Refining the Referral Process: Increasing Diversity for Tech Start Ups

Kelsey Kaul, Ed.D.
Student
Northeastern University
Boston, MA USA
Agenda

- Technology and Diversity: An Intersection that Matters
- Technology has a Diversity Problem
- Diversity Challenges for Startups
- Why Referrals?
- 3 Steps to Improve Referral Process
Technology and Diversity: An Intersection that Matters

**Diverse Teams Are Important**

- Diverse talent leads to better business outcomes, higher job satisfaction and greater customer success (Hunt, 2015; Badal, 2014).
- Companies in the top quarter of gender diversity in executive teams were 25% more profitable than their competitors in the fourth quartile (Dixon-Fyle et al, 2020).
- In relation to racial diversity, companies in the top quartile were 36% more profitable (Dixon-Fyle et al, 2020).

**Technology Sector Is Growing**

- According to the Bureau of Labor Statistics, job growth from 2019 to 2029 in the technology sector is 11% (*Computer and Information Technology Occupations*).
- Deloitte’s most recent *Outlook for the Technology Industry Report* indicates there is substantial growth of technical jobs due to increasing remote work and globalization (2021 *Outlook for the Technology Industry*).
Technology has a Diversity Problem

ETHNIC DIVERSITY

- Government employment reports indicate the tech sector, in comparison to private sector companies, employ more Whites (63.5 percent to 68.5 percent), Asian Americans (5.8 percent to 14 percent) and men (52 percent to 64 percent), and a smaller share of African Americans (14.4 percent to 7.4 percent) and Hispanics (13.9 percent to 8 percent) (U.S. Equal Employment Opportunity Commission, 2016).

GENDER DIVERSITY

- Between 2005 and 2015, the percentage of women in technology remained at 22%, although women make up 49% of the US workforce (Barnes, 2017).
A start-up’s ability to compete in a challenging market is often based upon their ability to hire great talent (Cho & McLean, 2009; Collins & Smith, 2006).
Diversity Challenges for Startups

Spinoffs
- Startups lack diversity because they are typically comprised of colleagues who previously worked together, also known as a “spinoff” (Agarwal et al., 2004).
- Similar experience and knowledge can be helpful when forming a startup because it can lead to improved communication and teamwork (Raffiee et al., 2020) but can lead to group think.

Group Think
- At startups, skill and experience homophily is especially high (Kaiser, 2015) because members of the team often worked together previously (Raffiee et al., 2020).
- This can cause, “group think,” which stifles ideas from those who do not agree with the team consensus (Fernandez, 2007).

Lack of Divergent and Convergent Thinking
- Diverse teams can help organizations become better at managing divergent and convergent thinking (Wilson Burns & Ulrich, 2016) which help groups adapt to change and innovate.
- For startups to succeed in the fast innovation necessary for success, research shows that investing in recruiting diverse talent, early on, is imperative (Gompers & Kovvali, 2018).
50% of hires in technology are through referrals

To solve the problems faced by start ups they must look at their referral process.
3-Pronged Approach to Improving Referrals

Candidates

Interview

Screening
An effective strategy to improve the candidate experience (Myers and Dreaschslin, 2007) is to target underrepresented groups in messaging (Knouse, 2009). This cost-effective strategy includes showing images of women and minorities in positions of power (Myers and Dreaschslin, 2007).

It is also important women “see” themselves in the organization, research shows that women are less likely to apply for roles if they see low representation of women (Goodwin, Dodson & Chen, 2020).

Research shows depictions of people of color and women in positions of power does not negatively affect the perception of potential white employees. These images, however, have a strong impact on potential Black employees. (Myers and Dreaschslin, 2007).
Screening for Less Bias

A 2016 study found minorities with “white” names on their resumes receive more interviews than with their original names (Gerdeman, 2017).

One variable that increased the number of women and minorities called for interviews during resumes screens was the gender and race of the recruiter (Edo et al, 2019).

Female recruiters were more likely to call female candidates and minority recruiters were more likely to call minority candidates (Edo et al., 2019).

Another potential way to increase equity in the applicant review stage is to anonymize applications (Hardy, Tey & et all, 2021; Heilman, 1980; Skans, & Åslund, 2012).
Organizations must make concerted efforts to mitigate bias in the interview process to ensure mistakes are not made in hiring (Chamberlain, 2016).

A short training on implicit bias during the interview process, in tandem with a clear tool kit about the role and necessary skills, increased the number of women in STEM offered a faculty position by 6.3 fold (Smith et al, 2015).

One way to reduce bias and hire more fairly is to add structure to interviews (Pogrebtsova, & Hausdorf, 2020).
Conclusion

- Diversity is important
- Startups have unique challenges to diversity
- Improving referrals is important because 50% of hires are made this way
- To improve referrals startups can focus on the candidate experience, screening for less bias and interviewing for less bias
Works Cited


- Barnes, C. B. Diversity in the technology sector: federal agencies could improve oversight of equal employment opportunity requirements: report to the Ranking Member, Committee on Education and the Workforce, House of Representatives1-76 (2017). Washington, DC.


Works Cited Continued


