



DIVERSITY MATTERS: THE POWER OF FEMALE LEADERSHIP IN IMPACT INVESTMENT

By: Vanina Farber, IMD elea Professor of Social Innovation, offers key insights into the potential for, and challenges facing, female leadership in impact investment.

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Can we make generalizations about women in impact investment?

Women are under-represented in the impact investment sector, and women sometimes shy away from finance. However, we cannot blame everything on women themselves for this under-representation – there are also structural barriers. You need to get educated – but the research shows that we are as well educated as men. We do tend to look for more information and have lower risk tolerance - there is a side issue of less confidence - but there are also a lot of structural barriers. Women do not serve on financial committees in most cases – usually men invite other men. The traditional ecosystem in finance was very much dominated by white men.

The literature shows that women are judged on experience while men are judged on potential. When a woman owner of wealth goes and proposes a project, [the board says] “You don’t have experience of this.” When a man does the same, they say: “You are showing motivation, you think out of the box.”

Who are the great role models?

We are seeing more women in asset management. For example, Jaqueline Novogratz was really a pioneer, but there are many others such as Carol Newell, Monique Bär, Carol Schwartz, Liesel Pritzker Simmons, Ise Bosch, Annie Chen, Lisa Kleissner, Valerie Rockefeller and Jean Case. Still, there is really a lot of work to do to include the gender lens in the impact sector.

What empowers women to join this field?

When you talk to women of wealth, you see a high level of interest in investment, and they enter precisely because of the purpose and the possibility to align returns with impact.

How you can increase representation of female members of the board?

Quotas work. If you don’t like the word quota, you can say “target”. Organically, it does not happen. In Switzerland, we just passed a law for the introduction of women on boards. It requires that companies fill at least 30% of positions in boards of directors and 20% in executive boards with women over the next five and ten years respectively. The current levels are at 10% and 20%. Companies failing to achieve these minimum targets will not be fined, but they will be required to provide a justification for the failure.

How many women do we need on boards to see change?

If you have just one woman, it’s not enough. Sometimes our voices are still not heard. That is very common. You need more than two women on a board to turn things around and open doors. A lot of women entering this field, they are really

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building a field for new women to enter. There was a time with the older generation where there was a “queen bee effect” – you were happy to have made it and be “the” woman among men. Now we realize that we need to open the path for more women.

If you think, “There is a quota, and there will be just one space,” you think you’re competing against all women. That’s the wrong logic. We need to make the pie bigger. Other women are not the competition, but they are leverage for change. Women need to help more junior women, and collaborate with them and engage in mentoring with women and men who are allies.

Why does this matter?

There is enough research supporting the assertion that diversity matters for innovation. This is especially true in family businesses.

What should people take away?

Be willing to take more risks and build the field. This is a sector in which you learn from failure. Learn, regroup and go back. As women, we aren’t educated to do that, but it works.