



VALUE FOR WOMEN INSIGHTS SERIES

THE BUSINESS CASE

Is the Business Case for Including Women Enough to Drive Change?

VOLUME 1, ISSUE 2

Value for Women is a global pioneer with a mission to promote women's participation and leadership in business, finance, and investment in emerging markets. It does this through building individual leadership, equipping businesses, and driving innovation through data & research. Value for Women is a woman-led company and its diverse team is spread across 5 continents and has expertise in countless sectors. Learn more at www.v4w.org.

About this Value for Women Insights Series

As we celebrate Value for Women's 10th Anniversary this year, we have undertaken a broad research initiative to provide insights on gender, business, and investing in emerging markets over the last decade. This initiative takes stock of gender and business to surface tensions, challenges, and opportunities and offers analysis, tools, and solutions for advancing action toward gender equality. Details on the series, including the methodology, can be found in the [Insights Issue 1: Looking Back](#).



This Insights series was supported by Visa Foundation, as part of its work to support inclusive economies where individuals, businesses, and communities can thrive.

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In this brief, we present a plethora of evidence on the business case for including women, share what we have learned about the importance of— as well as surface debates and tensions around —the business case, and offer how gender-inclusive business and investment can be built by capitalizing on the business case. We conclude with the most powerful actions that investors, enterprise support organizations, enterprises, and donors can take to move the needle on women’s inclusion, and share tools for doing so.

This paper draws from interviews with over 100 experts, investors, enterprises, and enterprise intermediaries —primarily in emerging markets— as well dozens of publications, countless case studies, and our own work over the last decade at Value for Women. For details on the research methodology, please see [Appendix: Methodology and Interviewees](#).

2 1. INTRODUCTION: WHAT IS THE BUSINESS CASE?

A business case is a justification for an action or strategy, based on its expected commercial benefit. That commercial benefit could be business, operational, and/or financial sustainability goals. At Value for Women, the business case is always part of a larger case to *convince, compel, and drive action* for gender equality.

1.1 There Is Strong and Growing Evidence on the Business Case for Including Women and a Gender Focus in Investment, Business, and Finance

Over the last decade it has become increasingly clear that women's economic participation is good for women,¹ business,² and economies.³ Of particular importance for enterprises and investors⁴, we found that across 15 studies over the last two decades (including datasets from developed and emerging market economies), there was a strong correlation between gender diversity in leadership and business and company performance (see Figure 1).⁵



FIGURE 1. The Business Case for Including Women in Leadership, Boards, and Among Employees (Including Data from Emerging Markets)

ENTERPRISES



More gender diversity in LEADERSHIP is correlated with enterprises having higher profitability, ROS, ROA, ROE, stock price, valuations, shareholder returns, and social performance.

- Companies with gender-diverse executive teams are 25% more likely to experience above-average profitability, as compared to their peers, based on data available from 15 countries, including emerging markets.⁶
- Companies in the top quartile with regards to the percent of women in leadership positions outperformed those in the bottom quartile on returns on sales (18.1% vs. -1.9%), returns on assets (3.9% vs. 0.3%), and returns on equity (8.6% vs. 4.4%), based on a portfolio analysis of a decade of Calvert Capital's investments in 160 businesses globally.⁷
- Gender-balanced leadership teams are correlated with approximately 25% greater increases in valuation, as compared to unbalanced teams, based on an IFC analysis of thousands of GPs and portfolio companies operating in emerging markets.⁸
- Firms with gender-balanced leadership teams are more likely to use gender-equitable hiring, training, and promotion practices, provide equal pay for equal work, and have more women-friendly policies.⁹

Gender-diverse enterprises are **25% more likely** than their peers to have above-average profitability

Gender-balanced leadership teams are correlated with **25% greater increases** in valuation, as compared to unbalanced teams

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More gender diversity on BOARDS is correlated with companies having higher ROS, ROA, ROE, innovation, and social performance.

