USAID RISE Case Study

The Accelerator, Technical Assistance and Gender lens Investing Nexus

Introduction

Gender lens investing (GLI) is gaining momentum as an investment strategy in East and Southeast Asia, with new private market funds being set up every year[1]. There are many different angles, with which actors in the ecosystem support communities, from investors to incubators and accelerators, embrace the strategy to unlock opportunities from improved gender equality. This case study outlines one example of how two different types of Entrepreneurship Support Organisations (ESOs) can work together to help women-owned/led small and medium enterprises become investment ready by bringing technical assistance to graduates of accelerator programmes.

What is GLI?

GLI is defined as an investment strategy that seeks to 1) intentionally address gender issues or promote gender equity by investing in businesses that are women-owned/led, focusing on workplace equity, or improving the lives of women and girls as consumers; or 2) examine gender dynamics to inform investment decisions[2]. GLI has "certainly been growing in terms of popularity both on the side of donors as well as with private investors," says Michael Monteleone, Economic Growth Division Chief, Asia at USAID. Since 2015, USAID has been involved in GLI in Asia, when "at the time that term wasn't thrown around as much as it is now."

[1] Gender lens investing landscape – East and Southeast Asia
[2] Global Impact Investing Network

Why does GLI matter?

GLI has continued to grow in Southeast Asia "not just because it's the right and equitable thing to do," but because companies that "adequately have female representation at all levels, including leadership, as well as gender-equal policies, have led to positive financial growth as well" says Michael Monteleone at USAID . There is a growing body of literature and data that points to a myriad of benefits from improved gender equality at the firm, industry, and global level. McKinsey's research in 2015 suggests that companies with a higher level of gender diversity are 15% more likely to have higher financial returns[3], and improved gender equality can contribute between $12 trillion to $28 trillion to the global economy by 2025[4]. Similarly, the IMF indicated through an empirical study that gender inequality inhibits economic growth by constraining the use of female labour potential[5]. Despite the evidence, progress in gender equality remains slow, and women continue to face unequal access to economic opportunities and career advancement, which globally stands at 42.2% in terms of the remaining gender gap[6].

Gender financing gap contains growth of women-owned/ led businesses

Gender disparity is evident in access to financing capital—a critical resource for scaling a company. "I think the reason that capital gets discussed so much is the insane gap there is around capital and we are so far away from solving that" explains Priya Thachadi at Unlock Impact, an ESO operating out of the Philippines. In Europe, for instance, over 90% of the capital raised by tech companies backed by European venture capital went to teams that did not have a female representative among the founding team[7]; and the level of funding raised by women relative to their investment target is between 2% to 19% lower than that raised by men[8].

Without access to critical capital, women-owned/ led companies cannot scale. Financial capital is one of the most critical resources for a growing company and research shows that young companies with access to outside financing can grow 30% faster than those without[9]. This may explain why gender disparity is visible in the growth journey of entrepreneurs. Matthew Guttentag at Aspen Network of Development Entrepreneurs (ANDE) explains: "When you look at entrepreneurship generally, women entrepreneurs tend to be locked out from capital and they tend to be in less productive sectors… they're overrepresented as necessity entrepreneurs and underrepresented as growth entrepreneurs." This gap presents an opportunity for investors. The situation may not be very different across developing countries; as James Wilson at Support Her Enterprise (SHE Investment), a women-focused ESO in Cambodia, points out, "women run 61% of the businesses in Cambodia but most of them are informal and micro-sized family businesses. When we get into the medium-sized businesses the majority of them are male."

[3] Why diversity matters?
[4] How advancing women's equality can add $12 trillion to global growth
[5] Gender Inequality and Economic Growth: Evidence from Industry-Level Data
[6] Global Gender Gap report 2020
[7] Gender Smart Financing Investing In & With Women: Opportunities for Europe
[8] She's the business
[9] Venture Capital and the Gender Financing Gap: The Role of Accelerators

Accelerators: an important vehicle for GLI

Accelerators are organisations that provide capacity-building support to early-stage start-ups to help them scale their companies and attract investment[10]. Through their fixed-term, cohort-based and mentorship driven curriculum, accelerators are involved in the early evolution of the companies to help them get their business models ready, improve their product-market fit, and strengthen their strategies to scale and access financing to sustain growth.

