

2019

Gender Equality in the SGB Sector

ANDE Issue Brief



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About **ANDE's Issue Briefs**

This issue brief, part of a series published by ANDE in 2019, is designed to create a common knowledge base from which the Small and Growing Business (SGB) sector can work in the hopes of advancing towards selected development goals. Each brief highlights how SGBs can play a critical role in this progress. This series is meant to act as a starting point to drive the conversation forward and shape ANDE's strategy regarding each of these key issue areas, with the acknowledgement that this is not an exhaustive collection of the research/literature on these topics.

OVERVIEW

If half of the world's population is left behind, significant progress on the SDGs is impossible. As UN Women points out, "all the sustainable development goals (SDGs) depend on the achievement of Goal 5, which calls for the achievement of gender equality and empowerment of all women and girls."¹

Alongside other stakeholders such as government, international organizations, and corporate entities, the Small and Growing Business¹ (SGB) sector has an important role to play in achieving SDG 5. This brief examines how the SGB sector can contribute to achieving SDG 5, and particularly Target 5.5, to "ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."¹

At the broadest level, the current literature and sector experience suggest that the SGB sector can contribute to SDG 5 through three categories of actions:

- 1 Promoting investments and effective support services for women-led SGBs.**
- 2 Improving gender-inclusive employment policies within SGBs and intermediary organizations,** including increasing the development of women in leadership roles and providing gender-sensitive policies for employees at all levels.
- 3 Scaling gender-focused business models through SGBs,** including integrating women-owned or -led businesses into corporate supply chains or distribution channels and providing goods or services beneficial to women and girls.

KEY TAKEAWAYS

- There is significant evidence that female entrepreneurs have less access to capital and experience fewer benefits from technical assistance services compared to their male peers, which restricts business growth for women-led SGBs. Organizations supporting SGBs should examine their strategies and offerings to incorporate a gender lens that directly addresses this gap.
- Gender-inclusive employment practices are critical to developing an equitable society as well as driving business growth; however, the SGB sector is not currently doing enough to promote and incentivize these practices among businesses.
- Designing product and services to benefit women must go well beyond a "make it pink" approach and instead deeply consider the needs and experiences of women as consumers.
- Multinational corporations (MNCs) are important stakeholders to engage in programs that engage SGBs to support gender equity, as MNCs can use their sourcing policies to provide strong incentives for equitable practices among SGBs.

The following sections provide more detail on the current evidence base for each of these categories of actions, followed by specific strategies that sector organizations can take to drive change.

¹ Small and Growing Businesses (SGBs) are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential, and ambition, for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million.

CURRENT EVIDENCE BASE

Promoting investments and effective support services for women-led SGBs

There is a significant gap in financing for women entrepreneurs. The International Finance Corporation (IFC) estimates a financing gap for female entrepreneurs in formal sector small and medium enterprises (SMEs) in developing countries of \$320 billion,² with the credit gap for women-led SMEs in Latin America alone estimated to be \$93 billion.³ Data from the ANDE-led Global Accelerator Learning Initiative (GALI) extends this result to growth-oriented start-ups, finding that, on average, all-female founding teams in emerging markets raise approximately one quarter of the equity financing of all-male founding teams (\$16,006 vs. \$61,562).⁴

Research suggests that investor bias against women or even those who exhibit “feminine-stereotyped behavior”²³ may contribute to this investment gap. This lack of access to capital is a major constraint to growth. In a review of 14 impact evaluations across ten countries, the World Bank found that “female entrepreneurs in Africa have systematically lower levels of business capital – including equipment, inventory and property – relative to their male peers,” and that “gender differences in capital...are associated with men having higher profits than women.”⁵

Furthermore, there is reason to believe that this gap extends beyond financing into other support services, which studies suggest can be less effective for women relative to their male counterparts. A 2018 study on the impact of credit and training on Ethiopian micro and small enterprise (MSE) performance found that “female-owned MSEs do not benefit from access to treatments (credit only, training only or both)”⁶ while a study in eSwatini (Swaziland) found that business training has a positive and statistically significant impact on performance of men but not women entrepreneurs.⁷ GALI data also shows that support services are often ineffective at closing the financing gap, finding that the demonstrated financing gap between women and men receiving equity is not closed by participation in an accelerator program.⁸

The disproportionately low benefits of entrepreneur support services for women entrepreneurs may be due at least in part to a need for these programs to better address social norms and networks. A review of several World Bank impact evaluations found that female entrepreneurs in Africa are less likely than men to have confidence in their skills or think they make a good leader, and “do not have the same access as men to large and diverse social networks that can support the growth and competitiveness of their business.”⁵ Cultural constraints also play a major role, with female entrepreneurs less likely to enter sectors with high possibility for venture growth, which tend to be male-dominated.⁵ For example, more African women operate in the retail sector, while men work in the high-growth manufacturing sector.⁵

