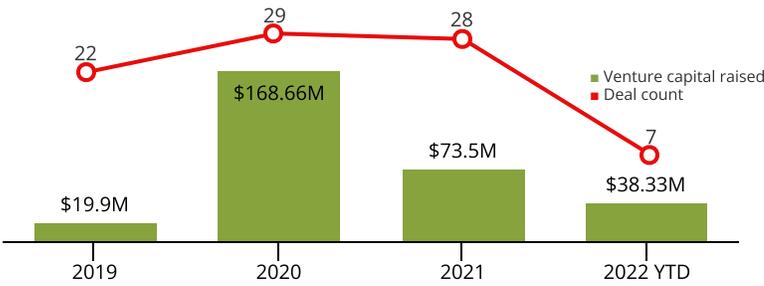
# Black Founders



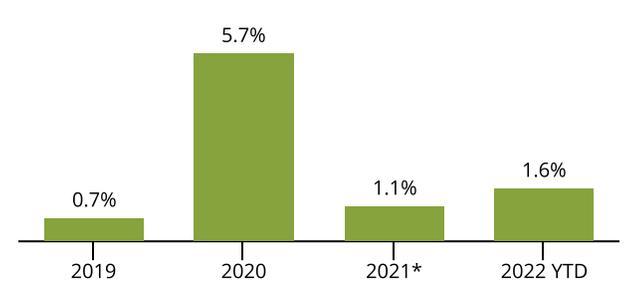
## Over the last three-and-a-half years, Chicago has seen inconsistent growth in its venture capital ecosystem for Black entrepreneurs.

The percent of total venture capital invested in Chicago's Black founded companies has varied significantly between 2019 and 2022. In 2019, only 0.7% of all venture capital in Chicago was invested in companies with Black founders, rising to 1.6% in 2022. Just three Black founded startups have had venture capital deals exceeding \$10M since 2019, including Zing Health, Rheaply, and CancerIQ. Zing Health's \$150M venture capital investment in 2020 resulted in an over-performance of the share of venture capital captured by Black founders that year.

Venture capital raised and deal count for companies with a Black founder, 2019 - Q2 2022



Share of total venture capital raised by startups with a Black founder, 2019 - Q2 2022

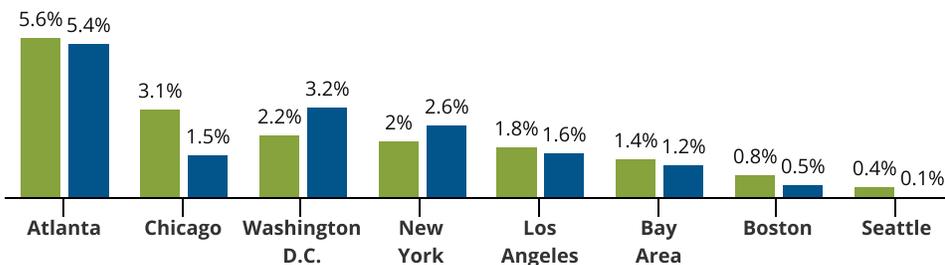


\*All venture capital raised in 2021 excludes one outlier mega-deal of \$5.2B.

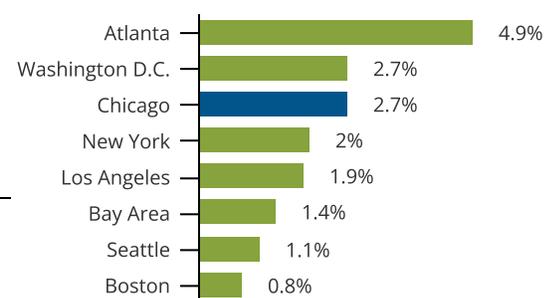
## However, Chicago still leads among peer startup ecosystems.

When these three-and-a-half years are aggregated, **Chicago is second only to Atlanta in terms of the share of startups receiving any amount of venture capital funding that have a Black founder (3.1%)**. However, Chicago falls behind Atlanta, Washington D.C., New York, and Los Angeles for the total share of venture capital funding captured by Black founded companies (1.5%). This pattern holds true in the first half of 2022; while Chicago's Black founded startups didn't participate in mega-deals that would skew the share of capital raised (like one \$325M deal in Washington D.C.), a greater share of entrepreneurs are participating in the venture capital ecosystem.

