



## Global Leadership in Action Series

### Report No.2

*Watch back the discussion in full [here](#).*

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Ibec's second Global Leadership in Action series of events kicked off with the theme of **Gender-Smart Investing**.

**Jackie King**, Executive Director, International Business, and **Kara McGann**, Head of Social Policy, Ibec were joined by speakers:

- **Alan Foy**, Chairman and Managing Partner, VentureWave Capital, and a board member of Endeavor Ireland, a non-profit organisation setup to support high impact entrepreneurs;
- **Elaine Coughlan**, Managing Partner and Co-Founder of Atlantic Bridge, a Global Technology Fund and has been named one of Europe's Top 50 Inspiring Women in Technology;
- **William McQuillan**, Founding Partner at London based, Frontline Ventures, an early-stage venture capital fund who held the title of the Youngest Partner of a European VC fund when Frontline was founded;
- **Michelle McBane**, Co-founder and Managing Director at Canada-based StandUp Ventures, who also co-chairs the D&I Committee at the Canadian Venture Capital & Private Equity Association.

Discussion among our exceptional speakers touched on the key challenges, opportunities, good practices, and areas for focus for female entrepreneurs, financiers and investors in the whole area of gender-smart investing and wealth management. Each of our speakers has personally and with their organisation, committed huge energy and resources to changing the landscape around gender-smart investing. This has taken the form of interrogating their organisations practices and engagements for sources of bias to eradicate; looking to the pipeline of entrepreneurs to encourage more females; strengthening connections with female founders; mentoring and coaching early-stage entrepreneurs; and, focusing attention on removing the obstacles to greater gender balance in the investment community and beyond.

A flavour of some of the major conversation points included:

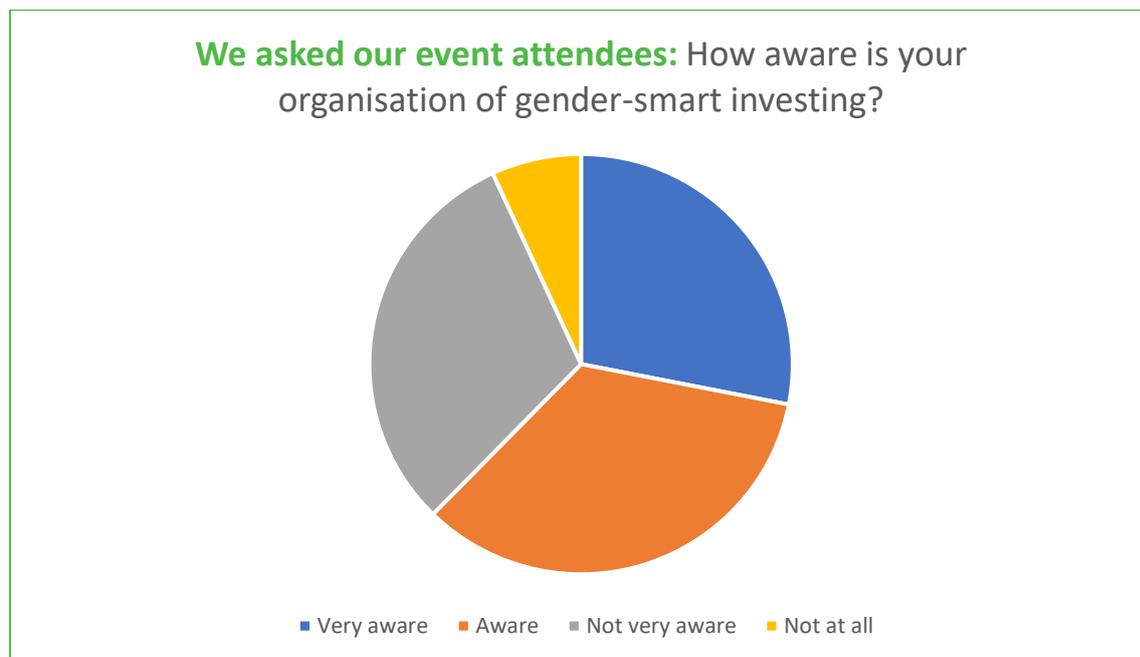
- The business case for gender smart investing;
- The impact of COVID-19 on the numbers of female entrepreneurs being funded;
- The particular obstacles facing gender-smart investing;
- Networks - types of questions and other differences between founders;
- What leadership in this area looks like.

This report will offer some highlights of the conversations and serve as a backdrop from which our next events will launch.

### 1. Business case for gender-smart investing

Today, we are seeing progress across the world in the number of women reaching executive leadership in organisations, a rise in female entrepreneurship and unprecedented wealth transfer intergenerationally among women. However, gaps in funding and pay are holding back the progress of women to fulfil their potential and boost global GDP.