Improving gender-inclusive employment policies within SGBs and intermediary organizations

Full and equitable participation of women in the workforce is critical for driving growth and eliminating poverty. According to the OECD, reducing a country's employment gender gap by 50% can lead to a 6% gain in GDP,⁹ and growth in women's participation in the labor force since the early 2000's in Latin America and Caribbean countries was credited for decreasing extreme poverty by 30%.¹⁰

Nevertheless, there is significant evidence that women need stronger protection against discrimination in the workplace across all types of organizations, including SGBs. Take one aspect of gender-inclusive employment policy: parental leave. Referring to protection for employees to retain their jobs while taking parental leave, the International Labour Organization (ILO) finds that approximately "830 million women workers do not have adequate [parental leave] protection, with most of these women in Asia and Africa" and many working in the micro, small, and medium enterprise (MSME) sector.¹⁶ Lack of parental leave protections prevents women from effectively participating in the workforce and contributes to less "equitable division of unpaid care in the home,"¹⁶ as "women spend roughly three times as many hours in unpaid domestic and care work as men."¹¹

SGB sector support organizations often do not directly address these issues. Data from ANDE's Impact Survey of support organizations show that nearly half of respondents do not incorporate a gender equity assessment into the SGB screening or selection process.²⁴ Furthermore, while one might expect impact-oriented SGBs to be more conscious of gender issues in employment than traditional business models due to their broader interest in the social good, British Council data suggest that the pay gap in social enterprises between men and women is still 24%.¹¹

Gender-inclusive employment policies are, at a basic level, a critical part of an equitable society. They also make business sense. A study of research and development teams at more than 4,000 companies found that gender diversity "generates dynamics that lend themselves to radical innovation."¹² Another study done at a garment manufacturer in Vietnam found that offering benefits targeting women employees, such as a women's clinic and daycare services, allowed them to work more consistently and ultimately decreased staff turnover by one third.²⁵ Supporting women entrepreneurs can also create a virtuous cycle by increasing women's overall participation in the labor force, as the World Bank has found that "female entrepreneurs are much more likely than male entrepreneurs to employ women."⁵

Scaling gender-focused business models through SGBs

Gender-focused business models represent a huge opportunity in emerging markets. In 2018, women controlled an estimated \$40 trillion in consumer spending across the world,³² a number that has doubled in a decade,³³ while so-called “femtech”ⁱⁱ products will generate more than \$50 billion in revenue by 2025.³⁴ Closing the digital gender divide represents a particularly strong market opportunity, with an additional \$50 billion ready to be unlocked by providing internet access to 600 million women.¹³

“The goal is to create opportunities and reduce risks by designing products and services (and their value chains) that empower women and girls and improve their lives. This means changing the design process from designing for women to designing with women. It is not about taking products and making them pink. Successes in producing clean cookstoves, in reducing infant mortality, in improving feminine hygiene, and in other areas come from collaborative innovation.”

– Sarah Kaplan & Jackie VanderBrug, *The Rise of Gender Capitalism*, Stanford Social Innovation Review

While there is not currently evidence on the market for gender-focused businesses specifically among SGBs in emerging markets, major SGB investors have already found success targeting women customers with beneficial products or services. For example, the International Centre for Research on Women (ICRW) found that over half of Acumen’s portfolio explicitly targeted women as customers, with 41% of investees reporting that women account for more than 50% of their customers.¹⁴

Business models focusing on integrating women into supply chains also represent a significant growth opportunity. Globally, only 28% of firms address gender equality among their suppliers.²⁹ Corporate entities can address women-owned SMEs’ specific cultural and financial barriers in accessing supply chains³⁰ by increasing the diversity of their suppliers, allowing them access to an underdeveloped resource for their supply chains.³¹

ⁱⁱ Defined as “Software, diagnostics, products, and services that use technology to improve Women’s Health comprises Femtech, also referred to as Female Technology.” Frost & Sullivan. (2018). *Femtech—Time for a Digital Revolution in the Women’s Health Market*.

STRATEGIES

Gender lens investing

Given the overwhelming evidence that capital constraints play a major role in holding back women entrepreneurs, a gender-focused approach to investment is a clear strategy for improving opportunities for women in the SGB sector. Gender lens investing “is a form of investing in which investors seek to generate both positive financial return on their investment, and a beneficial impact on the lives of women.”²⁶ For research purposes, ANDE considers funds to be gender inclusive if the fund has a stated mandate to invest in at least one of the following:

- women-owned or run businesses
- businesses with women appropriately represented on the board of directors
- businesses that hire women or incorporate women into supply chains in a beneficial way
- businesses providing a socially beneficial product or service targeting women or girls.

