

Insight



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How does investing in companies and funds with gender-diverse ownership and leadership support positive outcomes for women?

Practical thinking on investing for development

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Foreword

As an impact-led and inclusive investor, promoting gender balance and diversity at all levels of business operations is a core part of our investing approach. We intentionally invest in businesses that create quality jobs for women and marginalised groups, and that increase access to affordable and high-quality products and services for women and diverse consumers. We also believe that broadening the representation and participation of women and diverse groups in business leadership and decision-making is a critical pathway to economic development and achieving the United Nations' Sustainable Development Goals (SDGs), particularly SDG 5: Gender Equality.

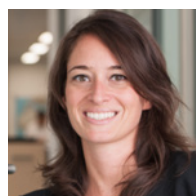
We know that female-led fund managers and businesses continue to face challenges in accessing capital compared with their male counterparts. **Only 3 per cent of private equity and venture capital flows to female fund managers.** This needs to change; as a matter of principle in terms of ensuring women have equal opportunities to men, and because it **makes economic sense.** Beyond this, we also believe that investment in more gender-diverse owners and leaders has the potential to support wider development outcomes for women.

To better understand how our past investments have supported positive outcomes for women, we commissioned gender equality and social inclusion specialists Kore Global to carry out an evaluation of our gender-focused investments. The evaluation covers our investments made between 2019 and 2021 that qualified for the **2X Challenge**. It seeks to better understand how these investments – especially those with gender-diverse ownership and leadership structures – have supported more positive outcomes for women as employees, suppliers and consumers.

I welcome the findings and recommendations from this evaluation. I am encouraged that our investees with gender-diverse ownership and/or leadership are found to adopt gender-smart business practices, particularly those that promote inclusive work environments and in the case of fund managers, show commitment to integrating gender considerations within their investing strategies. The evaluation also provides valuable lessons for assessing and managing the positive gender impacts of our future investments. This includes ways we can go beyond 2X Criteria alignment and appraise the likely gender impact of our investments per the 'success factors' identified in this evaluation such as senior-level buy-in, resourcing for gender, and accountability mechanisms.

Given their wider relevance, we hope these insights will inspire and inform the gender-smart investing approaches of our development finance institution (DFI) and multilateral development bank (MDB) peers.

I wish to thank the evaluators at Kore Global for their work, and our investees for their valuable participation.



Maria Smith
Chief Impact Officer,
British International Investment

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Introduction

British International Investment (BII), the UK's development finance institution (DFI), is committed to advancing gender equality and diversity in business leadership and decision-making. In line with our 2022-26 strategic commitment to productive, inclusive, and sustainable development, we have committed to a target for at least 25 per cent of all new investments to qualify under the 2X Challenge – the global industry standard for gender-lens investing. By evaluating all investments using the 2X Framework and applying the Black Ownership and Leadership for Development (BOLD) framework to investments in sub-Saharan Africa, our aim is to “intentionally drive capital toward the most inclusive businesses”.¹

In 2023, we commissioned Kore Global to evaluate how investments made in companies and funds meeting the 2X Criteria for gender-diverse ownership ('Entrepreneurship' Criteria) and/or leadership ('Leadership' Criteria) have supported wider development impact for women (see Figure 1 below).² We view investing in companies and funds with gender-diverse ownership and leadership as a priority in and of itself. Women-led fund managers and businesses continue to access capital at lower rates than their male or less gender-diverse counterparts, and there is still room for us to expand our reach to more gender-diverse sponsors. In addition, investments in companies and funds with gender-diverse ownership and leadership can support development impact for women employees, suppliers, and consumers. This evaluation sought to understand how our investments have contributed towards such development impact for women, the enabling conditions, and how we can deepen and enhance our impact.³ The evaluation's findings were intended to help us to refine our gender-smart investing approach. They also offer valuable insights for the broader ecosystem's gender-smart investing approach, including other DFIs, multilateral development banks (MDBs) and the 2X community.

25%

We've committed to qualifying at least 25 per cent of new investments in our current strategy period under the **2X Challenge** – the global industry standard for gender-lens investing.

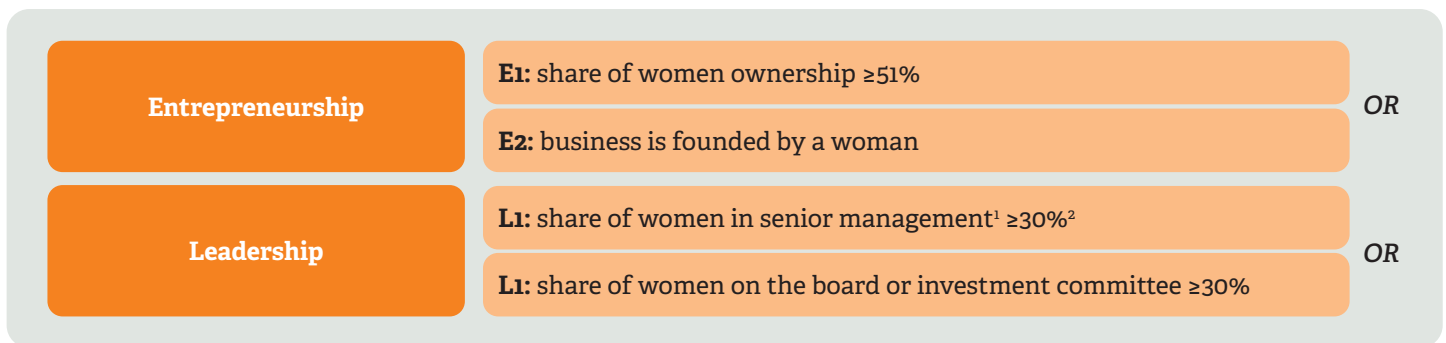


Figure 1: 2X Entrepreneurship and Leadership Criteria⁴

1 BII (2022) *Gender and Diversity Finance Position Statement*.

2 At the time of this evaluation, there were five 2X Criteria. Beyond the Entrepreneurship and the Leadership Criteria, the other 2X Criteria are: the Employment Criteria (businesses with a share of women in the workforce between 30 and 50 per cent (depending on sector) AND one quality employment indicator); the Consumption Criteria (businesses offering products or services specifically benefit women); and the Indirect criteria for investments through financial intermediaries (where investor/financial institution loan proceeds or their portfolio support businesses that meet the direct criteria or where fund portfolio companies meet one of the other 2X Criteria).