Share of venture capital raised by companies with a Black founder, 2019 - Q2 2022



Share of companies raising any amount of venture capital with a Black founders, Q1 & Q2 2022



● Share of companies raising venture capital ● Share of venture capital raised

Sources: PitchBook Data, Inc. • Crunchbase

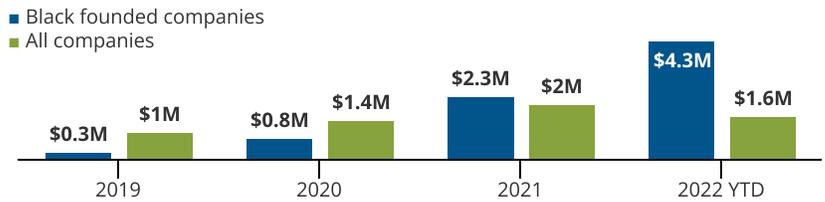
# Black Founders



## The median venture capital deal size involving Black founded startups is now larger than for all Chicago startups.

In the first half of 2022, the median venture capital deal size for Black founded companies in Chicago was \$4.3M, while the median deal size for all Chicago startups was \$1.6M — although we note that there have only been seven deals year to date.

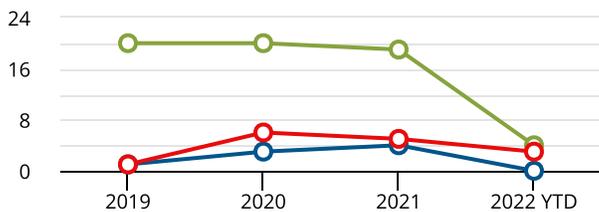
Median venture capital deal size for Chicago startups, 2019 - Q2 2022



## In 2021, there were more early stage deals, although venture capital funding across all stages has cooled in 2022.

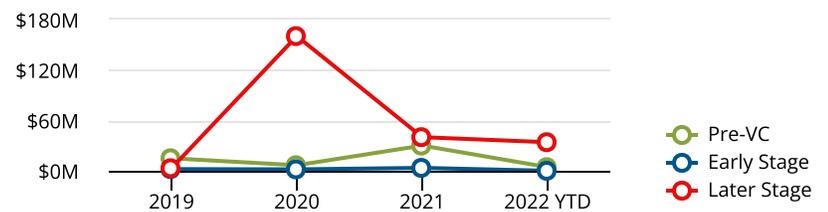
Both early stage and pre-venture capital investments grew substantially in 2021, paralleling programmatic efforts to develop Black founders within Chicago's ecosystem.

Venture capital deal count by stage, 2019 - Q2 2022



Deal Count	Pre-VC	Early Stage	Later Stage
2019	20	1	1
2020	20	3	6
2021	19	4	5
2022 YTD	4	0	3

Venture capital raised by stage, 2019 - Q2 2022



VC Raised	Pre-VC	Early Stage	Later Stage
2019	\$14.9M	\$2.0M	\$3.0M
2020	\$6.6M	\$1.7M	\$160.4M
2021	\$30.0M	\$3.5M	\$40.0M
2022 YTD	\$4.3M	\$0	\$34.0M

Sources: PitchBook Data, Inc. • Crunchbase

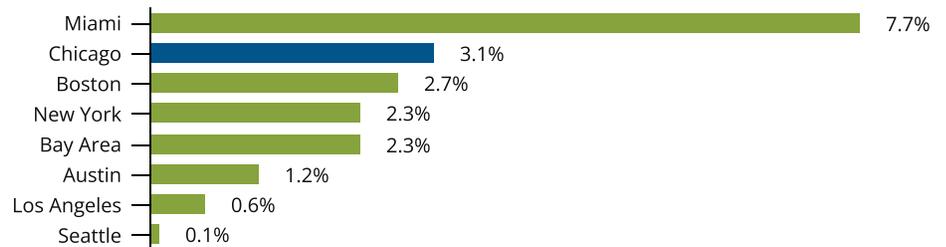
# Hispanic or Latino Founders



## Chicago's Hispanic or Latino founded companies capture a greater share of venture capital compared to historically larger startup ecosystems.

