4. Gender-sensitive portfolio management

Are you helping your investees in becoming more gender diverse and inclusive, internally, but also across the markets they serve and the suppliers they work with? Does your strategic advice and technical assistance consider the unique needs and challenges faced by women founders or those of underrepresented genders? Are you actively working to close gender gaps in leadership, workforce diversity, and access to resources within your portfolio companies?

What do we mean by gender-sensitive portfolio management?

Gender-sensitive portfolio management refers to the deliberate integration of gender considerations into the strategic advice and technical assistance (TA) provided to portfolio companies. This approach ensures that gender equality becomes a core component of portfolio management.

It can be implemented in three ways: a) gender-specific advisory and TA (e.g. advising a company on how to adjust its hiring practices to attract and retain more women); b) integrating a gender lens into mainstream TA and advisory (e.g. when helping streamlining production, explore the need for on-site childcare facilities, which would reduce absenteeism among women workers); c) gender-sensitive advisory and TA delivery (e.g. by having more women advisors, or being aware of scheduling constraints for women with caregiving responsibilities).

Why does gender-insensitive portfolio management happen?

Gender-insensitive portfolio management often stems from resource limitations: many investors lack the financial or technical resources to provide gender-smart support to their portfolio companies. Also, when investors do offer such support, whether in-house or outsourced, the focus is almost exclusively related to improving the business, financial, or operational performance of the company, without acknowledging that diversity and inclusion play a key role in catalyzing the full potential of a venture. Even impact-oriented advisory and TA typically focus on increasing outreach or value created for end users, and while gender equity may be a concern, it is often poorly embedded in the assistance provided to the entrepreneurs. This is further exacerbated by the lack of diversity within investment teams themselves, as only 29% of fund managers have at least one woman on the portfolio management team [1], which limits diversity of perspectives. Another key issue is the mindset that gender is mostly an HR and/ or compliance issue, rather than a lens to help build more successful and inclusive organizations.

Why is gender-sensitive portfolio management important?

Gender-sensitive portfolio management is a strategic tool to enhance a portfolio's performance. It results in portfolio companies becoming more gender-balanced and inclusive across strategy, operations, and markets, which is proven to translate into better business and impact performance. Moreover, when such assistance includes mentorship and network access, it can be particularly impactful for women entrepreneurs, as 75% of women leaders credit mentorship as a pivotal factor in their career growth [2]. The effectiveness of this approach is further supported by studies, demonstrating that [3]:

- 76% of the ventures improved workplace culture, reducing turnover
- 67% of the ventures saw employees gain confidence and new skills
- 62% of the ventures increased social capital, enhancing reputation and stakeholder relationships
- 57% of the ventures formalised leadership commitments to gender equality, improving governance and accountability
- 86% of the ventures improved brand loyalty
- 38% of the ventures increased sales or expanded their customer base
- 38% of the ventures attracted new investment or funding

How does one implement gender-sensitive portfolio management?

Implementing gender-sensitive portfolio management requires a structured and intentional approach. Here are 9 practical steps one can follow:

- **Ensure gender balance and gender expertise within the portfolio management team:** Actively work toward building a portfolio management team that is gender-balanced and includes individuals with gender expertise. A more diverse team is better positioned to identify gender-related risks and opportunities, communicate effectively, and challenge gendered assumptions in strategic decisions.

[1] https://www.invmetrics.com/insight/article-the-portfolio-management-gender-gap-is-big-and-investors-are-losing-out/

[2] https://www.giz.de/en/downloads/giz2022-en-HerNow_WincubateMentoringFramework.pdf