- Companies in the top quartile with regards to the percent of women in board positions outperformed those in the bottom quartile on returns on sales (18% vs. 0.9%), returns on assets (3.7% vs. 1.5%) and returns on equity (8.5% vs. 6.8%), based on a portfolio analysis of a decade of Calvert Capital's investments in 161 businesses globally.¹⁰
- The company is more likely to invest more in innovation.^{11, 12}
- The company is more likely to have a stronger commitment to CSR and better CSR practices, social performance, community engagement, worker relations, business culture, and work-life balance.^{13, 14, 15}

ROS of Companies with Gender-Diverse Boards: **18%** vs. Non-Gender-Diverse Boards: **0.9%**

Non-gender-diverse boards **0.9%**

Gender-diverse boards **18%**



More gender diversity among EMPLOYEES brings with it improved business performance.

- A 10 percentage point increase in the number of women employees in a company is associated with a 1.2 percentage point lower default rate, based on a portfolio analysis¹⁶ of Root Capital's debt portfolio.¹⁷
- A 10 percentage point increase in the share of female employees is associated with higher loan profits of US\$4,020, based on a portfolio analysis¹⁸ of Root Capital's debt portfolio.¹⁹
- Companies with gender diversity among employees have reduced business costs and increased productivity²⁰ and make better business decisions.²¹



A **10** percentage point increase in women employees

is associated with

a **1.2** percentage point lower default rate



INVESTMENT FUNDS

More gender diversity in LEADERSHIP and EMPLOYEES is correlated with investment funds having greater IRR, TVPI, and gender inclusion internally.

- Funds with gender-balanced investment teams had a median excess net IRR of 1.7%, whereas this number dropped to -0.1% among funds where these teams were dominated by men or women.²²
- In emerging market funds, the median net Internal Rate of Return (IRR) for funds managed by gender-balanced investment teams was approximately 20% higher than for funds where these teams were dominated by men or women, when normalized for the median net IRR.²³
- In emerging market funds, performance for funds of gender-balanced senior investment teams was approximately 13% higher than funds where these teams were dominated by men or women, when normalized for the median TVPI.²⁴

Median excess IRR among funds led by gender-balanced investment teams:

1.7%

vs.

Median excess IRR among funds led by gender-unbalanced teams: **-0.1%**

In emerging market funds, performance of funds with gender-balanced teams was **13% higher** than that of funds with gender unbalanced teams

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1.2 Evidence from across Sectors Shows That Excluding and Discriminating against Half the Population –of Consumers, Employees, Leaders, Investors- Is Bad for Business and Bad for Economies, Even If It's Unintentional

For instance, it is estimated that global GDP would increase by US\$28 trillion by 2025 if women equaled men in terms of labor force participation rates and number of hours worked and had worked in the same sector.^{25, 26, 27} This is a significant lost opportunity today.



2. WHAT DO WE KNOW ABOUT USING THE BUSINESS CASE FOR INCLUDING WOMEN?

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Hand in hand with the growing business case evidence for including women have come learnings, tensions, and risks with using the business case. We unpack these here.

2.1 The Majority of the Investors and Gender and Business Experts with Whom We Spoke Agree: We Need the Business Case for Gender Inclusion to Spur Action in the Private Sector

Even among investors and experts who believe it should be enough that gender equality is a fundamental human right or that it improves the lives of women, families, communities, and economies, when speaking with skeptics and supporters alike they turn to the business case to justify shifting the status quo. When enterprises understand the evidence most relevant to their own enterprise, it becomes particularly likely that they will prioritize gender as a core business opportunity.

"Our mandate is to generate returns and it's a serious fiduciary responsibility. We definitely need the business case to get any investment, including gender-focused investments, through the investment committee. While people know it's the right thing to do, for practical reasons gender issues will not go anywhere without the business case."

- CHRISTINE KENNA, PARTNER, IGNIA

Especially for commercial investors and enterprises, **the business case can be a powerful incentive for change**. At Value for Women, we've seen some investment teams worry that adopting a gender lens²⁸ in their investment strategies may negatively impact their ability to achieve their KPIs, negatively affect their workload, or produce lower returns. Similarly, fund managers are at times concerned that their investors and limited partners who do not share their prioritization of gender equality will assume it means a focus away from returns. Some enterprises with which we work have similar concerns and have come in seeing adding a gender lens to their processes as an added cost.

