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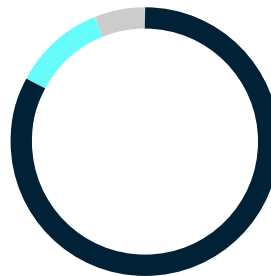
The composition of US unicorn 100 executive teams: A first look

Our first study of key roles on the executive teams of US unicorns—start-ups valued at least \$1 billion at the end of 2022—finds a different mix of racial and ethnic diversity than at Fortune 100 companies and a higher tendency to hire externally. As these companies continue to grow, a focus on further bolstering the diversity of their teams and building their executive development and succession planning muscle should help them stay ahead of their peers.

Background on the unicorns

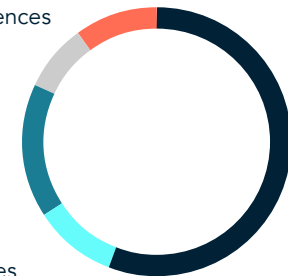
Ownership

Other
6%
PE-backed
11%
VC-backed
83%



Industry breakdown

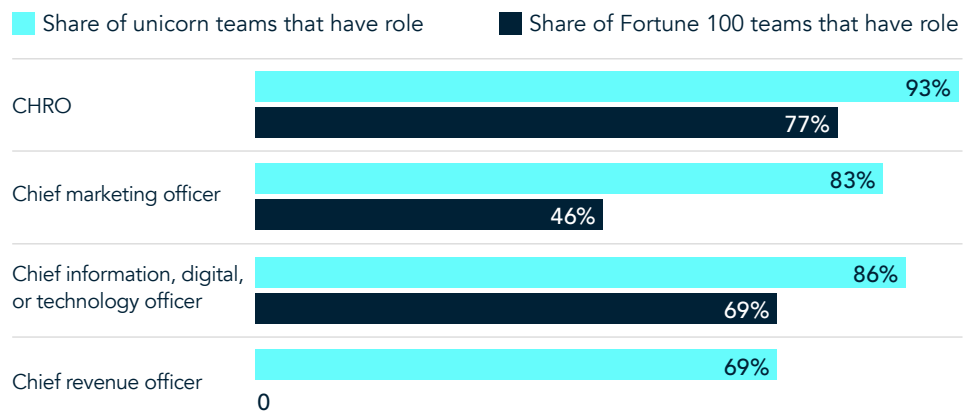
Healthcare & life sciences
10%
Industrial
8%
Consumer
16%
Financial services
10%
Technology & services
56%



Only three companies have met the criteria to be a unicorn for more than 10 years; 81% reached the threshold in the past five years.

Roles on leadership teams

At fast-growing companies, executive teams evolve quickly. **Comparing the unicorn executive teams to those of Fortune 100 companies**, there are marked differences in how often the team contains a few key roles:¹



The differences highlight that as companies grow, even functions as crucial as those shown here can get subsumed into larger roles; for example, chief administrative officers who may have HR as part of their remit or chief customer officers who can have marketing and revenue as part of their remit.

¹ 32 unicorns also have a chief product officer role, which none of the Fortune 100 executive teams include.

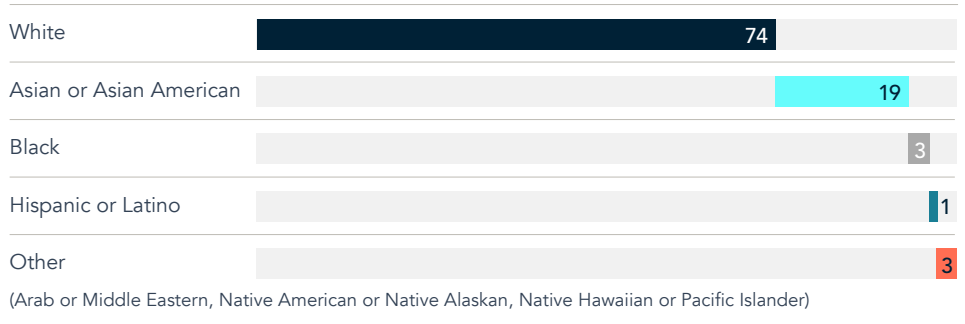


Diversity

Gender diversity on the unicorn teams is identical to that on Fortune 100 teams; **racial and ethnic diversity** is higher, at 26% compared with 20%. A key reason for this is that 16% of the unicorn executives included in this study—most often CEOs and chief information, digital, or technology officers—are founders. And **35% of those 100 founders are non-white individuals**, most often Asian or Asian American.