Since 2019, over 20 Hispanic or Latino founded companies have raised nearly \$620M in venture capital, 3.1% of all venture capital raised by all companies in that time period. Even though this percentage appears small, it trails only Miami in our analysis, whose Hispanic or Latino founders captured over \$820M, or 7.7% of all venture capital in the same time period.

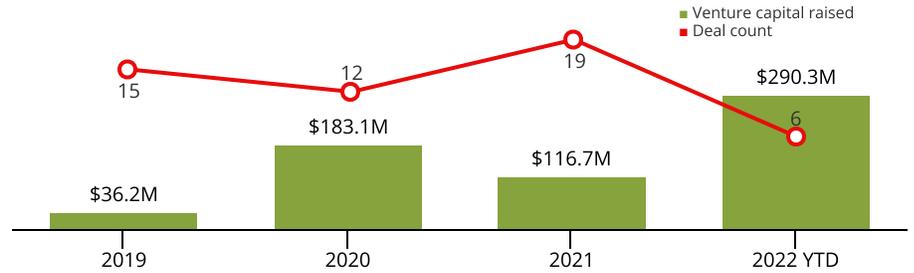
Share of total venture capital raised by Hispanic or Latino founders, 2019 - Q2 2022



## Venture capital for Hispanic or Latino founders in 2022 is dominated by two large, later-stage deals.

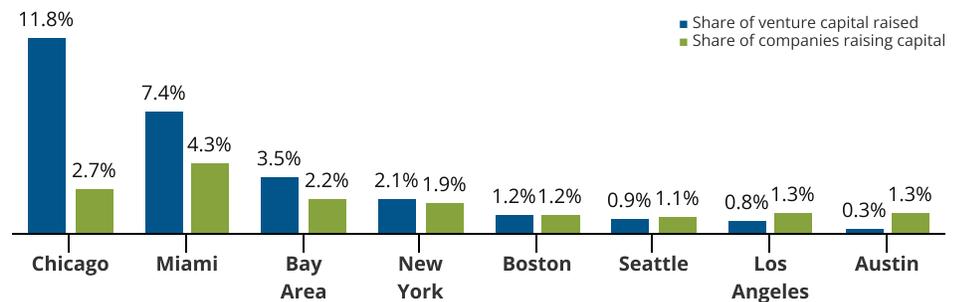
In Q1 and Q2 2022, six Hispanic or Latino founded startups raised over \$290M in venture capital, or 11.8% of all venture capital raised this year. This over-performance is driven by two deals: a \$200M Series D round closed by Loadsmart, and an \$82M Series D round closed by Kin Insurance.

Venture capital raised and deal count for companies with Hispanic or Latino founders, 2019 - Q2 2022



Adjusting for this large amount of capital raised, Chicago still had a greater share of the number of Hispanic or Latino founded startups raising venture capital. **In 2022, 2.7% of companies receiving any amount of venture capital had a Hispanic or Latino founder, the second most among compared metro areas.**

Share of venture capital raised by companies with Hispanic or Latino founders, Q1 & Q2 2022



Sources: PitchBook Data, Inc. • Crunchbase

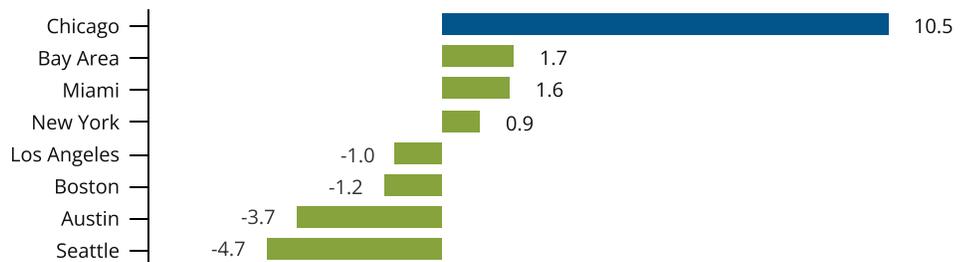
# Hispanic or Latino Founders



## The share of venture capital captured by Hispanic or Latino founders is increasing over time, more so than in other top startup ecosystems.