3 This evaluation is also part of our efforts to monitor and report on our 2X commitments, with the intention of publicly sharing insights to encourage the broader adoption of gender and diversity finance practices in the market.

4 One investment in the sample qualified based on a commitment to achieve the senior management threshold (sub-Criteria L1). Note that this threshold varied from 20 to 30 per cent before 2021 - as such a further two investments in the sample qualified under the Leadership Criteria with 29 per cent and 26 per cent of women in senior management, respectively.



2

Evaluation

2.1 Research questions

The evaluation was designed to answer four overarching research questions (RQs), as shown in Figure 2:

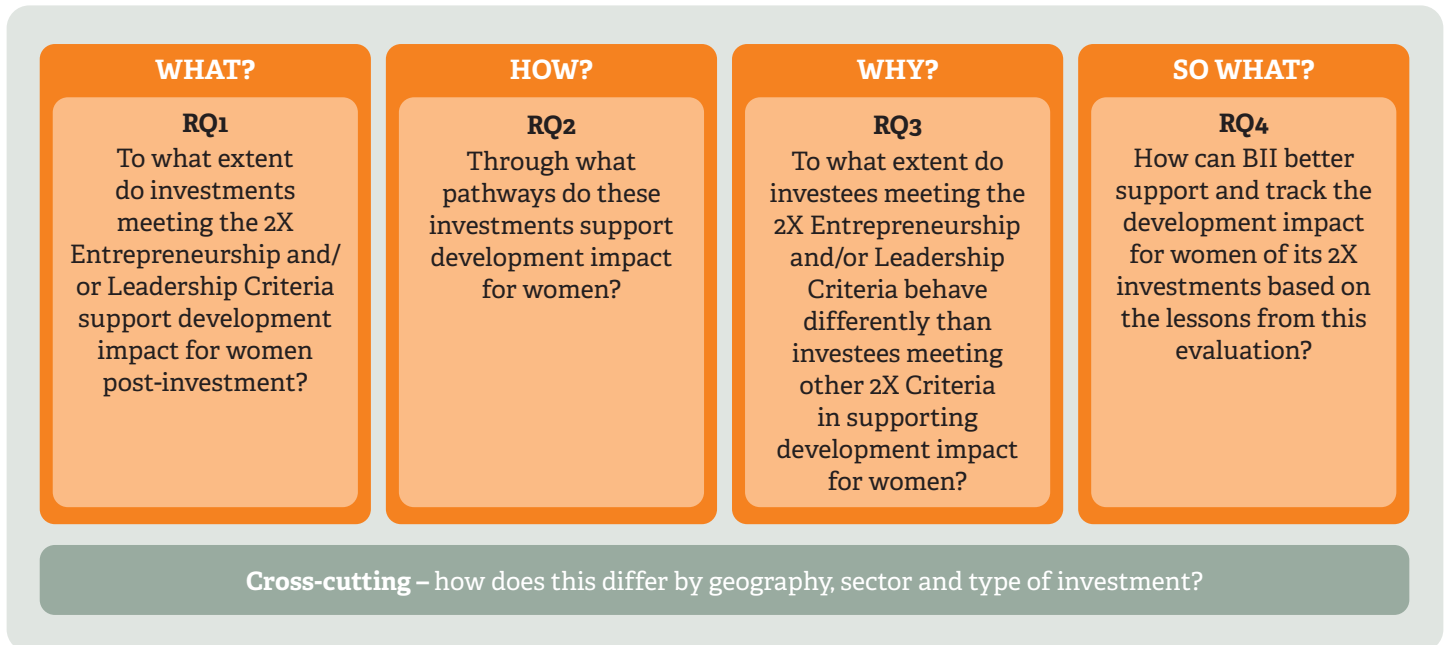


Figure 2: Research questions

2.2 Methodology and sample

The evaluation sample consisted of all 29 BII investments that qualified for 2X between 2019 and 2021,⁵ comprising 17 investments that met the 2X Entrepreneurship and/or Leadership Criteria at the point of investment and 12 investments that met other 2X Criteria (included for comparison).⁶ Data was collected through a desk-based review of internal documents and data, a rapid review of external evidence, key informant interviews with 21 investees, and interviews with our Gender and Diversity team.

The mixed-method evaluation was grounded in a theory of change with four potential impact pathways. The pathways detail how our investments with gender-diverse ownership and leadership are expected to support the development impact for women employees, suppliers and consumers, through the adoption of gender-smart behaviours (Figure 3). The 21 investees interviewed were assessed along a spectrum of outcome markers spanning 'Minimum Standards', 'Good', 'Better' and 'Best' for the short-term and medium-term outcomes identified for each theory of change pathway relevant for that investment.⁷ In addition, factors associated with high performance against the outcome markers were analysed.