The intention to invest in these businesses must go beyond considering these factors in investment decisions, and explicitly mandate that the fund make investments into businesses with these characteristics. In 2018, ANDE found that of the 56 newly launched investment vehicles 17% met these criteria.

Despite the evidence that gender lens investing can have benefits for a portfolio ⁱⁱⁱ, it is not yet a mainstream practice. Calvert Impact Capital’s research²⁷ cites two major issues holding investors back:

- 1** The business case still needs to be built in the private markets, as current evidence primarily comes from public markets with little representation of private market examples.
- 2** Investors are confused about how to apply a gender lens. ANDE’s exploration of gender lens in the sector confirms that there is pressure to adopt a gender lens but little guidance on how to effectively execute a strategy.

Gender lens acceleration and training

Gender-specific strategies in emerging market venture acceleration and training can also play a role in supporting the growth of women-led SGBs. Accelerator programs can adopt a gender lens throughout the programming cycle, from outreach and targeting to selection and program design. Intentional and inclusive outreach may help overcome the fact that male-owned firms are “more likely to participate in training programs than female-owned firms.”⁵

In terms of program models, Village Capital analyzed its peer selection investment model to determine outcomes for women entrepreneur participants and found that peer selection, rather than selection by outside experts or investors, saw results in “reducing implicit bias” and that “outcomes appear to suggest that peer selection is less exclusionary.”¹⁹

ⁱⁱⁱ See Calvert Impact’s Just Good Investing: Why gender matters to your portfolio and what you can do about it to learn how it assessed its portfolio and found benefits to gender diversity.

Leadership and mindset training can also be an important part of effective programming for women entrepreneurs. The Africa Growth Initiative at the Brookings Institution recently published insights on why current programs for empowering women entrepreneurs fall short, suggesting that “providing business skills training is a basic step toward empowering women entrepreneurs, but to truly achieve transformative change, training programs need to address deeper psychological and social constraints facing women.”²⁰ A World Bank Gender Innovation Lab program mindset training program in Togo, for example, showed significant business performance improvements with a strong and sustained increase in personal initiative and soft skills for women participants.²¹ A more comprehensive review of World Bank training programs finds that “training programs addressing socio-emotional skills and gender-specific content—as opposed to standard managerial training programs—have proven effective in numerous contexts in Africa, and pay for themselves in increased profits over the long term.”⁵

Finally, acceleration and training programs can help women develop growth-supportive social networks and shift social norms hindering them from entering more competitive but productive sectors. The World Bank has found that “women opt out of engaging in competition even when they are qualified...missing out on significant earnings as compared to high-ability men,”⁵ but that women in traditionally male-dominated sectors show equivalent returns on their investments as men. Programs that deliberately incorporate networks of mentors and experienced professionals for women in these and other sectors can help provide a level playing field for women entrepreneurs.

Corporate engagement

“Corporations are well positioned to promote gender equality and empower women in their workplaces, in their communities, and through their purchasing policies and practices. The sheer size and volume of corporate purchasing worldwide means that corporations have the potential to dramatically influence the way suppliers and supply chains operate.”

– UN Women

ANDE’s 2018 Impact Survey revealed that most ANDE members engage with corporate entities via a core business unit (rather than a corporate social responsibility or foundation arm), with the two most common specific interests being “opening new markets/strengthening distribution networks” and “facilitating sourcing of goods or materials from SGBs.”¹⁵ Once women overcome hurdles to starting and fostering their own business, SGB support organizations that have corporate entities within their networks can focus on leveraging those connections to benefit both the corporation and the SGB. UN Women has published a manual on how to support sourcing from women-owned business, suggesting the following strategies:

- 1** Advocating on behalf of women-owned SGBs and making the business case for corporate entities to engage them in their value chain;
- 2** Establishing outreach programs to address some of the major barriers “preventing women business owners from access[ing] corporate supply chains,” including a “lack of contact with corporate decision makers [or] relationship with buyers”²⁸

- 3 Providing technical assistance through “corporate outreach, government agencies, educational institutions, and Trade Support Institutions—including most notably, women’s business associations and organizations;”²⁸
- 4 Delivering financial assistance to address the lack of access to capital; and
- 5 Mentoring women leaders to foster greater confidence in their business skills.

Designing for women

Some of the largest companies in the world have fallen into the trap of attempting to market to women by adopting the “make it pink” approach.³³ This type of approach does not address women’s needs as consumers and pigeonholes female customers. To access the enormous opportunity that exist in targeting female consumers, women’s needs should instead be considered throughout the product design, development, and deployment process. Although originally suggested in the context of designing financial products for low-income women, Business for Social Responsibility suggests the following best practices that can be applied more broadly to designing products and services for women:³⁵

- 1 “Take a client-centered approach. Developing products for women should begin with understanding their wants and needs[.]”
- 2 “Improve current solutions. [Products] should incorporate lessons from the existing products and solutions that women use, and generate additional value.”
- 3 “Think digital.” As more women gain access to the digital economy, market opportunities will also grow; applying a gender lens to product design will both allow access to this new market share and increase women’s digital inclusion.

