



# The Rise of Gender Capitalism

Rotman Professor Sarah Kaplan describes the emerging investing movement that is using a ‘gender lens’ to uncover value.

*Interview by Karen Christensen*

**You have been researching an emerging movement that lies at the nexus of gender and investing. Please describe it.**

What we are seeing is a variety of initiatives that are examining ‘how capital is deployed’, and making sure that it’s done in ways that help to achieve economic justice for women and girls. All sorts of loosely-connected organizations and individual actors are involved, but they’re all aligned around making progress in this area.

These initiatives recognize that only six per cent of venture capital funding goes to women-led businesses; that only a small percentage of participants in start-up accelerators are women; and that there are very few women in leadership positions in large financial institutions — or any companies, for that matter. The fact is, around the world, women have much less access to capital or even basic banking and financial products than do men, and this is hurting the global economy. The goal of these initiatives is to create growth, prosperity and economic value by rectifying these problems.

**What does it mean to invest ‘with a gender lens’?**

The way we see the world affects what we do in the world, so the *lens* aspect is about shifting the way we see things. The *gender* part of it is about making sure we consider how what we ‘see’ is influenced by gender. When you put the two together,

*investing with a gender lens* means using a gender analysis to uncover hidden opportunities and recognize bias in the deployment of capital. Clearly, it can’t be true that only six per cent of potential startups should be led by women. There is a bias there. Recent research shows that if you take an identical business plan — same PowerPoint, same content — and have it narrated by either a man or a woman, 60 per cent of investors will choose to invest in the man’s business plan.

It’s not that anyone is trying to be sexist; these are implicit biases, and both men and women possess them. So, this approach says, why not recognize that these biases exist and begin to deploy capital towards opportunities that are being overlooked? It can also apply to the creation of products and services. Companies across industries should be thinking more carefully about the different requirements of men and women. For years, car companies tested their vehicles with female crash test dummies in the passenger seat; only recently have they started putting them in the driver’s seat. It was as if, somehow, women weren’t driving cars!

In some industries, like pharmaceuticals, there are very high stakes. In the drug-approval process, firms have been required to test on both men and women, but they have not been required to report the gender-disaggregated data. As a result, we don’t know if men and women should be taking different dosages, or if



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interactions might occur due to different hormone levels. We're only learning now, for example, that some sleep drugs have radically different effects on men and women. Paying attention to gender-disaggregated data would enable pharmaceutical firms to provide much more effective products — and reduce their liability. There are all sorts of similar hidden opportunities just waiting to be found if you look at investments through a gender lens.

### What are some of the key challenges involved in bridging financial logic with feminist logic?

As you can imagine, it's not easy to bridge the two, because these are two different systems for assessing value in our society. Our financial system provides a way to determine the value of a company. Similarly, gender is a way that we think about valuing people, by establishing status hierarchies. More than just being different, I would say that these systems are actually antagonistic.

Research has shown that gender is one of the first things we think about when we meet someone. These mental 'frames' help us figure out how to interact with people and shape our behaviour and judgments. The problem is, we often systematically devalue women's contributions in a masculine context — and finance is one of the most masculine contexts of all. On the other hand, we see finance as this totally objective, data-driven field, but we don't take into account that the way we think about value in that context is also socially produced. We've *decided* it's rational and objective. Over time, the women's movement has positioned itself against the capitalist system and finance has often shied away from anything 'female', so bringing the two together is going to require a whole new mindset.

### You have pointed to three key ways that a gender lens can improve financial and social returns. Please describe them.

The first is via *access to capital*, and that entails thinking about all the different ways that women are either *receivers* of capital or *providers* of capital. On the providing side, the numbers speak for themselves: only about six per cent of venture capital partners are women, about 14 per cent of angel investors are women and about 30 per cent of executives in banks and financial services are women. In part, this is because women have been socialized

to shy away from these areas, and in part, it's because these environments make it very difficult for women to succeed. On the receiving side of capital are all those things we talked about earlier, like the fact that so few women have access to capital to start or grow businesses.