Between 2019 and 2021, the share of venture capital funding being raised by Hispanic or Latino founded startups changed **over 10 percentage points, an \$80.5M difference**. Even looking at the difference between 2019 and 2021, which had significantly less venture capital funding,

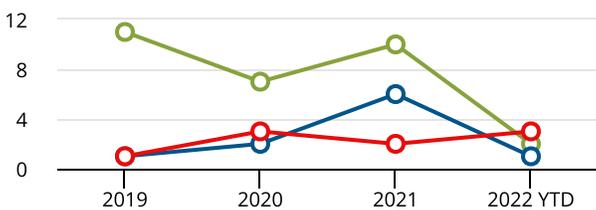
**Percent point change between 2019 and 2021, share of total venture capital raised by Hispanic or Latino Founders**



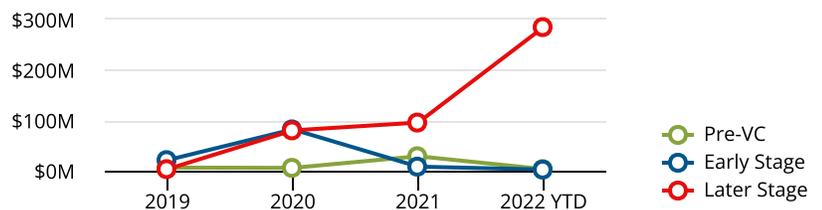
## Through 2022, there were increasingly more early stage venture capital deals, while the amount raised through later stage deals grew larger.

The percentage of total venture capital funding has shifted slightly since 2019: there are increasingly more early stage deals by deal count, but less venture capital being raised by these deals. Conversely, there's increasingly more venture capital raised in later stage deals.

**Venture capital deal count by stage, 2019 - Q2 2022**



**Venture capital raised by stage, 2019 - Q2 2022**



Deal Count	Pre-VC	Early Stage	Later Stage
2019	11	1	1
2020	7	2	3
2021	10	6	2
2022 YTD	2	1	3

VC Raised	Pre-VC	Early Stage	Later Stage
2019	\$6.2M	\$21.0M	\$8.6M
2020	\$5.6M	\$82.0M	\$95.5M
2021	\$28.7M	\$8.0M	\$80.0M
2022 YTD	\$3.1M	\$2.2M	\$285.0M

Sources: PitchBook Data, Inc. • Crunchbase

# Women Founders

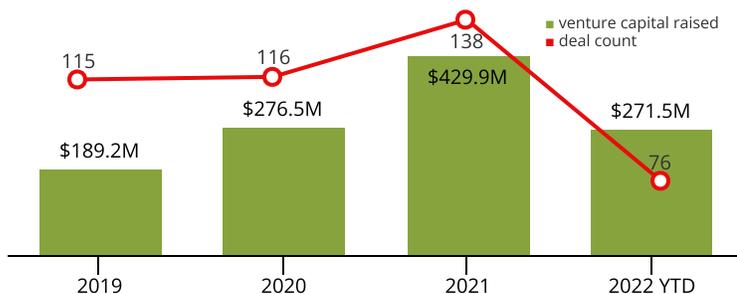


## Since 2019, startups in Chicago that have a woman founder captured just 5.7% of all venture capital deployed.

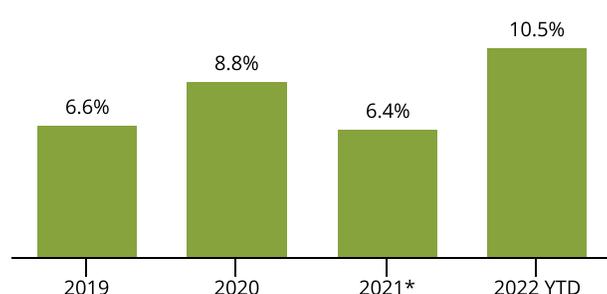
From 2019 through the first half of 2022, Chicago startups with at least one woman founder raised over **\$1.1B** in venture capital funding. Over the last four years, venture capital funding for women founders in Chicago reached its highest point in 2021, with nearly **\$430M** invested. However, given the fact that 2021 ended with the most venture capital raised by Chicago startups in history, the overall share captured by women lagged.

**Women founded companies accounted for just over 10% of all venture capital funding in Chicago for the first half of 2022.** However, this may be a reflection of the general slowdown in venture capital investment activity, with fewer mega-deals to increase the total venture capital raised.