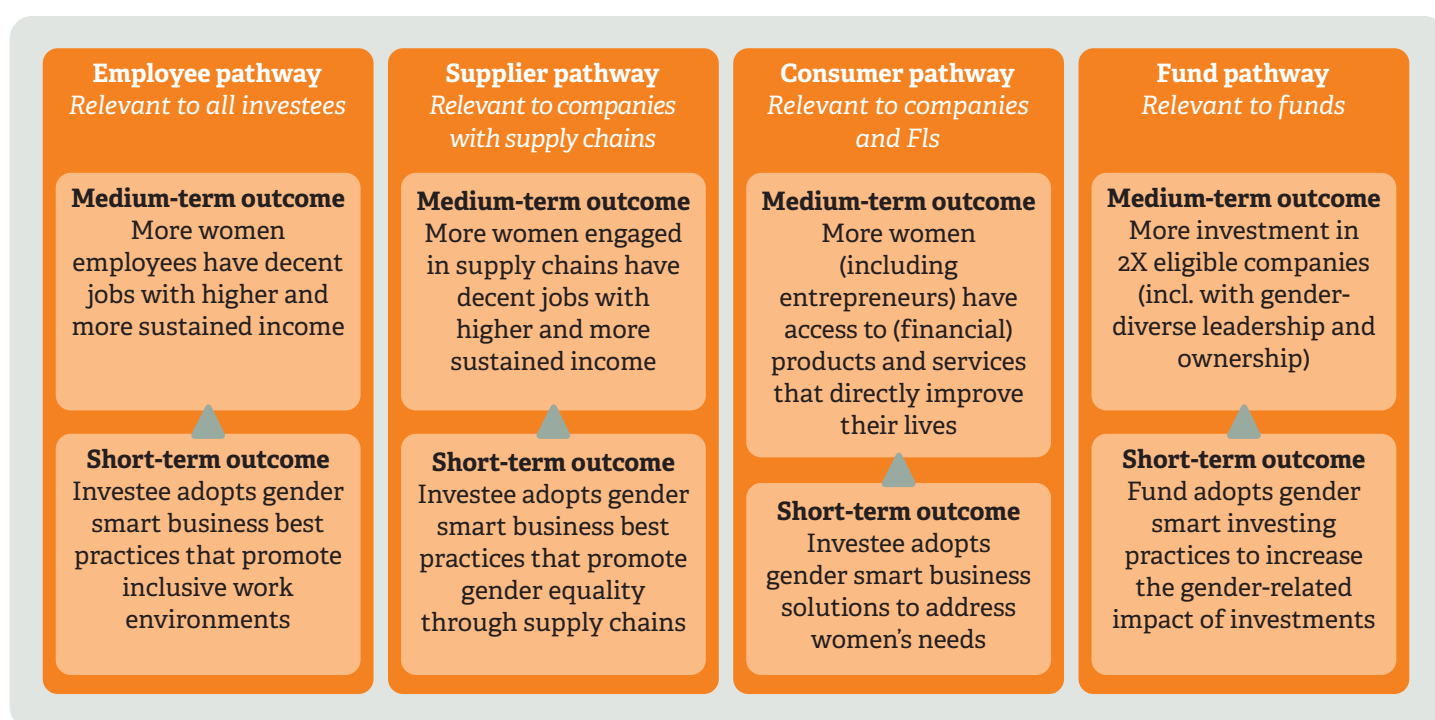


Figure 3: Hypothesised impact pathways and outcomes for BII investments with gender-diverse ownership and leadership

⁵ The 29 investees correspond to all 2X investees qualified by BII up to 2021.

⁶ This includes 5 investments qualifying under Employment, 3 under Consumption and 8 under Indirect Criteria. This evaluation did not attempt to assess the gender-related impacts of 2X investments relative to non-2X investments in line with the evidence needs identified, but rather to strengthen how we assess and support the impact of these investments for women as employees, consumers and suppliers.

⁷ Not all theory of change pathways are equally relevant for all investees given the nature of their business models, and pathways considered more material to their business model were prioritised when collecting data from investees.



3

Key findings

3.1 Evidence of supporting impact for women along hypothesised pathways

Employee pathway: The evaluators found strong evidence that our investees with gender-diverse ownership and/or leadership adopt gender-smart business practices that promote inclusive work environments, in particular gender-smart recruitment and retention strategies. Of 11 investees in the sample that qualified under Entrepreneurship and/or Leadership whose gender-smart business practices were assessed, seven (64 per cent) were found to meet 'Better' or 'Best' standards. Alongside these practices, the findings underscore the importance of organisational culture in enabling women's leadership and sustaining diverse workplaces.

- There is good evidence to support the expectation that these practices will support more women employees to have decent jobs with higher and more sustained income for nine of these 11 investees. However, evidence on the impact on women employees' income was more limited due to data collection constraints and gaps in existing monitoring data. In particular, a lack of gender-pay gap analysis and reporting made it hard to assess to what extent these same investees are addressing gender parity in pay.
- These 11 investees with gender-diverse ownership and/or leadership demonstrate higher standards in terms of gender-smart business practices to promote diverse and inclusive workplaces than investees meeting other 2X Criteria. Further, direct investees – both companies and financial institutions (FIs) – were found to meet higher standards than funds on implementing gender-smart business practices that promote gender diversity and inclusion in the workplace.
- Investees in the sample with the strongest evidence of supporting impact for women employees demonstrated a genuine commitment to gender diversity at all levels, coupled with a deliberate focus on addressing gender-specific barriers to women's employment and participation.



Investees with the strongest evidence of supporting impact for women employees demonstrated a genuine commitment to gender diversity at all levels and a deliberate focus on addressing gender-specific barriers to women's employment and participation.

Fund pathway: Funds in the sample meeting the 2X Entrepreneurship and/or Leadership Criteria show commitment to integrating gender considerations within their investing strategies. All seven funds in the sample that qualified under Entrepreneurship and/or Leadership were found to be meeting at least 'Good' standards for gender-smart investing practices, with three (43 per cent) assessed to be achieving 'Better' or 'Best' standards.