The second area of impact is *workplace equity*. This entails various ways to deploy capital to push organizations towards adopting better policies to support diversity. So, if you set up a mutual fund to only invest in companies with gender-positive, diversity-positive policies, then firms that *don't* have these policies will not have access to that capital. Any way you can say, 'Capital will be withheld from you unless you can demonstrate that you have these policies in place' is going to promote better policies in organizations.

The third area is *products and services*. When you're deploying capital, you can deploy it towards products and services that will benefit women and girls. It's not just about making something pink; it's about truly thinking about all the unmet needs of women and girls, and this is an area that is ripe for innovation.

These aren't the only ways to bring gender and finance together, but they are three areas where we're starting to see some positive movement.

### How do you foresee innovation being impacted by a gender lens?

There are lots of ways for innovation to happen — not just in terms of products and services, but in the way we do things. For instance, if we put a gender lens on the venture capital world, this is a world based very much on 'the pitch': anyone who heads a startup has to develop an 'elevator pitch' or ten-minute talk describing their idea. No one thinks of that as being 'gendered', but it is, because women are not socialized to be in their comfort zone doing that. Secondly, as indicated earlier, all of us — men and women — are socialized to receive a pitch by a man more positively than a pitch by a woman, and women entrepreneurs are less likely to be seen as leaders, as potential collaborators, as likeable, etc.

If we recognize that 'the pitch' is a gendered system, we can take steps to redesign the whole process of capital allocation for startups in the way organizations like **Village Capital** (a social

enterprise accelerator) are doing. They actually got rid of the pitch and moved to a peer-based mentoring and evaluation process, and the net result is that women leaders of startups in their program are almost three times as likely to get funded as men. I really believe there will be huge opportunities for innovation the moment people put on a gender lens and say, 'Let's do something different.'

#### **At this early stage, are there any exemplars in this emerging field?**

Village Capital is a great example of changing a whole process, and they actually didn't start out with a gender lens. They just said, "We don't like the traditional due diligence process. We're going to design something that is more peer-based and democratic." But in doing so, they were actually following feminist principles; and the results showed that they could make a difference on the gender front. That's just one of many experiments going on. On the access to capital side, **Golden Seeds** is an angel investing organization of men and women that is focused on investing in women-led startups; **Portfolia** is going to be a crowd-sourced, equity-based Kickstarter-type platform, but focused on women-led businesses; and **Pipeline Fellowship** is focused on training women to be angel investors.

On the products and services side, my favourite example is the **Global Alliance for Clean Cookstoves**, which is an example for the developing world that is way ahead of the developed economies on this. They are thinking through 'how to get clean cookstoves into the hands of women around the world', and that has two huge benefits. First, if you have a good cookstove, there will be less smoke and pollution in your household, which vastly improves health outcomes. Second, the women and girls will spend much less time collecting fuel and will have time for other productive activities, including economic ones; and the girls who were collecting fuel can now go to school. There are all sorts of positives that come from applying a gender lens to this area. It wasn't just about designing a cookstove for women, but 'how can we work with women to design a stove that they will use and, by the way, can we think about not just the designing, but the manufacturing, the distribution, the financing — the entire supply chain.' The Global Alliance has wonderful

## Tips for Gender Lens Investing

**Design with women, not for them.** Women should be involved at every stage of the discussion about investing with a gender lens, and in significant enough numbers that they are not merely tokens.

**Use a gender lens to expand rather than narrow opportunities.** A gender analysis is not only a screen that narrows the scope of action; it can also uncover hidden opportunities or unexpected insights.

**Don't be afraid of quotas.** Quotas are a blunt instrument, but often a useful way to start a conversation. For example, by asking if there are at least three women on a company's board of directors, one can begin a conversation about why there are not.

**Use a gender lens across the entire value chain.** Opportunities for shifting value and empowering women can come during all phases of the process, including financing, design, production, distribution and after-sales service.