Venture capital raised and deal count for companies with a woman founder, 2019 - 2022



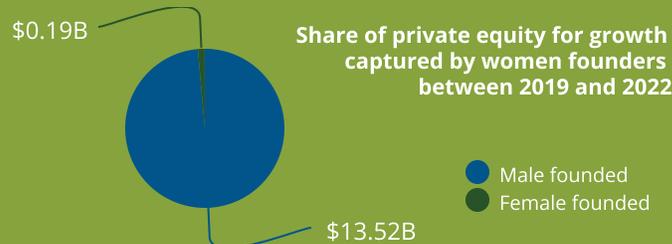
Share of total venture capital raised by startups with a woman founder, 2019 - 2022



\*All venture capital raised in 2021 excludes one outlier mega-deal of \$5.2B.

## Women founders capture significantly less private equity funding for growth.

Despite over \$13.7B in private equity funding for growth being deployed in Chicago between 2019 and 2022 involving 161 companies, there were only ten deals involving a company with a woman founder. These deals represented less than 2% of all private equity for growth invested in Chicago companies over the last three-and-a-half years.



Sources: PitchBook Data, Inc. • Crunchbase

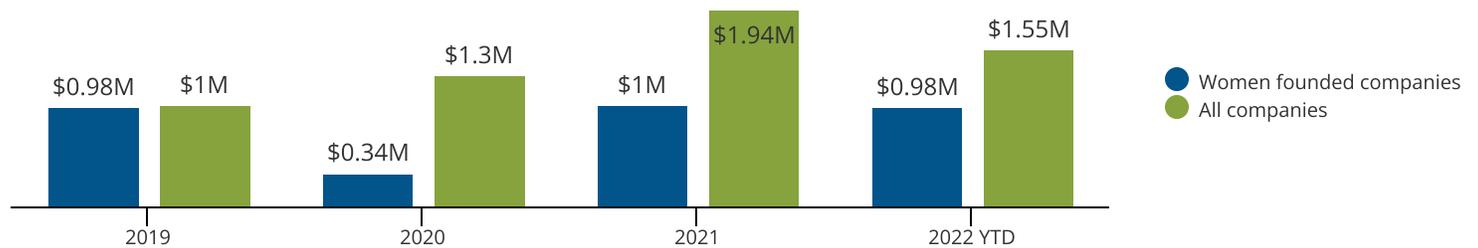
# Women Founders



## Despite only raising 5.7% of total venture capital since 2019, 23% of all startups participating in deals had a woman founder.

This glaring disparity highlights the fact that woman founded startups receive less venture capital than their male counterparts, despite higher rates of participation. This is clear when comparing the median deal sizes between Chicago's woman founded startups and all startups; the median deal size is consistently lower for women founded startups from 2020 through today. **This difference was most profound in 2020, where the median venture capital deal size for women founded startups was a quarter of the median deal size for all deals.**

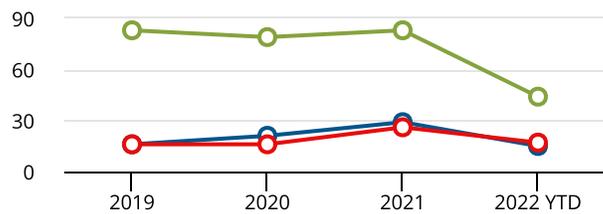
Median venture capital deal sizes for deals with women founders compared to all deals, 2019-2022 YTD



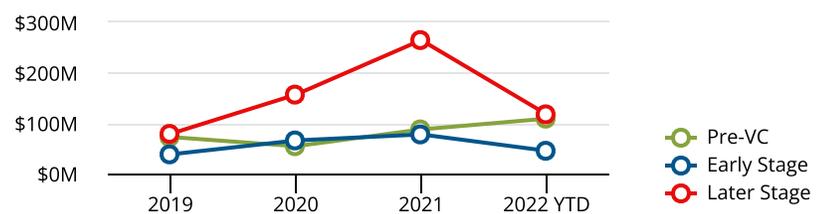
## Women founded companies are receiving increasingly more early and later stage venture capital investments.

Both early stage and later stage capital investments grew substantially in 2021 compared to earlier years, reflecting more women founded companies moving through the venture capital pipeline.