While many of our audience were aware of gender-smart investing, it was also new to almost 40% of delegates.



In recent years, *gender lens* or *gender-smart investing* has gained significant traction and grown as part of the broad advance in impact investing. This is in part due to increasing evidence that demonstrates the financial benefits of taking a gender lens approach, as well as of the recognition that these returns can also lead to a positive impact on the lives of women and girls. The European Investment Bank's report *Funding Women Entrepreneurs* states that greater gender diversity could lead to a potential increase of 26% of annual global GDP and USD 160 trillion of human capital wealth and could enhance business performance by 15%.

A growing number of investors and entrepreneurs now recognise that gender is material to financial, business, and social outcomes, and that ignoring gender and other factors of identity in their investments and businesses exposes them to financial risk. Similarly, clients are demanding gender-smart investing, ESG and impact investing from their managers.

**Comments highlighted during the discussion:** *“At one stage, socially responsible investing was basically avoiding things like fracking...while now we have a far more conscious investment mindset and investors are voting with their feet, and if the performance stats say clearly there is an over-achievement in the performance of the companies we invest in...and our supply side of the capital are voting...we’re asking these questions...we have these requirement of gender-smart investing...well the outcome has to be more of an allocation”*

The disparity in funding however between female and male founders persists.

Another aspect of this issue concerns the fact that women have also become a sizable economic force, although often undervalued. Despite the increasing power of their purse strings, which controls over \$31.8 trillion in worldwide spending, and controls or influences 85% of consumer spending, women remain largely underserved by the wealth management community, with 84% of them feeling misunderstood by investment marketers and often expressing dissatisfaction with the gender balance of teams that serve them. Too often, firms treat women as a homogeneous group, ignoring the vastly different needs and preferences of different female clients.

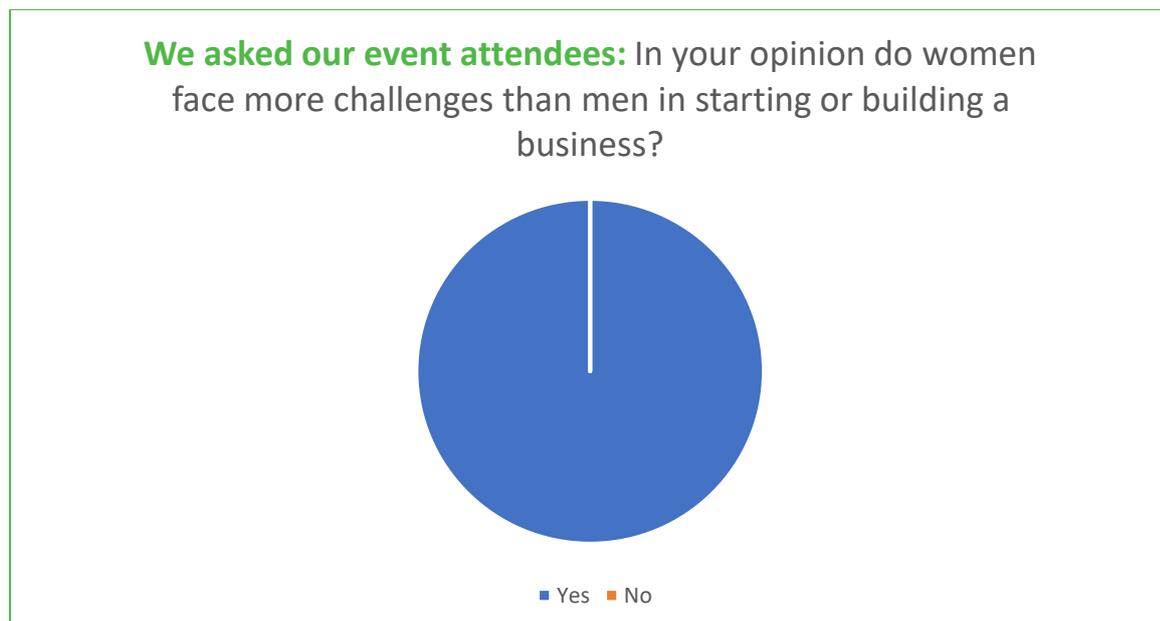
However, this level of wealth in the hands of women is acting as a catalyst for change as they are conscious of this need to be smart gender led investors.