Communicating and utilizing the business case can put these fears to rest. Aligning gender to the core of business practice enables buy-in for new, intentional strategies and actions to increase gender diversity and improve gender equality— buy-in both from external stakeholders (e.g. investors) and internal stakeholders (particularly the leadership and senior management teams that set and implement agendas). For enterprises and investors that have a fiduciary duty to their partners and shareholders, the business case gives them confidence that investments in gender equality are financially viable.

“Saying that gender [inclusion] is the right or good thing to do will only get nominal results. It will not change deep-seated biases. You need to speak to people in the language they understand. For change to happen, there needs to be a clear value proposition that is well-defined and well articulated.”

- JENAAN LILANI, COO, VILGRO INDIA

2.2 We Have Seen That the Business Case Alone Is Not Always Enough to Motivate Action

Several investors, companies, research institutions, and field builders operating in emerging markets are capturing and disseminating the latest evidence on the business and investment case for gender inclusion and equality. [Care](#), [Value for Women](#), [the Global Impact Investing Network](#), [the Financial Alliance for Women](#), [the McKinsey Global Institute](#), [Credit Suisse](#), and the [IFC](#). A handful of investors, including [Calvert Impact Capital](#), and [Root Capital](#), have documented the business case and/or the investment case for gender equality. This evidence includes portfolio reviews, case studies (including for specific sectors), and empirical analyses.

Yet despite this pervasive business case, it has often proven to be not enough to move more capital with a gender lens. Capital deployed with a gender lens still represents only a tiny portion of all investments.



In 2021, in public markets, gender lens investments in terms of assets under management (AUM) added up to US\$ 12.52 billion.²⁹ This is negligible when compared with the total AUM for 2021 valued at US\$126 trillion.^{30, 31} Project Sage, which tracks GLI in private markets, reports that while the number of new GLI funds has increased significantly since 2017, the total amount of funds raised by June 2021 was US\$ 6 billion.³² This pales in comparison to the fundraising in global private markets of US\$ 1.2 trillion in 2021.³³

2.3 Multiple Factors Limit How Applicable and Clear the Business Case Is to Motivate Investors and Enterprises

There are several reasons why the business case for gender equality is often not enough to move more capital with a gender lens.

First, a review of the literature finds that **the existing business case evidence is heavily focused exclusively on women in senior leadership**, obscuring the potential gains from investing in women as employees at all levels and as entrepreneurs, customers, and community members.³⁴ Without this complete picture of the full potential of the business case, finance and business communities in emerging markets will continue to underinvest in gender inclusion.³⁵ This is particularly so beyond gender lens investment and other impact-oriented investors.

Second, several investors with whom we spoke agree **that the existing business case evidence is mostly from high-income countries and larger companies, which can reduce how compelling the business case is to small and medium-sized businesses in emerging markets** (see Figure 2). Although there is strong evidence from emerging markets, including earlier-stage enterprises—from [Root Capital](#), [Calvert Impact Capital](#), and [AMEXCAP](#)—this data is still limited in number, focus, and scope. Often, emerging market data provide evidence on the economic –not business– case.

“The data is out there, but specific contextual case studies with data on impacts on business growth in certain sectors are missing. That is, data on specific metrics attributable to gender interventions are missing.”