- While not all of these seven funds were fully deployed at the time of the evaluation, the majority (five of seven, or 71 per cent) were found to be exceeding or on track to exceed 50 per cent of their portfolio meeting at least one 2X Criteria.
- These seven funds with gender-diverse ownership and/or leadership were found to demonstrate greater adoption of gender-smart investing practices than funds meeting other 2X Criteria (namely the 2X Employment Criteria), and a higher proportion were exceeding or on track to exceed 50 per cent of their portfolio investments meeting at least one 2X Criteria.
- The funds for which the evaluation found the strongest evidence of supporting impact for women through their investments have an explicit and intentional gender-lens investing strategy focused on both building a pipeline of 2X investments and on creating gender-related impact with all investees post-investment. Efforts to build a relationship with portfolio companies was found to be an important enabling factor, as well as having personnel in-house with time and specialised gender knowledge and expertise to engage and provide ongoing support to portfolio companies.

Consumer pathway: A majority of the four investees qualifying under Entrepreneurship and/or Leadership in the sample that deliver products and services directly to end customers demonstrate the adoption of gender-smart business solutions to address women's needs. Three of these four investees (75 per cent) were found to meet 'Better' or 'Best' standards for gender-smart business practices, increasing women's access to products and services that directly improve their lives. Notably, all three of these investees were FIs, which were found to be going beyond the collection of sex-disaggregated data on financial customers and using gender data to inform decision-making, such as refining existing product or service offerings to better meet the needs of women customer segments.

Supplier Pathway: The evaluation findings, while restricted by sample and data constraints, suggest limited integration of gender considerations within supply chain management for 2X investees in the sample. All three investees for which supply chains are material to their business model were found to meet our 'Minimum Standards' for Environmental, Social and Governance (ESG) requirements within supply chains. However, they lack systems and processes for collecting and monitoring sex-disaggregated data on their supply chains. These findings are consistent with wider industry challenges in collecting sex-disaggregated supply chain data due to high levels of intermediation and third-party contracting, which in turn leads to difficulties in understanding and evidencing impact through supply chains.



Funds with the strongest evidence of supporting impact for women through their investments have an explicit and intentional gender-lens investing strategy focused on both building a pipeline of 2X investments and creating gender-related impact post-investment.

3.2 Factors associated with greater evidence of supporting impact for women

The diversity of performance against outcome markers among investees that qualified under 2X Entrepreneurship and/or Leadership suggests that additional factors beyond meeting 2X Criteria for gender-diverse ownership and/or leadership are important determinants of the likelihood of supporting impact for women. Across the sample, the benefits of women's leadership were more likely to be realised with broad representation across senior management and governance structures. Further, investees meeting both Entrepreneurship and Leadership Criteria were the highest performers, signalling that gender-diverse ownership *coupled with* gender-diverse leadership may be an indicator of a higher potential for impact on gender-related outcomes.

Investee-specific factors linked to gender intentionality, rather than geography or other contextual factors, are more robust predictors of whether investees adopt gender-smart practices that have the potential to positively impact women. Geographical findings resonate with wider regional trends where Africa continues to outperform Asia on female labour market participation, especially in India, where many of the investments in the sample are based. However, the variation in performance against outcome markers between investees, as well as key outliers in the sample, suggest that while geographical context is an important factor to consider when assessing the potential of investees to support improved development outcomes for women, other capability and motivational factors may be more important. The evaluation highlights the importance of five factors in particular (see Figure 4).

» *Investee-specific factors linked to gender intentionality, rather than geography or other contextual factors, are more robust predictors of whether investees adopt gender-smart practices that have the potential to positively impact women.*



Figure 4: Factors most associated with adoption of gender-smart practices



4

Recommendations

The following recommendations made by the evaluators based on the evaluation findings are intended to help us and other investors to better support and track the development impact for women of our 2X investments throughout the investment life cycle. While these recommendations were developed specifically for us, they are likely to be relevant to other investors using the 2X Framework to apply a gender lens to their investments.

Origination

1. **Proactively map and source investments meeting the Entrepreneurship and/or Leadership Criteria to increase the likelihood of achieving development impact for women.** The findings suggest a high potential for supporting impact for women through investments meeting the Entrepreneurship and/or Leadership Criteria, and in particular those meeting the Entrepreneurship and both Leadership sub-Criteria, such as investees where women are active founders or owners *and* influential decision-makers in senior management *and* other leadership structures (Board and/or Investment Committee).

Investment decision-making

2. **Support the progression of investments meeting the Entrepreneurship and/or Leadership Criteria through the pipeline.** Once in the pipeline, where possible, we should consider strategies to help these companies or funds reach the required impact and commercial conditions for us to invest in them, thereby realising their potential impact for women.



The findings suggest a high potential for supporting impact for women through investments meeting the Entrepreneurship and/or Leadership Criteria, in particular where women are active founders or owners and influential decision-makers in senior management and other leadership structures.

3. **Strengthen the gender impact thesis for all potentially 2X eligible deals** (such as investments qualifying under any combination of 2X Criteria) through:
 - a continuing to use 2X qualification to secure ambitious gender targets, which can be informed by the incremental performance standards used in this evaluation;
 - b securing wider commitments to gender-smart initiatives based on insights from this evaluation on 'what works' and what is realistic (including technical assistance (TA) or advisory support to support their implementation);
 - c going beyond 2X Criteria alignment by testing all deals for gender intentionality to appraise likely gender impact per the five 'success factors' identified in this evaluation, including senior level buy-in, gender capacity and resources, strong and explicit commitments to gender equality, accountability mechanisms, and (for fund managers) the qualitative strength of relationships with investees.