**Comments highlighted during the discussion:** *“About 30% of the wealth in the world today is in the hands of female decision-makers, that could be familial, that could be the sale of business...therefore they are asking questions of their investment managers, rightly so, to guide the overall investment”*

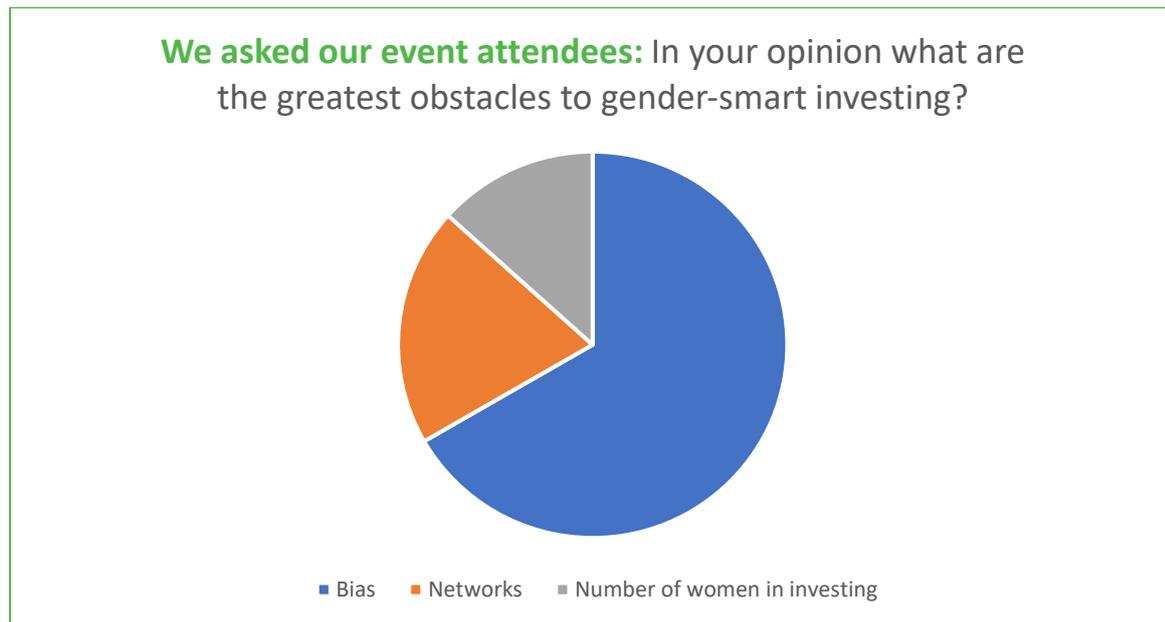
So clearly, based on these arguments, a greater focus on female wealth and entrepreneurship, gender-smart and gender lens investing is here to stay.

## 2. Challenges facing female entrepreneurs

While Governments are good at supporting start-ups, capital and access to finance remains a challenge for many female entrepreneurs. Delegates unanimously agreed that women entrepreneurs faced greater challenges than men.



We asked delegates to give us a sense of what those challenges might be and the majority suggested bias, followed by networks and the number of women in investor teams. No delegates felt that the other options, confidence or style of pitch, had an impact.



## Bias

The issue of bias was seen as something that could stem from investors' beliefs about what a founder's ideal background should be or indeed more simply falling into 'what we know' rather than what we do not.

**Comments highlighted during the discussion:** *"People naturally are risk averse and when taking risk will err towards thing they are familiar with and...venture capital is one of the riskiest areas of this... as investors we need to be aware, there's nobody that has no bias, every human has biases of some kind...as long as investors are aware of those biases and properly almost price them in when thinking about risk on any particular investment"*

In some cases, this resulted in different questions being asked of male and female founders. Men were asked 'promotion' questions which highlighted the achievements, vision and potential gains while women were asked 'preventative' questions which highlighted potential losses and risk migration. Research suggested the difference in questions had substantial funding consequences for start-ups with up to seven times less money raised by entrepreneurs asked mainly prevention questions.

However, another speaker pointed out that the evidence, like the business case, actually supports gender diversity yielding lower risk.

**Comments highlighted during the discussion:** *"Morgan Stanley's recent performance measurement, looked at public companies that had gender diverse teams and there were two really interesting facts, one was they genuinely produced higher returns...but also much lower volatility over a five-year period"*

## Networks

Crucial too for entrepreneurial success is the presence of strong networks to ensure the entrepreneur is aware of everything that is available from grants to opportunities and has access to the right people. Traditionally the 'old boys' network' played that role but now there is growth of female supported networks which introduce and sponsor those female entrepreneurs with their connections. Covid has had an impact on female founders however as they often lack the traditional networks or relationships within the investment sector and due to a lack of opportunities to physically network with new people, often investors have defaulted to their existing networks, trusted relationships that have been successful for them in the past. This may include fewer women or minority entrepreneurs.

**Comments highlighted during the discussion:** *"The silver lining hopefully, as I look at the impact of the pandemic and the rise of digital health, femtech, biotech and health tech, these are all sectors where women in industry traditionally have a strong presence...those sectors are hotly sought after and are being funded aggressively..."*

### Gender diverse investor teams

Lots of empirical data exists around the lack of female investors in private equity and VC areas. UK research has found that women held just 13% of senior investment roles in VC firms<sup>1</sup>, while only 8% of venture capital firms in the US have female partners and only 8% of funds in Europe are female led<sup>2</sup>. This distorted gender composition may be hurting VC performance portfolios, as a lack of female partners means less likelihood to invest in female founded or led firms. VC firms with a female partner are more than twice as likely as firms without a female partner to invest in a company with a woman on the management team and three times as likely to invest in women CEOs.