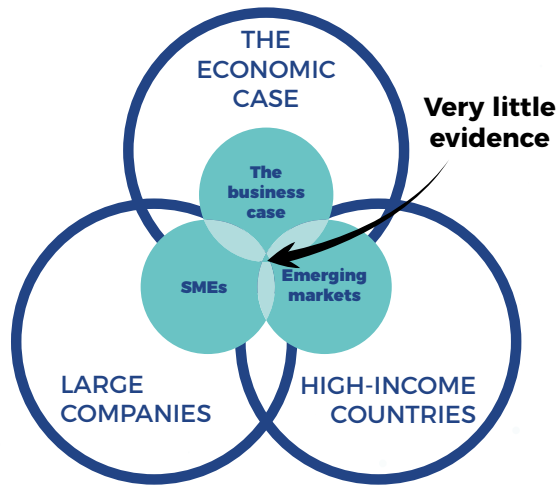
**- MARÍA PÍA MORANTE PÉREZ-REYES, INVESTMENT DIRECTOR,
ALIVE VENTURES**

McKinsey & Company, for example, has produced numerous publications on gender and business that have served to build the case. However, even these useful reports do not cover the business case for small and medium enterprises in emerging markets: the company’s annual “Women in the Workforce” report focuses exclusively on the United States³⁶, its latest report on the business case for diversity and inclusion includes only five emerging markets among the fifteen countries analyzed,³⁷ its 2015 article “Why Diversity Matters” includes Latin America but only looks at large, public companies,³⁸ and its robust and often-cited research series “The Power of Parity” covers many emerging markets but analyzes economic outcomes, not business outcomes.³⁹

"Global institutions have documented evidence, but that may not be relevant for specific markets. A lot of work needs to be done in contextualizing and localizing the business case. We are looking to publish the success stories from our portfolio".

**- ADESUWA OKUNBO RHODES, FOUNDER & CEO,
ARUWA CAPITAL MANAGEMENT**

FIGURE 2. An Illustrative Look at the Extent of Evidence That Exists on Gender and Business





Thirdly, several leaders of finance and entrepreneurship networks –even those focused on social impact– noted **the need for simply better communication** of the business case among their members. While the case itself is clear, for it to drive action it needs to be communicated more clearly, more broadly, and more loudly. Fourth, deeply-rooted gender biases, power structures, and **resistance** to change business as usual sometimes hinder the ability of the evidence to drive action.

Finally, enterprises and investors **have neither tools nor support** on hand to act, making any action seem complex and costly even in the face of the business case.

“We haven’t spent enough time showcasing to the investment community that gender lens investing is not a thing you do after everything else; there is a very strong business case to do it.”

- DR. FRANK ASWANI, CEO, AFRICA VENTURE PHILANTHROPY ALLIANCE

2.4 Other Approaches Are Also Needed to Drive the Inclusion of Women in Business and Investment

“Business case and societal impact go hand in hand. If the business case would fail, what happens to the societal impact?”

- AMANDA KOPPANG WILFORS, IMPACT MANAGER, SWEDFUND

To expand the scope and scale of action on gender equality within business and investment, an impact case is also needed. The impact case, which recognizes the role of gender inclusion in improving the lives of women, families, communities, and economies, and largely drives organizations’ social license to operate, strengthens both the business case for gender inclusion.

The impact case can drive investors and enterprises to prioritize gender inclusion, especially when it is to meet standards and regulations embedded in international treaties— such as the International Bill of Human Rights and the Convention on the Elimination of All Forms of Discrimination Against Women, which protect women’s freedom from discrimination, their right to work, and their right to just and favorable conditions at work, and enshrine the equality of men and women.⁴⁰ This points to the responsibility of investors and enterprises to ensure that women are served equally by marketplaces of goods and services for their needs, have equal access to finance, and have equal opportunities and pay in the labor market.

In fact, emerging research shows that the moral and the legal case is likely to have a stronger normative influence than the business case, making them particularly powerful to bring about transformational change.^{41 42 43}

“There is no more need to justify women’s economic empowerment or gender inclusion. It is a human right and the right thing to do.”

- IRENE OCHEM, FOUNDER AND CEO, AFRICA WOMEN INNOVATION & ENTREPRENEURSHIP FORUM (AWIEF)

The impact case helps drive the integration of gender equality further than the business case, into the whole of the business or investment model. In contrast, dependence solely on the business case will encourage enterprises and investors to promote gender equality only in the areas or moments when evidence shows it is good for their bottom line. Dependence solely on the business case leaves them no rationale for undertaking gender equality actions that do not generate measurable business benefits even when they offer strong social benefits.