Impact management and value creation

4. **Proactively discuss and align on metrics to track investee performance against targets and commitments made.** We should continue to codify these in relevant deal documentation (for example, as part of 2X letters/memoranda of understanding (MOUs), Gender Action Plans (GAPs), Environmental and Social Action Plans, and/or other legal documents where possible) and actively track them post-investment.
5. **Use the evaluation's learnings and case studies to support investee adoption of gender-smart practices.** For example, the thematic case studies (see below) on gender-smart recruitment, retention, and investing strategies can be shared with investees to illustrate best practices and support behaviour change.
6. **Pilot new types of TA to support impact for women in less well-evidenced areas and pathways,** such as improving the collection and use of gender data within supply chains, enhancing gender pay gap analysis, or implementing and using employee feedback surveys.



5

Thematic case studies

A thematic case study approach was used to explore key themes emerging from the data in greater depth. These four case studies, which draw on primary data from the evaluation, provide rich insights into the conditions most likely to lead to investments supporting improved outcomes for women. Figure 5 outlines the themes of the case studies and how they relate to the research questions.

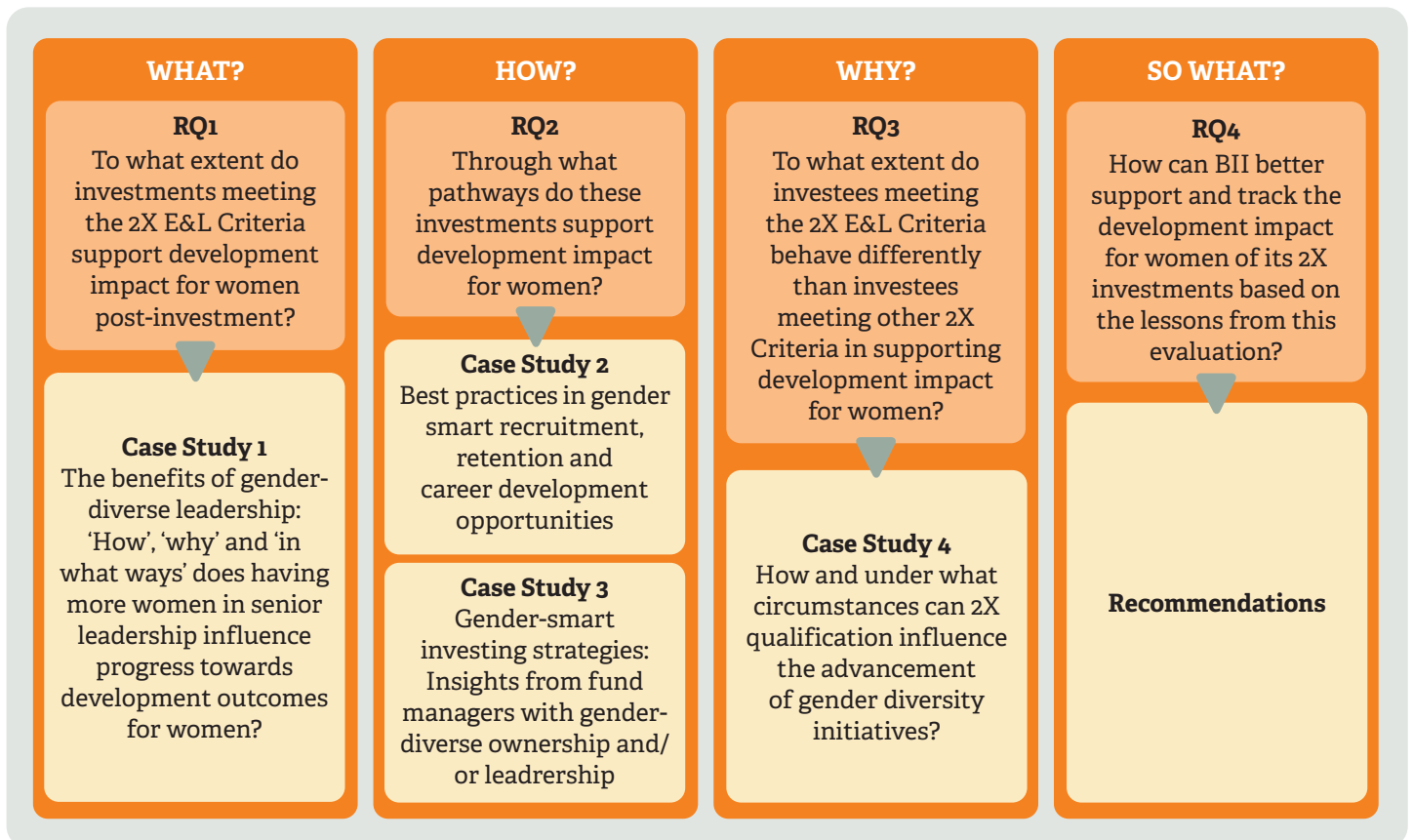


Figure 5: Thematic case studies as they relate to the research questions

5.1 The benefits of gender-diverse leadership: ‘how’, ‘why’ and ‘in what ways’ does having more women in senior leadership support improved outcomes for women?

Introduction

While the evidence on the business benefits of gender-diverse leadership has grown in recent years, it remains limited, particularly in terms of its generalisability to gender-lens investing and investees’ geographic and sectoral context. This case study draws on the evaluation data and a rapid review of external evidence to build on the existing evidence base on ‘how’, ‘why’ and ‘in what ways’ having more women in senior leadership can support improved outcomes for women employees, consumers and in the supply chain. This case study focuses on the 11 investees that qualified under the 2X Entrepreneurship and/or Leadership Criteria and took part in a key informant interview, ten of which qualified under the Leadership Criteria.

