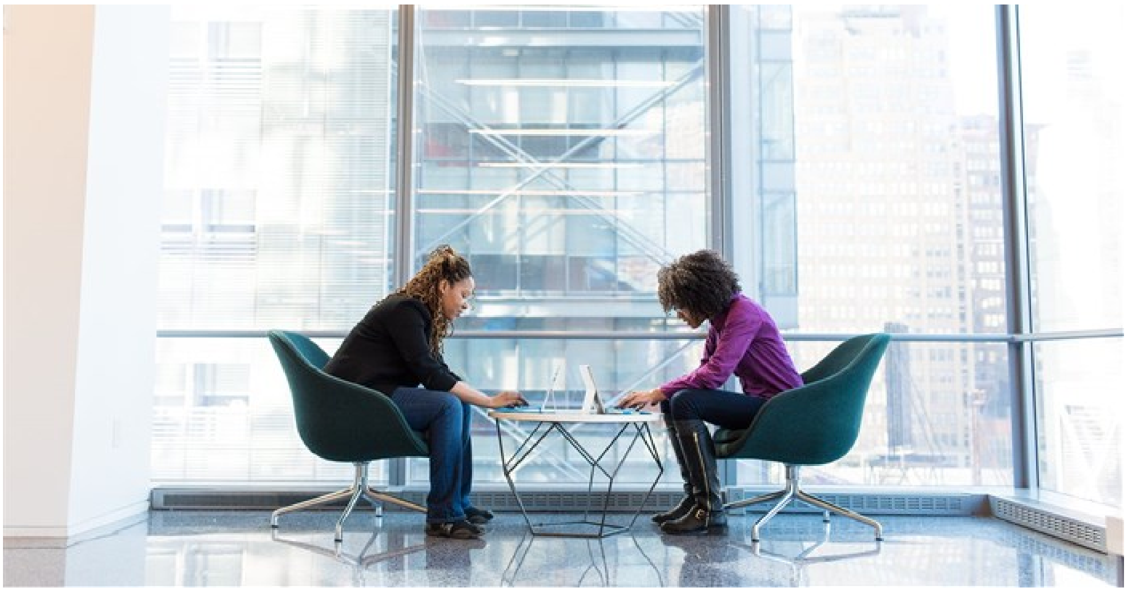
The importance of more women becoming investors in Africa

By Lelemba Phiri

27 May 2021

Misleading stereotypes suggest that women aren't natural investors and they lack the gumption to do what comes naturally to men. Recent data, however, completely debunks this myth and, more interestingly, suggests the opposite - that female investors regularly outperform men as fund managers and bring something new and valuable to the investment arena.



Source: www.unsplash.com

Additionally, research suggests that the gender makeup of investment teams and investment decision makers severely impacts the how, where, what and in whom investment capital gets allocated.

Women investors have been found to invest in more diverse industries and teams, whilst also taking a longer-term view – both of which lead to less volatile, more consistent performing investments as well as contribute a host of other benefits environmentally, socially and governance-wise.

This has significant implications for Africa, where, of the over $1bn that was raised by startups 2020, only 8% of the deals went to start-ups with a woman CEO - a dismal representation of 2% of the money.

With research suggesting that women funders are significantly more likely to invest in start-ups with women founders or CEOs, having more women as capital allocators could potentially offer women-led businesses in Africa the much needed leg-up. It could also contribute to closing the gender gap in access to finance for women entrepreneurs.

The challenge

According to UN under-secretary general and executive secretary of ECA, Dr. Vera Songwe, facilitating more women becoming investors is the real challenge. She said, “We want women to be on the supply side of money, not only on the demand side.”

Women need to take their place at the investor table. Here, they need to leverage their unique strengths and influence to close the gender gap in access to finance for women entrepreneurs. For context: if the gender gap in market participation of women closed by 25% by 2025, that could mean an additional $5.3tn in global GDP.

Four ways to fast track this process

The need is clear; we need more women investors. The question then is how to make this happen in an industry that's been difficult for women to break into. Most importantly, how do we make this happen in Africa?

As a starting point, here are four things that can be done to fast track this change:

1. Deliberately sponsoring promising female professionals in VC and PE firms

Sponsoring promising, talented women with the explicit aim of preparing them for leadership and investment positions is the first step.

A great example of this is CapitalG; an independent growth fund by Alphabet that deliberately set out to build a more culturally diverse and collaborative environment from the start. This paid off with them bringing on board women like Laela Sturdy. Despite her lack of experience in investing at the time, she went on to become one of their top investors with 10 unicorns under her belt.

2. Accelerator programmes that focus on women fund managers

Entrepreneur accelerator programmes have been critical in building the pipelines of investible businesses in the African ecosystem. This has been achieved by providing technical expertise of business building and scaling, and bridging the elements of investor-investee engagements (such as having a common language).

The same could be applied to fast tracking the participation of women in investment. This can be done by creating accelerators specifically for building a pipeline of investible African women fund managers.

UNECA recently launched such an accelerator via the African Women Investors Training Program. This is delivered by investment professionals from Africa or with significant experience on the continent. This is critical for not only building investment skills, but ensuring that the training is steeped in relevant economic, social and cultural context.

3. Profile success stories

It’s important to highlight those who are already in the path and have already achieved in this space.

It is said that young people can only aspire to be what they can see. As such, giving high visibility to role models who look like them is important for encouraging young women to aspire to be investors.

Initiatives such as the Women in African Investments group are leading the way in creating a directory of women fund managers in Africa. They are also providing a platform for engagement between key ecosystem players like development finance institutions, VCs, PEs and philanthropic funds.

4. Encouraging successful women entrepreneurs to become investors

Those who have successfully exited businesses and made money have been found to be good investors and spotters of the next big thing.

This is evidenced by the likes of the famous ‘PayPal Mafia’, a group of former PayPal employees and founders who have since, funded, founded and developed additional mega successful companies.

In a similar vein, women entrepreneurs who have walked the fundraising path should be encouraged to use this knowledge, their networks and capital to enter the field of investing. They have a valuable contribution to make towards supporting women entrepreneurs to thrive.

Enygma Ventures, a VC fund that focuses on investing in women entrepreneurs in SADC, is one such example of a fund launched by former women entrepreneurs that exited successful businesses to become investors.

The more we recognise the shortfalls of the existing hierarchies that prevent women from entering and excelling in investing and take steps to ensure opportunities are available, the more women we are likely to see succeeding in investment. That can only be good news for African entrepreneurs and economies all round.

ABOUT THE AUTHOR

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