Venture capital deal count by stage, 2019 - Q2 2022



Venture capital raised by stage, 2019 - Q2 2022



Deal Count	Pre-VC	Early Stage	Later Stage
2019	83	16	16
2020	79	21	16
2021	83	29	26
2022 YTD	44	15	17

VC Raised	Pre-VC	Early Stage	Later Stage
2019	\$72.5M	\$38.0M	\$78.7M
2020	\$54.2M	\$65.6M	\$156.6M
2021	\$87.6M	\$77.6M	\$264.8M
2022 YTD	\$109.0M	\$45.1M	\$117.5M

Sources: PitchBook Data, Inc. • Crunchbase

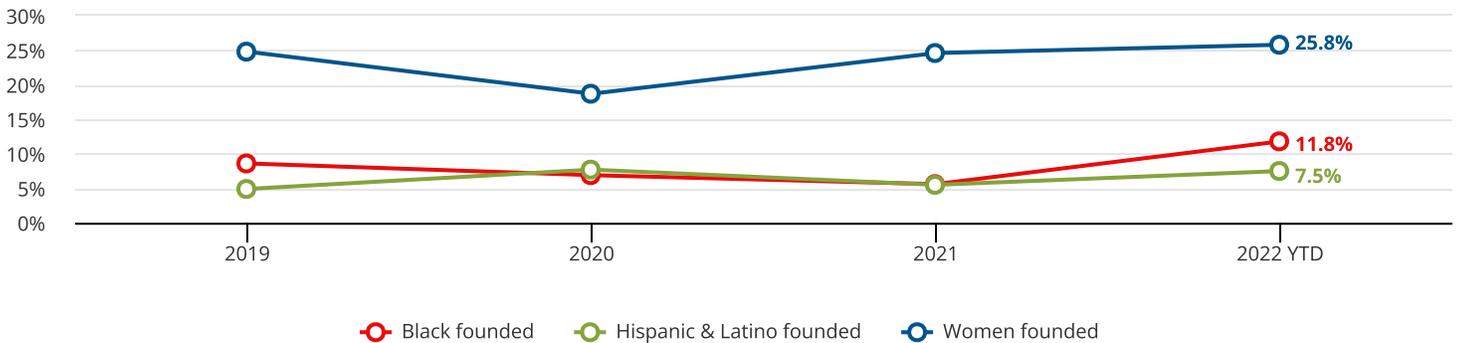
# Investors



## Chicago's investors in venture capital deals are increasingly participating in deals with underrepresented founders.

In the first half of 2022, 34.7% of investors in a venture capital deal invested in a Black, Hispanic or Latino, or woman founded startup; furthermore, the percentage of investors participating in a venture capital deal with an underrepresented founder increased by 3.3 percentage points since 2019. We note a marked increase for Black and women founded startups after 2020.

Percent of investors participating in venture capital deals with an underrepresented founder, deals 2019 - Q2 2022



### SPOTLIGHT

## Firms investing in startups with underrepresented founders are increasingly led by Black, Hispanic or Latino, and women individuals themselves, and their investment theses reflect an equity focus.

- LongJump** - identifies high potential founders, of all backgrounds, all races, all genders, and all socio-economic conditions, and helps them turn their ideas into fast-growing businesses.
- Fifth Star Funds** - provides Friends & Family investments for Black tech founders in Chicago through an objective rubric and processes to remove the biases that often exist in the VC landscape. Anyone can donate to the fund and all returns from investments are reinvested into the fund.
- Cleveland Avenue** - has a mission to foster growth for a new generation of remarkable restaurant, food tech and beverage companies. CASTUS seeks to bridge the capital and resource gap impacting Black, Latinx, and women entrepreneurs in Chicago's South and West Side neighborhoods.
- TechRise** - powered by P33, is a multi-stakeholder initiative to support historically underrepresented tech founders from Chicago. TechRise brings startups community, capital, and connections for every stage of business.
- Supply Change Capital** - focuses on the intersection of food, culture, and technology by investing in diverse founders across the supply chain in technology, sustainable ingredients and high-integrity brands.
- Chingona Ventures** - focuses on pre-seed companies where they are raising their first institutional round of capital, in industries that are massively changing, and on founders whose backgrounds uniquely position them to create businesses in growth markets that are often overlooked.