Key insights

1. More gender-diverse leadership supports more gender-diverse and inclusive workplaces.

In line with existing evidence, the evaluation findings suggest firms with gender-diverse leadership may be more likely to hire, train, and promote women⁸ across a variety of sectors and geographical contexts.⁹ Most investees that met the 2X threshold for gender-diverse ownership and/or leadership in the sample were found to be adopting gender-smart business practices promoting inclusive work environments, supporting women’s access to quality employment and career progression opportunities. Also, having a greater proportion of women in decision-making roles (30 per cent or more) was associated with several gender-smart business best practices, including having gender diversity targets, taking steps to understand gender-related barriers to recruitment and retention, and/or seeking to promote women employees’ career advancement.

2. Higher representation of women across different decision-making roles and functions (such as senior management and Board or Investment Committee) yields improved outcomes for women employees and consumers.

The evaluation findings suggest gender diversity across both senior management and Board or Investment Committee level may support improved outcomes for women employees and consumers. While the evaluation found that 2X Leadership qualifying investees were performing well overall, those with greater than 30 per cent female representation in senior management (Criteria L1) and greater than 30 per cent female representation on the Board or Investment Committee (Criteria L2), demonstrated greater performance than those only meeting this threshold in senior management. The five investees that met both 2X Leadership sub-Criteria demonstrated excellence in gender-smart business practices across the Employee, Consumer and Fund Pathways.

However, among the 11 investees qualifying under Entrepreneurship and/or Leadership, five (or 45 per cent) did not meet 2X thresholds for women on the Board or Investment Committee. This suggests many investees are still facing challenges in ensuring gender-balanced leadership at the highest decision-making levels.



Having a greater proportion of women in decision-making roles (30 per cent or more) was associated with several gender-smart business best practices, including having gender diversity targets, taking steps to understand gender-related barriers to recruitment and retention, and/or seeking to promote women employees’ career advancement.

8 Centre for Global Development. (2020b); European Investment Bank. (2022); European Investment Bank - Banking in Africa Survey. (2023); World Bank Blogs. (2018).

9 European Investment Bank. (2022); European Investment Bank, Banking in Africa (2023).

3. The two highest-performing investees against the outcome marker assessment are female-founded with a gender-diverse leadership structure.

The findings suggest that having an active female founder and female representation in senior management and the Board or Investment Committee may indicate higher potential for impact on gender-related outcomes. The top-performing investees in the entire sample, an African fund manager and a direct investee in South Asia, qualified under both Leadership sub-Criteria and are women-founded. The direct investee in South Asia was the first 2X investment to meet all the direct 2X Criteria, and its female founder still serves as the Chief Executive Officer (CEO). Both investees scored 'Best' in the outcome marker assessment across both the Employee and Consumption Pathways, and the promotion of gender equality is a core part of their microfinance strategies. Similarly, the African fund manager achieved Flagship Fund status by meeting both Entrepreneurship and Leadership Criteria, as well as indirect 2X Criteria, with its female founder leading the fund. This fund manager scored 'Best' across the Employee Pathway and 'Better' and 'Best' across the Fund Pathway and reported to be motivated to be a leading fund on gender. Notably, this fund manager was found to have strong internal accountability mechanisms, including the establishment of a Gender Working Group to further institutionalise gender-related efforts.

4. Gender-diverse leadership is supportive of gender-diverse organisational culture.

In line with external evidence, evaluation findings suggest that firms with gender-diverse leadership are more likely to foster women-friendly and gender-equitable workplace cultures.¹⁰ For instance, one African fund manager emphasised the pivotal role of company culture in retaining women employees. Recognising a perceived male-dominated culture, it strategically merged the (previously male-dominated) 'Deal Team', and its 'Portfolio Management Team' into a new and more gender-balanced combined 'Investment Team'. The investee shared how this restructuring positively impacted workplace culture, enhancing the attraction and retention of women talent. Similarly, another African fund manager reported actively promoting a horizontal team structure and workplace culture, fostering diversity from its inception. Organisations aspiring to foster diversity and equity may find inspiration in these examples, emphasising the significance of intentional efforts in creating and fostering inclusive workplace cultures.

5.2 Best practices in gender-smart recruitment, retention and career development opportunities

Introduction

There is now substantial evidence and guidance on gender-smart human resources (HR) practices; however, most of the evidence is from high-income countries.¹¹ This case study provides an overview of a range of gender-smart recruitment, retention and career development strategies employed by investees with gender-diverse leadership and ownership. It aims to complement the existing evidence base on best practices to promote gender-diverse and inclusive workplaces in emerging markets. It draws on evaluation data from a sample of 17 investees qualifying under 2X Entrepreneurship and/or Leadership Criteria, including 11 investees that were assessed against outcome markers and six other investees for which available documents were reviewed.



Having an active female founder and female representation in senior management and the Board or Investment Committee may indicate higher potential for impact on gender-related outcomes.



Evaluation findings suggest that firms with gender-diverse leadership are more likely to foster women-friendly and gender-equitable workplace cultures.

¹⁰ International Finance Corporation. (2022a).

¹¹ See for example ILO (2019); OECD (2020); IFC (2016).

Examples of gender-smart recruitment, retention and career development initiatives highlighted by these investees are summarised in Figure 6, while key insights from these examples are explored further below.

Recruitment	<ul style="list-style-type: none"> Mandating 50 per cent representation of women amongst applicants for vacancies Setting targets for gender diversity during shortlisting Ensuring gender-balanced composition of recruitment/interview panels Targeting individuals from marginalised groups Gender-blind front-end CV screening Collaborating with recruiters to guarantee 50 per cent gender balance in hires
Retention	<ul style="list-style-type: none"> Overarching Diversity, Equity and Inclusion (DEI) policies Flexible and hybrid working policies Enhanced parental leave provisions and/or free childcare provision Efforts to foster 'family friendly' workplace cultures Subsidised transport Efforts to engage and gain support of family members in areas with highly restrictive norms around women's mobility and work after marriage
Career development	<ul style="list-style-type: none"> Clear succession planning for traditionally male dominated senior roles Requirement for gender-balanced promotions in each review cycle Women's leadership skills programmes Internal women's networks and mentoring

Figure 6: Examples of recruitment, retention and career development initiatives reported by investees

Key insights

1. Continuous monitoring and data collection, including of sex-disaggregated data, are critical for understanding gender-related challenges and measuring the impact of initiatives.

