

Globe and Mail
Thursday, May 2, 2019

What does Women-Led mean? It depends.

Nancy Wilson, CPA, founder and CEO, Canadian Women's Chamber of Commerce

How many women does it take to make a women-led company? It turns out you just need one. That is if you are a tech company looking for investment from funds and programs that are proudly marketed to support women's entrepreneurship and participation in the tech sector.

Recently, BDC's 'Women in Tech' venture fund announced their investment in an up and coming tech company with a management team of four: three men and a woman. The three men founded the company in 2014 and successfully received several rounds of funding. They hired a Chief Marketing Officer, a woman, three years ago.

BDC's Women in Tech venture fund, the largest of its kind in the world, invests in "women-led or co-led technology companies," according to the BDC website. According to a spokesperson for the BDC, "women-led means the company must have a woman founder, co-founder or in an executive position driving the direction of the business and have been in her role for at least one year."

Based on their definition of women-led, the BDC's Women in Tech fund portfolio represents women-led technology firms. However, a closer look at some of the investments reveals what I believe to be a flaw in the broad definition employed by the fund.

One company, founded by a team of men, has one woman in a VP of Business Strategy position. However, the company also has a male Director of Business Development who has been with the company in this capacity for at least four years longer than the VP. To what extent is the VP driving the direction of business when she (presumably) reports to the Director?

Two men and a woman founded another company in the Women in Tech fund portfolio. The woman co-founder still works for the company but is not in an executive role. At the time of investment, the company had a woman in a VP position. She left the company two months after the funding round closed. A man now does her job, leaving no female representation in management.

I congratulate all of the companies on their success and don't doubt that they deserved funding – but not from a fund designated to support women. I also don't doubt that the BDC is investing in women-led ventures; the majority of the Women in Tech portfolio is evidence of this.

At a time when only 4% of Canadian venture capital investment goes to women founders, I have serious questions about how the cause of women's entrepreneurship is being used to further marketing goals above actual progress. What is the purpose of a woman-focused tech fund and are these objectives being met?

According to the BDC, the goals of the Women in Tech Fund (or WTF) are two-fold: first, to deliver returns; and second, to invest in women-led tech firms and build a robust network to support and encourage women in technology and investment roles.

Earmarking funds to support women in tech seems to be a step in the right direction. But how can we be sure that the funds are reaching women founders and women-led firms? Shouldn't there be commonly defined criteria or at least a minimum disclosure of terminology when the term "women-owned" or "women-led" is used to promote or market an initiative or product?

On the corporate procurement side, very rigorous criteria are in place to ensure only majority women-owned and led companies are eligible for supplier diversity programs put in place by large corporations. Women-owned companies must pay annual certification fees for the privilege of proving their ownership and management structure to potential vendors, while corporations reap the well-documented benefits of supplier diversity.

I propose that there be strict criteria for the term 'women-owned and led' and define it as such: a minimum of 50% women-identified ownership *and* a minimum of 50% management representation with senior-level, strategic decision-making abilities. For firms that rely on equity investment, it is unrealistic at this point to require gender diversity concerning ownership. Therefore, the definition of 'women-led' should be used, which requires a minimum of 50% woman-identified representation in management with senior-level, strategic decision-making abilities.

Finally, if a fund is directed to support women in a particular industry, at least one of the women in senior leadership roles must be in a position directly related to that industry; in the case of tech, that requires a woman-identified person in a CTO or other tech or development role at the most senior level.

In the absence of these criteria, what differentiates a 'woman's' fund from any other fund? If a program, fund, or initiative wants to bank on the social capital of promoting women entrepreneurs, then the public deserves to be able to distinguish between progress and lip service.