Further, the impact case often motivates action on gender inclusion in the shorter term than the business case as it can provide an opportunity for investors and enterprises to demonstrate progress on a number of indicators, such as number of women employed, number of new jobs created, number of new women customers reached, etc. The short-term motivation of retaining one’s social license to operate can be powerful for smaller companies that might otherwise postpone gender equality commitments and action to a later time.

2.5 There Are Inherent Tensions and Risks Due to the Difference in Approaches between the Business Case and the Impact Case

As noted in the literature, in business and investing there are tensions between the application of the business and the impact case. For instance, **there may be scenarios where a conflict arises between returns and impact**. In this case, looking solely to the business case *would* undermine the application of gender-smart business and investing practices that the impact case necessitates. In contrast, investors and enterprises committed to the impact case as a core value will stay the course in the face of such conflict.

There are also risks. While the business case can be an effective tool to encourage action toward gender equality in the business and investment sectors, some experts with whom we spoke noted that men have not needed to prove that investing in men, writ large, was good for business, and worry that the business case can create a backlash for women by setting the bar unreasonably high. Let's look at this in detail:

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First

The business case could set the unrealistic expectation that women always outperform men. This is an unnecessarily high bar. While the business case shows that women often do outperform men, the business case is not about proving that, but instead about busting the myth that women do not perform as well as men.

Second

The business case could set the unrealistic expectation that women always perform this way. Relying on the business case evidence –that consistently demonstrates that enterprises with more gender diversity and/or more women perform better and thus suggests that this is *always* the case– may lead enterprises and investors to expect it. The business case demonstrates how gender diversity is associated with business and financial performance; it does not, however, promise that gender diversity will *always* generate the *same* business and financial outcomes, *everywhere*.⁴⁴ A multitude of factors influences the success of a business or portfolio, from the financial ecosystem to access to business training, infrastructure, and government policies. Should a business or investment fail to reach the high bar set by the business case evidence, companies and investors driven solely by the business case will find it easy to deprioritize gender equality action.

Third

The business case could inaccurately suggest that women don't need targeted products and services, like guarantees or concessionary capital, **that are often necessary to overcome the financial and structural barriers women face.** Women entrepreneurs in emerging markets have faced, and continue to face, systemic challenges accessing business-related training and financing, which restrict their growth and negatively impact other common success metrics. These systemic challenges, from discrimination to lack of capital, mean women are competing on an unlevel playing field.^{45 46 47}

Fourth

The business case risks instrumentalizing or monetizing women.

The pure business-oriented rationale may lead to thinking that *the* reason to invest in, hire, promote, or create products for women is the promised financial return or business performance. The impact case reminds us that gender inclusion in the private sector is not *just* good for business; it's good for women and economies too.

Fifth

The business case for gender inclusion can be perceived as in competition with other business cases that may offer higher pay-offs.

As researcher Sarah Kaplan explains, by reinforcing the reliance on the business case for gender equality, we risk competing with other –potentially compelling– business cases for alternative or even contradictory business or investment decisions.⁴⁸



3. TAKEAWAYS: IT'S ABOUT WIDELY DISSEMINATING LOCALIZED BUSINESS CASE DATA TOGETHER WITH THE IMPACT CASE

Despite the tensions and risks, our research shines a clear light on the need for contextualized business case data to communicate the possibilities gender lens investing offers (particularly to those not yet exposed to gender lens investing) and drive change. It also shows how critical it is that this data be disseminated more widely if we want to move greater levels of capital with a gender lens. And how critical it is that the existing, solid global evidence base be built on with localized data and case studies; there is a particularly strong need for this building to start from the experiences in emerging economies.

Furthermore, we have found that the tensions and risks of the business case can be reconciled by keeping in mind the following:

3.1 The Business Case Is a Lever for Change, Not an End in Itself

It is a key, and valid, way to engage and motivate a broad range of different stakeholders— including investors, enterprises, financial institutions, enterprise support organizations, and financial services providers —to take action on gender inclusion and equality. While the risks and tensions noted above may create an over- or under-emphasis on the use of the business case to drive gender inclusion and equality, the business case nevertheless enables better outcomes for women, and for gender inclusion in business and investment broadly.