Sources: PitchBook Data, Inc. • Crunchbase

# Findings

## 1. We establish a baseline, but gaps in our knowledge illuminate the need for better data.

This report establishes a baseline how much venture capital startups in Chicago with underrepresented founders capture. However, we still have limited data on several marginalized groups, including founders with disabilities, LGBTQ+ founders, veteran founders, and founders with racial or ethnic backgrounds that are not Black or Hispanic or Latino. We also note imperfect deal data in Crunchbase and Pitchbook, especially for early stage startups. These knowledge gaps should be closed, especially as this data could help in future program development or policymaking.

## 2. The share of venture capital captured by under-represented founders is increasing, even in this current slowdown of venture capital activity.

In 2022, the proportion of venture capital raised by women, Hispanic or Latino, or Black founders **rose to 23.3%, up from 8.2% in 2019**. This also holds true for absolute amounts: under-represented founders raised \$575M in the first half of 2022, compared to \$601M in all of 2021, and \$232M in 2019.

## 3. Chicago has a higher share of Black and Hispanic & Latino founders participating in venture capital deals.

Compared to other top startup ecosystems, including the Bay Area, New York, and Boston, Chicago has a higher share of startups with a Black or Hispanic or Latino founder participating in venture capital deals. **Since 2019, 5.1% of Black and Hispanic & Latino founded companies participated in a venture capital deal, compared to 2.5% nationally.**

However, these startups generally capture a smaller share of total venture capital funding by amount than in peer startup ecosystems — Chicago generally falls behind Atlanta and Washington D.C. (Black founded startups) and Miami (Hispanic or Latino founded startups).

## 4. Large deals skew the share of venture capital raised by Hispanic or Latino founded companies, while Black founded companies have a higher median deal size.

Although it appears Black founded startups raise proportionately less venture capital than in peer ecosystems, this is in part because of a lack of mega-deals driving up total amounts raised in recent years. In fact, the median deal size for Black founded startups is now larger than that of all startups raising venture capital in Chicago.

On the flip side, the amount of venture capital raised by Hispanic or Latino founded startups is largely driven by two large, late-stage deals. These deals cause Chicago to lead over peer ecosystems in the share of venture capital captured by Hispanic or Latino founders in the first half of 2022.

## 5. Women founded startups are raising disproportionately less venture capital than their non-women counterparts.

Even with greater participation in the venture capital ecosystem, women raise less money: despite nearly a quarter of startups raising venture capital since 2019 having a woman founder, woman founded startups raised just 5.7% of venture capital.

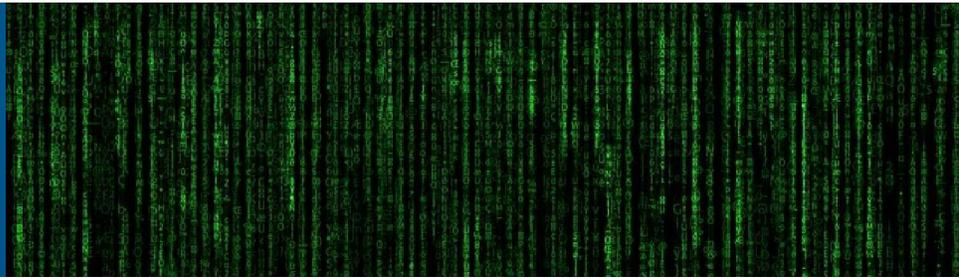
## 6. Founders of underrepresented groups in Chicago are generally not participating in private equity for growth deals.

Since 2019, startups with a woman founder participated in just ten private equity deals, raising \$190M, or just under 2% of all capital raised. There were no known private equity deals where startups with a Black or Hispanic or Latino founder participated.

## 7. Chicago's tech ecosystem leaders are driving change.

Chicago's Black, Hispanic or Latino, and women entrepreneurs are also launching their own funds that have equity-focused investment theses. Other ecosystems catalysts — like accelerators or training programs — help move more startups led by diverse founders into the venture capital funding pipeline.

# Appendix



## Methodology

The Research Center at World Business Chicago used a semi-original methodology to analyze deal data for underrepresented founders. We used [Crunchbase's Diversity Spotlight](#) to generate a list of over 27,000 companies nationwide with a founder from an underrepresented background. From there, we matched that list of companies to data in [Pitchbook](#); we do this because Pitchbook offers more complete deal data. We also sourced [women founded](#) companies from Pitchbook, which offers a gender (limited to male or female) data point. We look at companies with any founder from an underrepresented group (e.g. "women founded companies" means at least one woman founder).

