



## **An Investor Roadmap for Making Technology Investments Gender Equitable**

*EQUALS, UN Global Compact, and Dalberg Advisors hosted an interactive roundtable discussion with leading asset owners, fund managers, UN agencies, and other interested stakeholders to discuss key topics related to gender equitable investing in the technology sector. The discussion highlighted perspectives on how to build buy-in for a gender equitable investment strategy and provided a roadmap of high potential actions that investors can take at various stages of their investment journey. The discussion followed the Chatham House rules.*

### **KEY TAKEAWAYS**

- I. Understand Investor Incentives
- II. Broaden the Conversation
- III. Change the Institutional Viewpoint
- IV. Lead by Example - Practice what one Preaches
- V. Roadmap of Action Steps

### **Understand Investor Incentives**

Without a dedicated institutional investment policy, many investors find it hard to justify an “atypical” investment strategy such as gender-equitable investing. Every investor will have different motivations and incentives for adopting a gender-equitable approach to investing. Some firms invest in more diverse firms because they believe it is simply the right thing to do to match their values with their investment strategies. For other investors, there needs to be a clear business case. Research has shown that, on average, businesses founded by women ultimately deliver more than two times the revenue per dollar invested than those founded by men (78 cents per each dollar invested in women founders compared to only 31 cents for men founders).<sup>1</sup> Moreover, 92% of investors state that women-owned businesses achieve at-market or above-market returns.<sup>2</sup> In the United States alone, greater gender and ethnic diversity in both the staff and leadership of technology firms could create up to \$570 billion in additional value, taking into account both higher returns and higher market valuations.<sup>3</sup> While some investors are being swayed by the positive business case, there is still skepticism that such investment strategies are necessary and sometimes even concern that gender-focused strategies create an unfair playing field for investees seeking funding. Another potential business case is the fact that firms with diverse staff and strong

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<sup>1</sup> Boston Consulting Group, “[Why Women-Owned Start-Ups are a Better Bet](#)”.

<sup>2</sup> Morgan Stanley, “[The Growing Market Investors are Missing](#)”.

<sup>3</sup> Intel and Dalberg Advisors, “[Decoding Diversity: The Financial and Economic Returns in Tech](#).” 2016.

internal policies on issues such as sexual harassment can mitigate against potential downside risks. However, the discussion highlighted that even in the #metoo era, this often hasn't been an effective strategy to build investor incentives and change investment strategies. Investors are still NOT screening out companies that are not diverse or that have a history of sexual harassment.

There were also mixed perspectives on the use of regulation or requirements (e.g., to support first time fund managers) in changing investor behavior. Many investors were resistant to use regulation as a tool to drive change but also found that nothing else seems to have worked as yet. The group agreed that emerging manager programs give asset owners the leeway to invest in diverse funds, first-time funds, or smaller funds. Providing these opportunities has had a demonstrable impact in boosting diversity in the tech investment sector. The challenge is that these programs will have a limited lifespan or will change requirements (e.g., looking for diverse funds, but funds must have experience) as the industry matures, which limits the entry of the next generation of organizations.

### **Broaden the Conversation**

The group agreed that it is critical to involve more than the usual participants in gender equitable investment discussions. This includes both men and women who have not participated in these discussions-to-date and may/may not agree with it. Having key male and female champions can help spread the messaging throughout organizations on the benefits of these strategies, ensure buy-in across teams, and make gender-equitable investing the norm. Reframing the conversation to a broader inclusion lens and including more men in the dialog, can be helpful in encouraging widespread participation. In addition, social media and marketing campaigns to shine the spotlight on the importance of gender-equitable investing can also be powerful.

### **Change the Institutional Viewpoint**

While asset owners and other limited partners (LPs) have bargaining power with general partners (GPs), greater effectiveness in asserting this power requires greater institutionalization of policies and practices. One such opportunity is to build on the successful institutionalization of ESG. Today, ESG is accepted broadly across investor types and a range of voices – including men – are involved in the conversation within institutional investment organizations. In addition, there are strong frameworks, screening tools, and standardized reporting frameworks. By embedding gender considerations into an ESG framework – for instance by adding conduct and culture to ESG measurement and making it ESGCC – there could be opportunities to build greater support for gender equitable investing. Investors were clear that dedicated institutionalized programs and statutory mandates such as emerging manager programs are key because they provide investment managers the leeway to invest in diverse or first-time teams that are traditionally harder to justify.

## Lead by Example

It is important for organizations to lead by example and practice what they preach. The first step is to assess and promote diversity within their own organization. For instance, companies can develop policies and practices to eliminate the gender pay gap or to not work with vendors that are less diverse. Finally, ensuring that there is diversity in the leadership of investment organizations can help to ensure the development and success of gender-equitable investment approaches.