Given their role, accelerators can be an important vehicle for GLI, an understanding that led to a production of the Gender Lens Incubation and Acceleration (GLIA) toolkit[11], and adoption of a gender-focused approach by accelerator programmes, such as SHE Investment in Cambodia and WISE in Vietnam, which offer programmes exclusively for women-owned/led start-ups. These ESOs have made good progress in bringing entrepreneurship skills and networking opportunities to hundreds of women-owned/led start-ups to prepare them for future growth and financing.

A Missing bridge

However, to provide better curriculums, connections, and expertise on specific geographic or sector dynamics, accelerators need various ecosystem support stakeholders[12]. For instance, they require additional support to help women-owned/led businesses scale up and access investment capital. This is because, as Priya Thachadi explains, accelerators' curriculums are not focused on investment readiness. She explains that many incubators fail to fully support the business fundamentals, "their bookkeeping, their accounting, their legal structures, their HR policy, those are the things that investors will pick out when they start looking to invest." Priya suggests that "this is where this gap is huge."

Technical assistance: connecting the missing bridge

Technical assistance (TA) can be used to help bridge the gap missed by accelerators to make women-owned/led businesses, who have completed the programmes, become investment ready. TA is a specialised business advisory service, which can be tailored specifically towards achieving the needs of women-owned/led businesses to scale up. Michael from USAID explains, "increasingly we hear from businesses that things like HR services, basic accounting and making sure your financial systems are solid, are really important to businesses… If you make sure that the companies are solid and run well the investors will come naturally." He believes that occasionally a company will need a very specific technical expertise, but from his experience, it is the "general business assistance that really could be a game-changer."

In addition to specific technical expertise and core business support, women-owned/ led businesses also need support for core soft skills such as leadership and communications coaching to build confidence as they grow and scale their businesses. James Wilson thinks women have issues with gaining investment and "a lot of those difficulties come from things like (a lack of) confidence in speaking with investors." This is exactly how Jane Von Rabenau, founder of an Indonesian social enterprise—Siklus—feels: "I struggle with this sometimes… I can't promise things that I won't deliver". She explains that when it comes to confidence men seem to exude more, often beyond their capabilities. "I have seen that women will apply for jobs once they have filled 100% of the requirements whereas men will apply once they have perhaps 60%." "I think for myself and other women, we need to be more confident, don't be afraid to boast about your work… women need to be more like 'Kanye West', you need to try and sell your vision," she adds.

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[10] ibid.

[11] The Gender Lens Incubation and Acceleration (GLIA) toolkit is the result of a 12-month collaboration between the Sasakawa Peace Foundation's Asia Women Impact Fund, and Frontier Incubators.

[12] Accelerating impact: Exploring best practices, challenges, and innovations in impact enterprise acceleration

Huong Nguyen, a cohort member of WISE, has received and valued TA on leadership coaching: "I wish they had provided this right after our accelerator because at that time I didn't know how important it was to have a mentor and a coach." She explains that nowadays she works with a mentor weekly and they "really help me measure how I grow my business or how I define my success, I highly recommend getting the TA service and getting your own coach, mentor and trainer."

RISE's TA provides a bridge between accelerators and investors

RISE is a USAID funded project that provides TA to social impact companies in Southeast Asia by matchmaking and hiring external consultants on the company's behalf. RISE partners with women focused ESOs such as SHE Investment and WISE to bring TA to their cohort members who already graduated from the accelerator, who seek external financing, but struggle because of a lack of certain soft and hard skills.

Drawing on a large network of vetted consultants across the region, RISE's TA is considered worthy of recommendation of high-quality consultants as it offers the right fit for all entrepreneurs. Kaylene Alvarez at BIDUK explains that if a business leader is limited to the people they know: friends and family or the connections of the incubator or accelerator they are in, then they are constrained by who can support them. Kaylene describes that "with TA it's not just about the technical skill transfer, it's got to be the right fit." Kaylene further commented on the difficulty of finding the correct fit for women entrepreneurs; "if you have a provider who is patronizing or thinks your business is 'cute', you're just not going to gel with them." She maintains that the broader net that you can cast in terms of TA providers will raise the bar on them because they now have to be competitive, "but you're also allowing for this personal fit which is so important in early-stage entrepreneurship especially for women, and I think RISE brings that."