We cannot guarantee that we've captured every single deal by underrepresented founders. Crunchbase's Diversity Spotlight is crowdsourced: it relies on self-identification, in addition to collaboration from journalists, venture capital firms, and other industry partners. Furthermore, several companies on the Diversity Spotlight list did not exist in Pitchbook, especially pre-seed startups, and were thus unmatched. Finally, while the Research Center reviewed individual deals in Chicago in 2021 and 2022, we were not able to individually review deal data for other major startup ecosystems.

The data in this report is current as of August 5th, 2022. Pitchbook is continually adding deal data, including for past years. While Pitchbook offers some of the most complete deal data available, especially for series funding, pre-series funding may be underreported across all startup ecosystems.

Group (for all U.S. companies)	Number of companies downloaded from Crunchbase	Number of companies from Crunchbase matched in Pitchbook	Final company list in Pitchbook, including Pitchbook-sourced companies
Black founders	1,367	997	1,049
Hispanic or Latino founders	1,137	913	944
Women founders	18,707	13,409	13,839
Founders from additional racial & ethnic backgrounds*	962	765	N/A

\*Including:

- South Asian founded
- Southeast Asian founded
- East Asian founded
- Middle Eastern / North African founded
- Native Hawaiian / Pacific Islander founded
- American Indian / Alaska Native founded

## Several entities in Chicago's startup ecosystem aim to increase representation.

Below is snapshot of training programs, venture capital funds, fellowships, and networking or mentorship opportunities catered towards historically underrepresented groups in Chicago's startup ecosystem; each furthers a shared goal of fostering a more inclusive business environment.

### ★ Accelerators, Incubators, and Mentorship Initiatives

#### For Black founded startups

- 1871 • BLKtech Founders
- Accenture Black Founders Development Program
- ImBlackInTech

#### For Hispanic or Latino founded startups

- 1871 and the Illinois Hispanic Chamber of Commerce • Latinx Incubator
- 1871 • LTNtech Founders

#### For women founded startups

- 1871 • WMNtech Founders
- 1871 • WMNtech Leaders
- 1871 and BMO Financial Group • WMNfintech
- AllRaise • Founder Programs
- DePaul University Women in Entrepreneurship Institute • Business Accelerator Program
- GET Cities Chicago
- Women Who Code Chicago

#### For veteran founded startups

- Bunker Labs • Veterans in Residence
- Founder Institute • "100 Vets" Fellowship for Military Entrepreneurship

#### For founders of multiple underrepresented backgrounds

- Institute for Justice, Clinic on Entrepreneurship • South Side Pitch
- P33 • TechRise
- Techstars Chicago Powered by J.P. Morgan Accelerator

### ★ Venture and Growth Capital

#### For founders of multiple underrepresented backgrounds

- Chingona Ventures
- Cleveland Avenue State Treasurer Urban Success Initiative (CAST US)
- Fifth Star Funds
- Founders First • Job Creators Quest Grant
- Longlump
- Pine Grove
- Supply Change Capital

### ★ Training Programs, Pipelines, or other Fellowship Programs

#### For founders of multiple underrepresented backgrounds

- Chicago:Blend • Chicago Venture Fellows
- The Chicago Urban League Center for Entrepreneurship and Innovation
- Pritzker Tech Talents Labs
- Re:Work
- WeSolv

#### For women founded startups

- The MOM Project



## About

World Business Chicago is Chicago's public-private economic development agency. Our mission is to drive inclusive economic growth and job creation, support businesses, and promote Chicago as a leading global city. Our vision is to ensure that all Chicagoans prosper.

## The Research Center



### **Robin Ficke**

Vice President, Research  
rficke@worldbusinesschicago.com



### **Hannah Loftus**

Research Director  
hloftus@worldbusinesschicago.com



### **Himashi Jayasundera**

Research Analyst  
hjayasundera@worldbusinesschicago.com



### **Justine Ingram**

Research Coordinator  
j Ingram@worldbusinesschicago.com



### **Eric Pacynski**

Graduate Research Intern  
epacynski@worldbusinesschicago.com

## Contact Us

research@worldbusinesschicago.com

## Follow Us



**WORLD  
BUSINESS  
CHICAGO** 

**THE  
RESEARCH  
CENTER**