3.2 The Business Case and the Impact Case Together Make a Compelling Case for Action

We have found that different actors will be motivated by different drivers. Even a single actor may be motivated by different drivers depending on the moment. Thus, rather than being competing ideas, the impact case and the business case going hand in hand offers maximum catalytic power for enterprises, communities, and women. Embracing both is particularly important to mitigate risks arising from an overreliance on the business case, which can set the bar for women in business and investing unreasonably high.

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"There is no one way to make the business case. Some are convinced by stories, some by data evidence, and others because it is the right thing to do. You need a balanced combination of all of these approaches to move the needle."

- LILIAN MRAMBA, CHIEF INVESTMENT OFFICER, GRASSROOTS BUSINESS FUND

3.3 We Need to Take More Actions for Gender Equality in Business and Investing, and There Are Many Ways to Do So

There is no single or "right" pathway for organizations to take action, rather the variety of organizations necessitates that each create its own rationale, identify its starting point, and design its own action plan to achieve gender equality. The important thing is to get started on the journey and use the business case as is best suited to the organization's needs. The next section shares the many avenues to take action.



4. FROM INSIGHTS TO ACTION: RECOMMENDATIONS AND TOOLS TO DRIVE GREATER CHANGE

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4.1. For Innovators and Field Builders

As leaders in their field, innovators and field builders have a critical role to play in activating the business case by:

- Investing in research and analytics to build a robust evidence base on the business case for gender inclusion, particularly using data from emerging markets, on specific sectors, and on women as employees at all levels, entrepreneurs, customers, and community members;
- More clearly, more broadly, and more loudly communicating the business case for the finance and business communities for investing in gender equality (see Box A below); and
- Always communicating the business case together with the impact case.

BOX A

HOW TO ENGAGE OTHERS

Communicate the business case with data from one's sector

Opportunities to communicate the business case with the broader finance and business communities in emerging markets include:

- Publishing it in more mainstream private sector publications;
- Putting it on the agenda for industry events and networks; and
- Integrating it into the curriculum of business schools.

When communicating the business case at the individual investor or firm level, it is helpful to use evidence and data from that company's or firm's sector.



4.2. For Enterprises and Investors

Getting your team to understand why gender is important to their specific work is THE starting point for your organization to take action for gender inclusion. The three critical steps to move from understanding the business case to taking action for gender inclusion are:

1 **ENGAGE** **Engage your team– understand what the skeptics on your team are concerned about**, what management is afraid of, and what champions see as key gender-related opportunities.

Then, **use the talking points in Box B below** to engage your team and the organization on the business case. Incorporate region-specific and sector-specific data on gender gaps, including in the economy and society. It may be useful to put on paper the gender requirements of the big funders your organization is targeting, to highlight that monetary incentive. **Also include the moral, or rights case, in your talking points, as this is equally important as the business case.**

Additionally, speaking to peers and others in the sector is an effective way to gather good practices and gender lens investing success stories to share. [Value for Women's Resources Hub](#), [ANDE](#), [GIIN](#), [GenderSmart](#), and the [2X Collaborative](#) are all repositories that constitute a wealth of such experiences and practices for investors to learn from.

BOX B

HOW TO ENGAGE OTHERS

Begin by talking about the business case

At Value for Women, when encouraging buy-in for strategies and actions that enhance gender inclusion, we think that presenting the business case is the strongest way to start the conversation. The business case is often new to our investor and business clients. So we focus on first presenting the business case in a way that is relevant to our clients' work, and then giving them tools to communicate the business case with their investors, portfolio companies, and boards in turn.



Tool 1. Talking points investors can use to communicate the business and impact case internally and with their limited partners

Overview of the Case for GLI: talking points for investors to use internally

Frame the investment case

1. Women-led enterprises present a **significant market opportunity**, and are under-financed to date
2. **Gender diversity in company leadership improves performance**. Investors can find these businesses and/or encourage **investees** to diversify their leadership
3. **Gender diversity at the investor level improves performance** and helps investment firms and networks to spot new and different opportunities
4. Mitigating bias in the investing process can **decrease the odds of missing a golden investing opportunity**

Highlight the Impacts

5. Gender-lens investing is on the rise: **capital is being mobilised**
6. Women-led and gender diverse businesses **outperform their peers**
7. Solutions for women present a **sizeable market opportunity**
8. Gender equality has a ripple effect; greater gender equality is linked to **greater economic and social development**
9. It's **the right thing to do**.