**Comments highlighted during the discussion:** *"If there [aren't] women writing the cheques or part of the teams that are writing the cheques it's going to be very difficult to have that kind of focus on the end result, of getting capital into female founded businesses"*

## 3. Solutions

An interesting discussion surrounded the things that could be done and that our speakers were doing to tackle the throughput of female founders in the pipeline, and to address the various challenges such as networks, role models and funding for scalability.

One speaker talked about the level of data gathering they carried out to understand why they were not seeing a diverse pipeline of founders, believing if it was not measured then it could not be managed or improved. While having explored this they were satisfied with their own process, they quickly made a number of changes to ensure that they had diverse founders in their portfolio by making sure they had a diverse pipeline in the first place, and that those diverse founders had an equal opportunity to progress.

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<sup>1</sup> <https://www.diversity.vc/women-in-uk-vc/>

<sup>2</sup> <https://hbr.org/2017/09/the-comprehensive-case-for-investing-more-vc-money-in-women-led-startups>

**Comments highlighted during the discussion:** *“on the internal side...all of our team had taken part of diversity and inclusion training, unconscious bias training, on the external side, we started talking to a lot of female founders to understand why they were not coming to [us] to raise capital and one of the answers that was very frequent was, that they didn’t feel they knew how to get connected to us, they didn’t have an introduction, or a way to speak to us and so one of the things we started to do is having open office hours where any female founder of a company can come and just meet with us, it doesn’t even have to be about fundraising, and we’ve done several dozen of these over the last 5 to 6 years....”*

Speakers noted that while this was something that could be changed by doing a number of intentional things, that also this was a fragile situation which without continuous attention can regress very quickly.

**Comments highlighted during the discussion:** *“As we started to do more of these initiatives....month on month we see....no less than 20% of the companies with a female founder....We saw a slight dip in 2020, that’s partly a result of..lockdowns and Covid restrictions, we were not able to host a lot of our open office hours and we did a lot less networking...to me that shows that as soon as we started taking our...mindset off some of this stuff, immediately we started to see a decline”*

Speakers also talked about how the changes they had made to address the diversity in the pipeline also carried through to their own teams, and how they hired, promoted and supported their team to ensure that there was no bias. The supply side too was seen as equally important and the need for investors to ask questions and demand the answers from their investment managers. The importance of connections and networks and the building of trust was not to be underestimated for female founders either. Founders were encouraged to connect and build relationships and a network at the start of their journey so that they could avail of constructive feedback to aid their progress, ensuring their team was complete so that they would be ready in due course. Also feedback was not to be feared but used to build their idea towards success.

**Comments highlighted during the discussion:** *“Build relationships early, come to us when...you’re even just thinking about it, by drop in office hours, by email, by call, get an introduction to us...that is really important to build trust and I don’t think female founders do that early enough...come forward earlier even though they may not have the idea fully baked or they may not have the business plan, but to come in and to start getting the advice about what they need to do”*

Investors were advised to show leadership by engaging with initiatives such as the Diversity VC Standard in the UK, which is an assessment and certification process that aims to increase the investment firm or investor focus on diversity and inclusion and set a benchmark for best practice.

**Comments highlighted during the discussion:** *“...it’s important to remember you can’t just talk the talk and work still needs to be done”*

### What’s next?

Ibec Global Leadership in Action will host our next event in **2022**. Further details on this event will be shared with you in due course.

Ibec is currently working on a vast array of issues throughout our diversity and inclusion work. We work with employers, government, NGO’s and other parties; share best practice; lobby for progress

around all aspects of diversity, inclusion and belonging and engage in research on many of these themes. Some of the topical areas currently underway include:

- Working with government to support the introduction of a meaningful gender pay gap reporting measure in Ireland;
- Addressing the gender balance on boards in PLC, Private and Multi-national organisations;
- Supporting the development of a national anti-racism strategy in Ireland and engaging business around this issue;
- Encouraging greater employment of people with disabilities through lobbying for changes in the grants and funding availability and ownership for people with disabilities and ensuring the relevant advice and information supports are available for employers;
- Raising awareness of the challenges and opportunities facing marginalised groups accessing and progressing in the workplace including their presence within labour market activation strategies;
- Promoting the awareness, interventions and supports for employers to introduce mental health and wellbeing strategies in the workplace;
- Lobbying to address the structural challenges to labour market participation and progression of women such as childcare, long-term care, and gender stereotyping.