**Assume implicit bias against women until proven otherwise.** Men and women alike are socialized within a gendered system. Look for unconscious biases in metrics, decision-making processes and 'how things are done around here'.

**Start today.** Focusing on gender can feel like a minefield, but the upside of uncovering hidden opportunities is too good to pass up.

resources for thinking through a gender analysis at each of these stages.

On the workplace equity side, just in the last year there has been a bit of a mini-explosion: **U.S. Trust** has launched a Women and Girls Equality Strategy for high net-worth and foundation investors; **Morgan Stanley's Matterhorn Group** has a Parity Portfolio; **Pax Mutual Funds** has what they call Pax Ellevate Global Women's Index, headed by **Sally Krawcheck**, formerly of **Citibank**; and recently **Barclays** launched a gender-focused exchange-traded note. All of these are focused on investing in companies that have positive policies on diversity, and I feel like we are on the cusp of many more experiments.

#### **Facebook COO Sheryl Sandberg's *Lean In* has been criticized for not taking into account what happens when organizations push back; what is your take on the 'lean in' idea?**

The fundamental thesis of *Lean In* is that the work world discriminates against women, and that is not a good thing. The prescription offered is, given that there are so many undesirable



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discriminatory structures, women need to learn survival tactics. *Lean In* author **Sheryl Sandberg** has advocated launching Lean In groups, where women can get together to give each other support, learn to negotiate better, get their spouses to pull more weight at home, and seek out promotions.

The risk of this approach is that it puts the onus for change on individual women and lets all of us who participate in perpetuating discriminatory structures off the hook. We can say, 'We don't have to change anything; our women can just join a Lean In group'. But creating support groups is not the same thing as creating structural change. If we reframe the solution as *changing structures*, we can engage everyone in the effort.

### Despite the flurry of activity in this arena, you have said there is vast scope for continued progress. What would you like to see happen next?

Lots of things! First, I would like every investment advisor and analyst to incorporate a gender lens into her or his work. I'd also like every investor to ask for this analysis, so that they know what a company is (or is not) doing for women, and whether it has women in leadership roles. The evidence indicates that organizations with more women in leadership perform better financially — so I don't know why any 'rational' investor would not want to ask this question.

Second, I'd like every organization to incorporate a gender analysis at each stage of its value chain — from product design to production to marketing and distribution. As I said before, this is about figuring out how products and services can truly serve the needs of women and girls — and how women can participate in the process. It's about designing *with* women, not *for* them.

Third, I would like every company to implement checks and balances for decision-making around recruiting and promotions. If there is a fixed pool for raises, and Employee A negotiates better than Employee B (who gets a lower raise as a result), someone needs to say, 'Wait a minute: we can't keep giving money to the best negotiators; we need to give it to the people who are adding the most value'. I would also ask all companies to implement sound family leave policies for both men and women. In Silicon Valley, they're discovering that if you move from a three-month to a five-month maternity leave, you dramatically increase the retention of women after they take time off for

childbirth. Given the war for talent today, who wouldn't want to increase retention rates?

Fourth, I'd like every angel investor, venture capitalist and accelerator manager — male or female — to examine their decision-making process and assume that they have an implicit bias unless they're proven otherwise. I'd like them to consider more transparent and democratic decision-making processes that lead to more equitable outcomes.

Fifth, I would like every business school to include a component on gender analysis — not just in Organizational Behaviour and Leadership courses, but also in Finance, Strategy and Marketing. Right now, we're afraid to talk about gender. Students say that they're not feminists, because that term has become so devalued; feminism has been somehow seen as 'man hating' rather than as 'equality loving'.

Lastly, I'd like researchers in academia, non-profits, think tanks and inside companies to investigate the role of gender in every domain of the economy. Many organizations don't even think to disaggregate their data by gender. I think we all need to include that variable as well as perform a gender analysis beyond disaggregation, by thinking about how gender shapes the dynamics we're observing in the world. **RM**



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