Improving employment policies

Educating SGB leaders on the importance of women’s participation and having clear written internal policies addressing gender gaps is an important starting point for ensuring equity within SGBs and SGB support organizations. Capacity builders that conduct trainings for SGBs to improve organizational efficiency can consider adding a specific gender component to the training. For example, the ILO’s SCORE program offers classroom training for managers and employees working in SMEs, focusing on “achieving a gender-balanced participation among trainers and trainees; ensuring the voices of women (and men) are heard and valued in the enterprise, and improving gender-related workplace practices.”¹⁷ The program has seen improved adoption of gender sensitive policies among the SMEs that have gone through the programming; in specific cases this included a complete revision of the job descriptions and hiring policies to incorporate more women into the workforce and adjustments to make the workplace safer for women.¹⁷

In addition to incorporating a gender lens into capacity building efforts, SGB intermediaries should also look internally to ensure adoption of strong gender-specific employment policies. UN Women has published materials on how support organizations can examine their own employment practices, offering resources and examples of “gender balance strategies,”¹⁸ like the ILO’s Gender Equality Plan.

CONSIDERATIONS

As organizations in the SGB sector work to increase their contribution to SDG 5, there are several final important points to consider:

- Given the many ways that SGBs can help address gender equality, practitioners will need to consider how to develop the necessary expertise and prioritize their potential contributions given limited resources. Organizations may need to form partnerships to leverage others' experiences and increase their own expertise. For example, enterprise support organizations that lack specific expertise in gender-inclusive employment policies may be able to work with more experienced organizations or consultants to incorporate a focus on these policies.
- Emerging markets differ widely in their economic and cultural contexts regarding gender. Organizations should analyze and consider the specific local context and barriers to women's full economic participation.
- There have been significant advances in approaches to measurement of issues related to gender, going well beyond basic gender data disaggregation. Finding the appropriate measurement strategy is a key step in an organization being able to understand how its approaches might contribute to gender equity. ANDE members are already identifying these measures; for instance, the 2019 Metrics from the Ground Up conference focused specifically on gender in impact measurement and identified a range of [relevant resources](#).
- Organizations using gender targeting practices to support or fund SGBs should be wary of incentives to "game the system." Following [Goodhart's Law](#), once a specific gender metric becomes a target with incentives tied to it, it may no longer be meaningful. Organizations should be wary of overly simplistic targets and incentives which may lead to a superficial or feigned focus on women to access gender-targeted investments.

RELEVANT METRICS

Metrics for investments and support services available to women-led SGBs

In order to track and demonstrate progress on gender equity, the SGB sector will need a common set of indicators. The UN defines specific targets and indicators to measure progress towards each SDG. Since the goals were originally designed as national targets for countries to work towards, many of the indicators are not tailored for private organizations (though, some are). However, organizations like the Global Impact Investing Network (GIIN) have designed metrics systems that align with the SDGs. While the metrics below are from the SDGs, other relevant metrics can be found through the GIIN's IRIS+ catalogue of metrics.

- 1** Change in the amount and proportion of early-stage capital going to women-led SGBs
 - a. Proportion of deals going to women-led SGBs
 - b. Total and average funding received by women-led SGBs
- 2** Change in level of support services available to women-led SGBs
 - a. Proportion of SGBs receiving support services that are women-led (number of new SGB-inclusive gender lens investment vehicles or proportion of new vehicles with a gender lens)
 - b. Proportion of support services explicitly targeting women entrepreneurs
- 3** Effectiveness of support services for women-led SGBs
 - a. Post-support success of women-led SGBs relative to male-led SGBs

Metrics for gender-inclusive employment policies within SGBs and intermediaries

- 1** Change in the proportion of women in leadership roles at SGBs
 - a. SDG Metric 5.5.2: Proportion of women in managerial positions (applied to SGBs and/or SGB support organizations)
- 2** Change in proportion of SGBs with gender-inclusive employment practices
 - a. Percent of high-growth SGBs with strong gender employment policies
 - b. Percent of high-growth SGBs employing at least 50% women
- 3** Change in the number of SGB support organizations that have undergone gender sensitivity training
 - a. SDG Target 5.1: End all forms of discrimination against all women and girls everywhere
 - b. Indicator 5.1.1: Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex

Metrics for scaling gender-focused business models through SGBs

- 1** Change in growth of gender-focused SGBs
 - a. Number of gender-focused SGBs achieving sustained growth

- 2** Integration of women-owned SGBs into supply chains
 - a. Number of women-owned SGBs connected to corporate supply chains

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