[3] https://wdi.umich.edu/wp-content/uploads/GSEARCh_Report_8.31.22_FINAL.pdf

- **Select gender-aware or introduce mandatory training for all external advisors/ mentors on integrating a gender perspective, as needed:** Select external service providers able to (or train them on how to) incorporate gender considerations into their work and roles. This training should cover topics such as unconscious bias, gender-sensitive communication, and strategies for promoting gender equality within portfolio companies.
- **Create a gender-diverse pool of TA providers/advisors/mentors:** Develop a robust process to source and select external providers from diverse gender backgrounds. More broadly, prioritize service providers who demonstrate expertise in gender inclusion and who have experience working with women-led or gender-diverse businesses.
- **Offer gender-specific mentoring and networking opportunities to investees, if possible:** Develop networking opportunities for women and other underrepresented genders leaders within portfolio companies, possibly leveraging existing networks.
- **Streamline gender into strategic guidance provided to portfolio companies:** Strategic reviews and board conversations should consider gender gaps in governance, power dynamics in leadership, and how business strategy can unlock market growth by serving underrepresented groups. Investors should help position gender as a lever to build more resilient companies.
- **Introduce mandatory gender-focused TA for portfolio companies (if resources allow):** Ensure that every portfolio company receives dedicated support on gender inclusion (on topics ranging from gender-inclusive hiring, building diverse leadership pipelines, or designing products and services that better meet the needs of all genders).
- **Deliver TA in a gender-sensitive way:** Go beyond who delivers the support, focus on how it's delivered, and what it addresses. Make sure mainstream TA (e.g., on operations, finance, or marketing) includes a gender perspective. Delivery formats should also account for gendered constraints, such as time poverty among women founders or staff, by avoiding long, late, or inflexible sessions. Encourage inclusive dialogue during TA sessions and ensure women within the company are actively engaged in the process.
- **Monitor gender-related social performance and set gender-smart targets across the portfolio:** Work with portfolio companies to define and track gender-related dimensions, such as the proportion of women among customers/ users/ end beneficiaries served. Set clear gender-related KPIs and integrate these into portfolio review processes. Use gender-disaggregated data to surface gaps, celebrate progress, and refine support. For guidance on appropriate metrics and tools, please see our resource #2. Gender metrics tracking and target setting.

Case study

Using gender data to drive inclusive Growth, by NESsT

NESsT adopted a gender lens across its operations and investment approach to ensure that the enterprises it supports create more equitable economic opportunities for underserved communities, and to demonstrate - through data - the business case for gender inclusion.

NESsT is an impact investor with more than 27 years of experience supporting social entrepreneurs across Latin America and Central Europe. Its mission is to invest in enterprises that create quality jobs for underserved communities in ways that are financially viable and environmentally sustainable. It delivers this mission through acceleration programs and impact-first patient debt funds. Since its inception, NESsT has invested USD 41 million in more than 300 enterprises across 50 countries, contributing to the creation of approximately 150k jobs and positively impacting the lives of over 1.8 million people.

Gender equality has long been part of NESsT's organizational DNA, thanks to the strong commitment of its leadership. However, as the organization scaled its activities, NESsT recognized that advancing gender equality required more consistency and intentionality. In particular, the lack of gender-related data limited NESsT's ability to build a strong business case to drive more buy-in from entrepreneurs and funders. The objective was therefore to move from values-driven commitment to a more data-informed and structured approach. To do so, NESsT:

- introduced the systematic tracking of gender-related indicators to better understand and monitor gender outcomes and strengthen the business case for gender inclusion (e.g., gender-disaggregated data on jobs created, women's representation in management and leadership positions, income levels of women beneficiaries compared to minimum wage, and comparative performance of women-led enterprises in terms of revenue and investment growth).
- offered gender-focused support to both invested and accelerated companies, so as to help enterprises in adopting more inclusive practices, more effectively
- used gender data and evidence to engage entrepreneurs and funders, demonstrating the link between gender inclusion and enterprise performance, as well as the creation of more equitable jobs.

As a result of these efforts, NESsT was able to demonstrate clear performance differentials across its portfolio: Women-led enterprises consistently outperformed their peers, achieving on average 30% greater increases in revenue and profits, while also generating more income opportunities, notably for women. The organization has also strengthened its ability to use data to inform decision-making, deepen engagement with entrepreneurs and funders, and promote a more intersectional approach to inclusion that goes beyond gender alone, and includes considerations around race and ethnicity.