Tool 2. Talking points investors can use to communicate the business and impact case with their portfolio companies

Overview of the Case for GLI: Talking points for investors to use with portfolio companies

Overall performance

- Gender-diverse companies perform better**
- Gender-balanced teams can improve **employee engagement, brand awareness, and client retention**.
 - Companies with the best record for promoting women **outperformed industry revenue averages by 46%**
 - Bain and Co. research shows that **decision making effectiveness is 95% correlated with financial performance**.
 - Compared to individual decision makers, all-male teams make better business decisions 59% of the time, while **gender diverse teams do so 73% of the time**.

Workforce

- An inclusive workplace reduces costs by lowering absenteeism and employee turnover**
- Danger: Implementation of several policies and programs to ensure an inclusive workplace for women resulted in:
 - Better able to **attract top talent**
 - **Less harassment**
 - Reduction in the gender wage gap
 - Cost savings from **reduced absenteeism and employee turnover**
 - **~65% of seasonal workers return every year**





2

ANALYZE

Build your own business case for gender inclusion. Even when the business case for gender equality in the private sector has maximum breadth and rigor, enterprises and investors will inherently value different aspects of the case. Each will naturally look to the evidence most closely linked to its business model or investment priorities and will have its own risk appetite, geographic and sectoral scope, and the degree to which it prioritizes profit and impact (see Box C below).

Business and portfolio-level data is an untapped resource when it comes to the business case. A business' or investor's own data provides the tailored, nuanced evidence that it is looking for. Furthermore, this data can not only prove the particular business case for that business or investor but also help them identify their specific barriers and opportunities for investing in gender inclusion. Investors, for example, can collect and analyze their own sex-disaggregated data to assess the linkages between gender and business performance to build their own business case and roadmap for gender inclusion.

This business case analysis can then be complemented with the impact case to present a full case for investing in gender inclusion. You might include data collected on national and international mandates to achieve gender equality (e.g. how actions comply with meeting national and international regulatory requirements on quotas and representation, how actions contribute to meeting national and international voluntary standards and/or goals for improved gender equality in business and investing). And finally, you can state upfront how specific actions to reduce bias and barriers will ultimately contribute to shifting systems and norms for improved gender equality as a fundamental right.

HOW TO USE YOUR OWN DATA

Analyze your own data to see how gender shows up or could show up in the performance of a fund, portfolio, or business

Below, we also offer a step-by-step approach to assessing and building the business case using a business' or investor's own data.

1 **Collect gender-disaggregated data about your company or your portfolio companies.** A good starting place is the [2x Criteria indicators](#),

A NOTE ON GENDER- VERSUS SEX-DISAGGREGATED DATA ⁴⁹

- Sex (biological sex) is linked to biology. Specifically, it refers to the physical and biological characteristics that distinguish men and women.
- Gender is linked to social norms and refers to the roles, behaviors, activities, and attributes that a given society at a given time considers appropriate for men and women. Gender identity refers to how one thinks of themselves— as a man, woman, nonbinary, etc.

Many firms collect sex and/or gender data on women and men; this disaggregation is an important start. However, companies can be more inclusive in their data collection and decision-making by including additional gender options (as multiple choice options or write-ins), such as 'nonbinary' and 'gender nonconforming'. This allows for recognizing the unique experiences of individuals who do not self-identify with any of the gender spectrums or who self-identify with a gender other than the sex assigned at birth.

2 **Determine what you want to learn.** Identify the business case you're interested in building. Are you interested in the link between gender diversity and business performance, for example? Or women-entrepreneurship and financial returns? Then, get specific: do you want to quantify the linkage of gender diversity and financial performance in your portfolio, or simply understand differences in average loan sizes for women- and men-led borrowers, for example? Getting this specific is necessary to define what data you need and what analysis to undertake.