## THE BEST PRACTICE ROADMAP FOR INVESTORS

### I. Bare Minimum

For investors who are thinking about adopting a gender equitable and diverse investment strategy, **the place to start** is to first:

- **Recognize the corporate responsibility to respect human rights**, including the principle of non-discrimination, as embedded in the Ten Principles of the UN Global Compact and elaborated by the UN Guiding Principles for business and human rights.
- **Publicly articulate values that include gender diversity and equity**. For instance, consider signing the CEO Statement of Support for the Women's Empowerment Principles.
- **Set publicly released organizational / portfolio level goals** and develop clear action plans to achieve those goals, monitor results over time, and adapt actions

### II. Good Average Case

For investors that want to **enhance their investment selection and due diligence processes**, some practices include:

- **Change your screening and investment criteria**: Explore splitting up larger pools of funding into smaller investments, be open to first time fund managers, do not require a specific number of years of experience, etc. to ensure that you are open to a diverse slate of investees
- **Leverage existing resources for sourcing and due diligence** to assess companies driving gender parity: There are several existing frameworks and investment structures and tools, such as the environmental, social, and governance (ESG) index, the Sustainable Development Goals, the UN Guiding Principles for Business and Human Rights, the Ten Principles of the UN Global Compact, the Women's Empowerment

Principles, sustainable development goals, and Bloomberg's Gender-Equality Index – all of which can be leveraged to source companies and improve gender equality<sup>4</sup>

- **Ask for diverse references from investees** to signal to the market that diversity is an important factor in investment decisions and to encourage investees to expand their networks

For investors that want to **focus on changing practices internally**, some best practices include

- **Practice conscious inclusion to engage influencers:** Investors should make a conscious effort to include men in gender lens investing conversations to build buy-in and support throughout the organization and ensure the entire investment team is providing consistent messaging to the market.
- **Create more gender diversity within your own firm:** There are several examples that can be followed, such as following the Rooney rule to ensure an equal slate of diverse candidates for hiring / promotions, ensuring a competency grid is used to discuss each candidate equally, setting equal pay per position type, or joining the Thirty Percent Coalition or other organizations to find and support more female leaders.
- **Eliminate pay gaps** across individuals that perform the same role.

### **III. Industry Leading Best Practice**

For investors that want to **support their investees' gender diversity**, some best practices include:

- **Use your position to push change:** Support board resolutions for diversity, use proxy votes to push for more diversity or changes in policies that support diversity and “valorize” investors that are executing on best practices. Require gender diversity in C-suite positions as these positions can help to drive equity throughout the organization. Advocate for gender equality internally (not just have in admin positions but across the seniority of positions).
- **Provide hands-on support to investees:** Overwhelmingly, investors were clear that in order for gender lens investing strategies to be successful, investors must take a hands-on role to emphasize the importance of diverse and equitable workplaces and to provide technical assistance or capacity building support. Dedicated coaching and advisory support have been most successful in driving success when paired with dedicated pools of capital. Even in cases where an investor may choose not to invest because of lack of diversity within an investee, clear feedback and guidance on changes needed can spur the movement needed in the market overall
- **Establish a Global Female Innovation Council.** This will allow us to: (i) to build trust in women's potential role in technology transfer; (ii) to get more women involved in the process of technology transfer at every level – from idea generation, through research and discovery, to patenting and

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<sup>4</sup> A list of sources that can help investors adopt a gender lens is provided at the end of this document

licensing to new or established companies — these ideas should be considered; and (iii) instantly tackle the need to create more gender-diverse networks to pool talents, knowledge, and ideas by encouraging women to develop networks around tech-transfer management, as a high-value profession for female scientists.

## CONCLUSION

This productive roundtable laid out critical internal and external best practices that include finding the right incentives, engaging a broader set of stakeholders, changing institutional approaches, and leading by example. The end result can be crystallized in the form of the best practice roadmap for investors. It is critical to engage with investors, governments and entrepreneurs to continue and broaden this dialogue and to provide continued guidance. There is much potential and need for expanding into a multi-lateral stakeholder roadmap (or set of roadmaps) and joining together to form a global innovation or investment council under the aegis of various UN efforts to ensure coordinated collective action.

## RESOURCES

- [EQUALS Investor Page](#)
- [Athena Alliance](#)
- [Barclays Report and Action Plan on Gender Wage Gap](#)
- [Bloomberg Gender-Equality Index](#) (to be released in May 2019)
- [Decoding Diversity](#) report by Dalberg Advisors and Intel
- [Global Impact Investing Network Resource Repository](#)
- [Male Champions of Change for STEM](#)
- [The Growing Market Investors are Missing](#)
- [Thirty Percent Coalition](#)
- [The United Nations Women's Empowerment Principles \(UN Global Compact and UN Women\)](#)

## APPENDIX: Barriers to gender-equitable investing

There are several barriers holding back investors from taking a gender lens today – ranging from lack of incentives to lack of understanding of how to act. Currently, many investors do not consider these issues or they may use the right rhetoric without actually acting. Internally within technology investment firms, investors highlight that there are both formal policies as well as unconscious biases that prevent them from taking a gender lens to investments. As an example of formal policies, many asset owners want to only work with experienced fund managers. Given the smaller pool of women with investment experience, this can block many first-time female fund managers from accessing capital. Unconscious bias can seep into various aspects of the investment

process. For instance, female founders are often asked to explain their risk mitigation plans to venture capitalists while male founders are often asked to focus on their growth strategy; data shows that founders focused on growth during their pitches often go on to raise more funding.<sup>5</sup> Often, women are often required to prove themselves more to investors. In addition, investors may have limited affinity with products that serve female consumers and thus less buy-in into the value proposition. Investors also face significant challenges in communicating the value proposition to key organization leaders internally in a way that promotes effective action. Two other barriers consistently highlighted were the lack of female leadership to help make the right investment decisions and the difficulty in identifying the right tools and support to help facilitate adopting a gender lens.

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<sup>5</sup> Harvard Business Review, “Male and Female Entrepreneurs get asked different questions by VCs – and it affects how much funding they get.” June 2017.