The most significant strides toward gender equality were evident in investees that reported to be actively engaged in continuous improvement processes supported by sex-disaggregated data and employee feedback. For instance, a direct investee in East Africa conducted an in-depth assessment that collected employment data and gathered feedback from employees, uncovering gender gaps in career progression among women in their sales team and biases in recruitment processes. This led the investee to work with us to design an initiative to address gender-related barriers and foster a more inclusive workplace. Similarly, a direct investee in South Asia illustrates dedication to continuous improvement in gender equality through an annual employee feedback survey and engagement index, evaluating ten indicators on a Likert scale, including policies, HR, compensation, and training. Any indicators below the target trigger focused efforts to address and improve those specific areas, ensuring an iterative and data-driven approach to advancing gender equality. These data-driven approaches enable investees to identify areas of improvement and make informed decisions to advance gender equality and diversity within their business operations.

» **Data-driven approaches enable investees to identify areas of improvement and make informed decisions to advance gender equality and diversity within their business operations.**

2. The most intentional and effective approaches involve addressing context-specific and gender-related barriers to women's recruitment, retention and career development.

Tailoring recruitment and retention strategies to address specific gender-related barriers and biases in the local context can lead to more effective outcomes. What works in one region may not be as effective in another, highlighting the need for flexibility and adaptability. The findings provide examples of the benefits of comprehensive organisational gender diagnostics that look beyond simple gender diversity ratios of employees, providing a thorough understanding of barriers and aiding in targeted interventions. In traditionally male-dominated sectors, targeted recruitment efforts can address gender imbalances in leadership through clear succession planning, or strategically recruiting women to enhance gender diversity in a team. Investees that exceed legal requirements in terms of parental leave, flexible work arrangements, and support for family-friendly environments report attracting and retaining more women employees.

3. Several investees emphasised the importance of benchmarking and goal setting to support organisational change.

A demonstrated commitment to gender diversity across all teams, exemplified by maintaining a 50 per cent gender ratio across teams, stands out as a driving force for internal efforts. Conversely, investees with DEI policies and internal training efforts without specific gender-related commitments or targets showed more mixed progress towards gender-diverse leadership. Commitment to ongoing organisational assessments, robust feedback mechanisms, and adaptive policies enhanced the effectiveness of initiatives aimed at fostering inclusivity and gender equality. Setting clear gender diversity targets, such as gender-balanced recruitment panels and promotions, and benchmarking their performance against these targets, can drive progress and necessary adjustments to hold organisations accountable.



Setting clear gender diversity targets, such as gender-balanced recruitment panels and promotions, and benchmarking their performance against these targets, can drive progress and necessary adjustments to hold organisations accountable.

5.3 Gender-smart investing strategies – insights from fund managers with gender-diverse ownership and/or leadership

Introduction

Gender diversity and women's leadership within fund management teams can not only broaden networks but can also introduce varied perspectives, fostering a culture of inclusivity. This case study examines strategies employed by fund managers with gender-diverse ownership and leadership¹² to build and grow a pipeline of 2X-qualified investments. It provides rich contextual data on specific strategies employed by these funds, as well as factors influencing progress. This case study draws on evaluation data from a sample of nine funds that qualified under 2X Entrepreneurship and/or Leadership Criteria, including seven funds assessed against outcome markers. Two were 2X Flagship Funds, signifying their exemplary efforts and achievements in promoting gender-smart business practices.

Key insights

1. Fund managers with gender-diverse ownership and/or leadership that perform best against outcome markers integrate gender as early as possible and across the investment cycle.

For most fund managers in the sample that qualified under the 2X Entrepreneurship and/or Leadership Criteria, gender integration typically begins through their due diligence process for pipeline investees where they screen against the 2X Criteria, though a small number are being more gender-intentional even earlier at the origination stage. Among fund managers with gender-diverse ownership and/or leadership, the highest performers were those that regularly engage with company management around gender-

¹² In the case of funds, ownership refers to the majority women's ownership of the fund manager and/or whether the fund manager was founded by women.

related progress and highlight the importance of performance in this area. For example, both 2X Flagship Funds in the sample reported a focus on awareness raising on the importance of gender-related performance within their investee onboarding processes (for example, workshops after deals close).

The depth and quality of gender assessments undertaken then shapes any targeted actions. For example, assessments of gender diversity within the workforce prompted fund managers to work with portfolio companies to improve gender diversity and women's participation and leadership, through strategies such as promoting improved policies or restructuring boards to incorporate more women. However, where initial gender analysis is more in-depth (for example, extending to gender diagnostics on consumers), this can help identify specific actions within GAPs, or be the catalyst for TA. For example, prompted by data on the limited women customer base of one of its portfolio companies, a South Asian fund manager provided TA to support the investee to expand its reach to women consumers.

The most gender-intentional fund managers had clear targets to build on 2X metrics, and had clear strategies in place to create gender-related impact with their investees. For example, an African fund manager assesses gender participation starting at the screening stage and identifies potential women customer angles. Notably, it tracks and documents company performance against 2X Criteria at the point of investment as well as predicting where it may be able to reach by the point of exit. Another African fund manager reported to have targets for all portfolio companies to meet the 2X Employment and Leadership Criteria, and also has a target to increase female employment in companies with low baseline female representation.



The most gender-intentional fund managers had clear targets to build on 2X metrics, and had clear strategies in place to create gender-related impact with their investees.