- 3 Analyze the data.** There are many ways to analyze the data. Calvert Impact Capital, for example, segmented portfolio companies into quartiles of women's participation and compared average returns for each quartile. Root Capital ran regressions, controlling for business and loan characteristics, to assess the association between increases in gender inclusion and business and loan outcomes. Kentaste, a coconut processor in Kenya, sex-disaggregated its supplier database, to identify if it was reaching women suppliers equitably.
- 4 Interpret the results.** What the data is telling you might not be straightforward. Dig deeper into business or portfolio characteristics, for example, or hold a focus group with the community in question to understand the "why" not just the "what".
- 5 Share your results.** Share your results internally, so all employees understand the business case and how your business or portfolio is supporting gender equity. And publish externally to help build the sector's knowledge of the business case! Given the power of stories, share participant and investee success stories from women-led and -owned enterprises and on gender-forward business practices that have improved business performance.

Additional considerations:

What data do you have? Make sure you are using your existing data to its maximum potential before you consider collecting additional data, as the latter inherently requires additional human and financial resources. For example, due diligence paperwork may already include the gender of the enterprise's leadership team.

How much time and resources do you have to analyze data? If these are very limited, consider low-resource approaches that, even if imperfect, will give you initial insights about how gender shows up in your portfolio (e.g. run sex-disaggregated reports from your information system using just the data you already have).

Are other business characteristics interacting with gender? Business characteristics like age, location, size, and industry all influence gender, and gender influences them. These characteristics also influence business and financial performance. Therefore, when analyzing the relationship between gender and performance, pay attention to whether non-gender business characteristics are influencing performance either alone or in relation to gender.

Do my results show causation or correlation? Unless your analysis used a methodology to isolate the causal impact of gender on financial performance (using an experimental or quasi-experimental approach), you are likely identifying correlation, not causation. That is, you are finding that gender, in some way, is *associated* with specific performance results, not that gender is *causing* those results.

CASE STUDY

Calvert Impact Capital Analyzed Its Private Debt Portfolio to Understand How Board and Leadership Diversity Impact Financial Performance

In 2018, Calvert Impact Capital conducted [a quantitative analysis of its portfolio](#), covering 11 years and 160+ borrowers (companies) working across 100 countries, to assess the impact of women's participation in senior leadership and board positions on financial performance.

Methodology: Using gender inclusion data from its portfolio companies, the firm grouped these companies into quartiles based on the percentage of women's participation in leadership and boards of directors. The firm then used the companies' financial data to calculate average financial performance for each quartile.

Results: The analysis showed that on average, greater gender diversity is associated with better financial performance.

- On average, once a borrower exceeded 33% women in leadership positions, they had a more significant increase in financial performance, which tapered off at 70% of women in leadership positions.
- Companies in the top quartile with regards to the percent of women in leadership positions outperformed those in the bottom quartile on returns on sales (18.1% vs. -1.9%), returns on assets (3.9% vs. 0.3%), and returns on equity (8.6% vs. 4.4%).

21

3

ACT

Though it may seem counterintuitive, we have seen that making progress on gender inclusion in the least inclusive sectors can often be the most feasible, because even the smallest wins have the potential to make a big difference and are likely to boost employee awareness and morale. Insights 2, 3, and 4 offer tools and support for acting.





5. CONCLUSION

We began this Insight by asking if the business case for gender equality is enough to drive change. We have seen that this question does not have one single answer, and therein lies both the beauty and the tensions that will propel us forward and engage multiple different actors.

Some actors will be hyper-attracted to the business case and will demand more context-specific data and begin to demand more from their own data. Others will be motivated by having the business case and the impact case side by side. Still others will find that in certain moments, one case is more compelling than the other. And still others, unfortunately, may use the data gaps in the business case as an excuse to continue the status quo; their resistance may be cloaked in a demand for ever-more nuanced, context-specific data.

While more evidence will help, the business case is clear and the better it's communicated and understood, the greater likelihood it has to influence decision-making toward gender equality.

ENDNOTES

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