That drives the markedly high share of executives at unicorns who are Asian or Asian American compared with Fortune 100 executive teams—19%, compared with 7%.

Racial and ethnic diversity (%)



However, new appointments to unicorn leadership teams in the first half of 2023 showed a dip in both gender and racial and ethnic diversity.

On **gender diversity**, the share of new appointments going to women fell from 34% in 2022 to just 21% so far this year.

Regarding **racial and ethnic diversity**, the share fell from 29% to 21% non-white individuals.



That said, in all the work we do tracking diversity among appointments to boards and executive teams,² we typically see annual variation in these percentages, so this is not—yet—a meaningful trend.

As is the case at companies of most sizes, **people holding the CHRO role at unicorns are the most diverse in terms of gender, race or ethnicity, or both**: 81% of those people are diverse in some way; chief revenue officers are least often diverse, at 22%.

Ninety-four percent of unicorn leadership teams, compared with 98% of Fortune 100 leadership teams, have at least one executive adding diversity to their leadership team. Fifty-three percent of executives on unicorn leadership teams in the consumer industry are diverse, compared with one-third of those at financial services unicorns.

Methodology

For this article, we mapped the most common roles on US unicorn executive teams: CEO; CFO; COO; CHRO; chief marketing officer; chief data, information, or technology officer; chief revenue officer; and chief legal or compliance officer. There are a total of 636 executives in these roles.

² "Board Monitor 2023: Around the globe," Heidrick & Struggles, heidrick.com.

Where unicorns are finding executive expertise

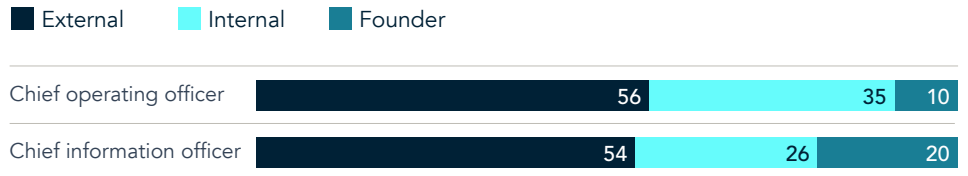
Unicorns, as younger companies, have had less time to develop leadership pipelines than more established organizations. This shows in the fact that **59% of their executive teams were hired externally**. For comparison, the share of external CEOs hired at the world's largest public companies last year was 36%, and we see similar figures in other roles we track at those companies.



In addition, **42% of executives hired externally at unicorns are first timers in their role, suggesting that many unicorns are willing to offer stretch opportunities.**

CFOs are most often hired externally. In roles other than CEO—where most are founders—the least frequent external hire is chief information, digital, or technology officer, at 54%. Indeed, technology leaders and COOs are the other two roles where there is a notable share of founders.

Chief operating officers and chief information officers: Type of appointment (%)



These differences reflect a common corporate growth path in that the **CFO is a role for which fast-growing companies often find they need more expertise than the founder group can provide—and more quickly than in other roles.**³

Unicorns are also quite open to cross-sector expertise—55% of external hires come from a different industry—underscoring the need for expertise in these key functions regardless of industry-specific expertise. Conversely, chief revenue officers most often have experience in the same industry as their company.

³ For more, see Henry Bartlett and Lisa Gordon, "Biotech focus: Finding CFOs for booming companies," Heidrick & Struggles, heidrick.com.

Three considerations for unicorn boards



Large companies are struggling to get executive development and succession planning right, other research we have conducted shows. Unicorns that start to prioritize these processes now can give themselves an edge in the competition for talent.

Nonetheless, unicorns' willingness to cast their net widely for the expertise they need—in terms of seeking expertise from outside their industry and taking a perceived risk on first-time leaders—gives them the expertise they need to support growth now, and is something they would be wise to retain as they grow to ensure they have a better chance at finding expertise they can't develop internally. Unicorns can also benefit from adding independent board members who can act as mentors to founder CEOs as their companies grow.



As unicorns continue to grow, many will bring on non-founder CEOs. For many, this will cause a disproportionate reduction of the racial and ethnic diversity of their leadership teams. Unicorns will be wise to focus on bolstering the diversity of the whole team, in terms of both the quantity and types of diversity. Focusing on inclusion as well as diverse representation as they grow can help them maintain that leadership, and perhaps improve on gender diversity as well.

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ONE LEADERSHIP TEAM AT A TIME®

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