2. Gender-related support ranges from standardised to highly bespoke elements.

Some fund managers have standardised gender-support packages for their portfolio companies. For one fund manager in South Asia, all portfolio companies must have a GAP, and non-discrimination anti-harassment, gender equality and equal opportunity policies. The development of these is supported by the fund manager. Further, portfolio companies of one African fund manager must have a gender policy, and the manager works directly with the companies to increase the share of women in employment. Several funds also offer tailored support to their investees, including another African fund manager that works with investees to identify qualitative indicators to enhance gender-related progress.

3. Several fund managers have intentional strategies for reaching female founders without compromising on business fundamentals.

One Indian fund manager is making efforts to reduce gender bias in the deal-making process. It developed a gender-sensitive process to ensure all entrepreneurs are asked the same questions during pitching to address gender bias uncovered by Harvard Business School, which found that men and women are asked different questions, affecting their likelihood and amount of funds raised.¹³ One African fund manager implements specific initiatives to reach more female founders and encourages companies to hire women to within the C-suite. These initiatives are motivated by a desire to build networks that support African women tech entrepreneurs to 'stay in the game' longer, so they are less isolated and have a community and ecosystem to call on.

¹³ Harvard Business Review (2017) Male and Female Entrepreneurs Get Asked Different Questions by VCs – and It Affects How Much Funding They Get.

4. Internal gender capacity and resources influence the fund manager's ability to facilitate and support gender-related progress within their portfolio.

In some cases, a designated gender or impact lead drives initiatives with portfolio companies (and within the fund manager itself). The gender, impact or sustainability champion, or team, can have a key role in driving initiatives, building relationships, and providing ongoing capacity-building support to portfolio companies. However, the extent of influence can vary and depends on factors such as senior-level commitment to gender targets or the fund manager's ability to influence the behaviour and policies of portfolio companies. 2X Flagship Funds emphasised the importance of relationship building and having personnel in-house with time and specialised knowledge to carry out conversations with and provide ongoing support to portfolio companies.

5. While fund managers clearly have an interest in peer learning, formal initiatives for knowledge exchange are limited.

Notably, only a handful of investees actively participate in the structured sharing of insights. For instance, one African fund manager is currently involved in crafting business cases on gender to assist portfolio companies, showcasing a commitment to shared learning. Similarly, another African fund manager contributes to the [Global Impact Investing Network's](#) Advisory Committee by sharing valuable lessons learned and is the only African member. Despite the overall appetite for peer learning, the formalisation of such initiatives remains a relatively untapped opportunity within the gender-lens investing space.

5.4 How and under what circumstances can the 2X qualification influence the advancement of gender diversity initiatives?

Introduction

In the evolving landscape of impact investing, the 2X Challenge has been a pivotal initiative dedicated to promoting investments that actively contribute to gender equality by holistically considering the different ways in which women can participate in investments across the value chain.

This case study explores how the 2X qualification of our investments to date has impacted the adoption of gender-smart practices. While not the focus of the evaluation, interviews with investees revealed some insights on how the 2X qualification can influence their gender-smart practices and behaviour. It draws on data from the full evaluation sample and focuses on examples of where 2X has inspired progress, to draw lessons relevant to the wider 2X community.

Key insights

1. 2X qualification can act as a catalyst to enhance investments' gender intentionality and ambition.

Some investees reported that qualifying under one Criteria motivated them to take additional steps to improve against other gender considerations related to that Criteria. This, in turn, can lead to enhanced and more comprehensive gender-related results. According to one direct investee in Africa, its 2X qualification under the Consumption Criteria encouraged it to integrate gender considerations within the design process for new housing developments, leading to enhanced safety considerations and childcare provisions on site for its women customers.

2X qualification can also be instrumental in influencing senior-level buy-in, making it easier to garner support from teams. For example, one fund manager shared how – alongside our investment – its 2X qualification acted as leverage it uses internally to increase senior-level buy-in for gender-smart business practices.

“[2X] opens up conversations to discuss and identify challenges, and identify actions [with investees].”

African fund manager

2. 2X qualification can help set gender targets, which further embeds gender considerations within business and investment practices, increasing accountability.

Before their 2X qualification, multiple investees reported they did not have gender-related targets in place, nor did they collect or report on gender data or metrics. Collecting and reflecting on gender data can provide opportunities for learning and improvement, highlighting gender-related issues previously not clearly visible or well understood. Further, introducing standardised 2X metrics has helped funds to ‘open up gender-related conversations’, facilitating gender-smart investing processes. However, according to one investee, over-reliance on 2X metrics may lead investments to only focus efforts on achieving these targets (such as focusing on the number of women employed or in leadership), rather than fostering a more holistic approach to fostering more gender-diverse and equal workplace cultures.

According to another Africa-focused fund manager, 2X has been crucial in reinforcing and formalising its existing women’s empowerment-related strategies. According to its representative, although it always maintained a focus on women’s empowerment with established impact targets and initiatives, 2X qualification has been included within its investment agreement with us through specific 2X portfolio targets. As a result, investees of this fund are assessed against 2X Criteria and are encouraged to enhance their compliance with 2X thresholds.

3. 2X qualification can provide visibility and recognition for gender-smart investees.

For investees with the highest performance against outcome markers, the influence of 2X qualification on their gender-smart practices and behaviours might be less significant. Nevertheless, it can serve as noteworthy recognition of investees’ contributions to gender equality. Enhancing the visibility of these gender-smart investments can provide positive marketing opportunities for the investee and, in turn, unlock potential investment and fundraising benefits.

“Now that we have the 2X designation, it’s something that we’ve more fully embedded in terms of our initial preliminary review when we meet a new company and our initial discussions with entrepreneurs about their impact measurement and what they’re tracking. So it’s become more at the forefront of what we look for and what we track.”

South Asian fund manager

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