Opinion **beyondbrics**

Driving gender equity in African business

Private equity investors should commit to operational pledges on recruitment

Binta Touré Ndoye, chief executive of Oragroup, is one of a handful of female chief executives in Africa

Aubrey Hruby 9 HOURS AGO

Having women on boards and in senior management positions of companies is globally good for business and society. A McKinsey Global Institute report finds that by advancing gender equality, $12tn could be added to global GDP by 2025.

Despite this, firms around the world are falling short. According to a Deloitte analysis of boardrooms in 49 countries, only 12 per cent of board seats are held by women. But, emerging markets are quietly making rapid progress. For example, Credit Suisse found that women made up 11.2 per cent of board members in India in 2015, up from 5.5 per cent in 2010.

Given the positive financial and social benefits yielded by having women in corporate leadership positions, businesses need to double down on this trend and ensure it takes hold in African economies as well.

Private equity has a unique advantage in this area. Investors can have deep developmental impact on women's economic empowerment in African markets if they make a strong commitment to the effort throughout the investment life cycle. Independent of the investment thesis, African private equity funds should adopt a robust operational gender focus when adding value to their portfolio companies post-investment.

The emergence of gender lens investing (GLI) has been a positive one in private equity. Funds such as Alitheia Identity Managers and Women Private Equity Fund are targeting women-owned businesses.

The impact of GLI funds in African markets, however, is limited by a lack of deal flow that fits an explicit GLI thesis. Although African economies boast the highest number of women-founded businesses, women-owned and women-run firms looking for capital typically operate at a micro scale and are found in industries that are not traditionally targeted by private equity.

The International Finance Corporation has found that women entrepreneurs in the Middle East and north Africa, even those that are highly educated, are more likely to own firms in the service sector, retail trade or in nondurable manufacturing. These industries often do not scale well and do not have natural exits that can deliver the returns needed for private equity.

The most powerful mechanism for achieving greater women ownership and C-suite representation is for existing private equity funds investing in African markets to use their influence to mainstream gender into operational plans for the post-investment phase. By taking in private equity investments, firms are consenting to managerial changes and restructuring, both of which are critical for placing more women into key corporate roles. Only an investor with significant ownership power can force the necessary cultural change at the firm level. This is the "developmental difference" of African private equity.

This power goes far beyond ESG (environmental, social and governance) requirements and the simple acknowledgment of the gender equality goal in the UN Sustainable Development Goals.

Emerging Capital Partners (ECP) — one of the largest Africa-focused private equity funds — has been making great strides. In 2016, ECP-controlled banking company Oragroup appointed Binta Touré Ndoye as its chief executive, making her one of only a handful of women chief executives in banking in the region.

In another portfolio company in the Algerian insurance sector, ECP encouraged the promotion of a woman to chief executive in 2017 and the broader participation of women in senior management. Générale Assurance Méditerranéenne (GAM) is 100 per cent owned by ECP and is led by Manelle Otmane, the only woman in charge of an insurance company in Algeria. At GAM, gender equity has become well rooted in the corporate culture — 41 per cent of management is female and a majority of all employees are women.

To make cases such as GAM and Oragroup the norm within the Africa investment community, organisations such as the Emerging Market Private Equity Association, the African Venture Capital Association and the Global Impact Investors Network (which recently launched a two-year project focused on gender mainstreaming) should collaborate to develop a pledge on operationalising gender in African PE.

This would commit the organisations to targeted levels of female management and ownership in their post-investment stage operational plans, and timelines would be established that allow for talent recruitment and management.

Such a level of industry-wide engagement and commitment would institutionalise gender equity in the medium term, and would undoubtedly have an impact on the continent that would be broader than just GLI-focused funds.

For gender equity to be achieved in the long term, it must be operationalised through more than just a small subset of ESG requirements. It must also be incorporated by a broader range of actors, rather than just GLI-focused funds.

Gender equity should be incorporated into every aspect of a growing business's operations. As the data indicate, doing so will be profitable. Private equity and venture capital firms should step up and use their influence to fast-track the economic power and progress of women.

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