THE GLOBE AND MAIL

CANADA'S NATIONAL NEWSPAPER ◆ FOUNDED 1844

OPINION

How Canadian finance managers can unlock an $80-billion opportunity

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CONTRIBUTED TO THE GLOBE AND MAIL

PUBLISHED SEPTEMBER 20, 2019

There is ample evidence that women and minorities continue to be underrepresented in leadership roles at Canadian companies. According to Statistics Canada, less than 16 per cent of small- and medium-sized businesses are majority female-owned. Just 12 per cent are visible minority-owned; 1 per cent are owned by Indigenous Canadians; and 1 per cent are owned by persons with a disability.

This trend is also reflected in the corporate sector. According to the Rosenzweig Report, women continue to hold less than 10 per cent of executive roles at Canada's largest corporations. A recent survey by Diversio reveals that visible minorities and persons with a disability hold less than 20 per cent of all senior positions.

Why does this matter? According to new research by the Boston Consulting Group and the Cherie Blair Foundation, increasing the number of women entrepreneurs would add between $41-billion to $81-billion to the Canadian economy. Increasing the number of minority entrepreneurs could have a similar effect.

What's standing in the way? One of the largest barriers identified in the report [and in our own research and experience] is financing. Quite simply, women and minorities have not had the same access to the venture capital, private equity and commercial lending that is necessary to grow their businesses.

Fortunately, we believe things can change in Canada regarding these issues – indeed, there are concrete reasons for optimism.

For one thing, there are more funding options than ever before. There has been a rapid increase in non-traditional funding models that specifically target minority founders. For example, Female Funders aims to increase the number of women angel investors and help them invest in women-led companies. Dream Maker Ventures was established to get capital in the hands of minority founders. And Ryerson University's Black Innovation Fellowship promises to connect black Canadian founders to capital and connections.

For another, there is increasing industry momentum. Leaders in the lending, venture-capital and private-equity sectors have made diversity and inclusion a top priority. Claudio Rojas, CEO of the National Angel Capital Organization, recently said that advancing women founders is a "top priority" for his organization. Whitney Rockley, past chair of the Canada Venture Capital Association, now leads the CVCA's Diversity & Inclusion Committee. Fund managers such as Murray McCaig (ArcTern Ventures) and Tony Barkett (Silicon Valley Bank) are open about their commitment to increasing diversity among partners and in their portfolio.

There is also significant government support. In addition to a $2-billion commitment from the federal government to support women entrepreneurs, there are provincial programs such as Ontario's Indigenous Economic Development Fund.

Perhaps most important, there is increasing pressure from limited partners – the organizations and individuals that supply cash to venture and private-equity funders. One of the biggest sources of capital is the Canada Pension Plan Investment Board, which is not shy about using its influence to promote board diversity. They may soon go further to look at diversity within executive teams.

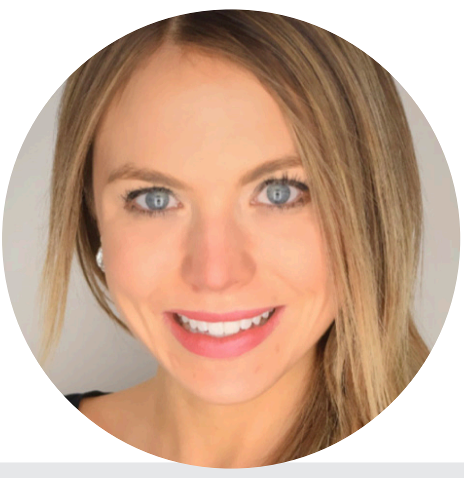
So, the building blocks are in place. But to fully unlock this opportunity, capital providers need to get three things right.

First, they must ensure that women and minorities influence funding decisions. Venture-capital and private-equity firms and commercial lenders must prioritize the advancement of women and minorities into investor roles. Women and minority investors are more likely to fund women and minority founders, generating better returns in the process.

Second, they must commit to tracking diversity within their portfolio. Adding diversity and inclusion key-performance indicators to fund performance will not only enhance returns, it will condition investors to think about diversity as a business priority.

Finally, there must be accountability. Limited partners and other stakeholders are beginning to ask capital providers to report on the number of women and minorities they fund. Capital providers can get ahead of the curve by volunteering this information as well as outlining their strategy to improve performance.

In an economy where 3-per-cent growth is expected to be the norm, Canada cannot afford to ignore an incremental multi-billion-dollar opportunity. The commitment and momentum is now there in the corporate and government sectors – it is now time for the financial sector to step forward and participate.



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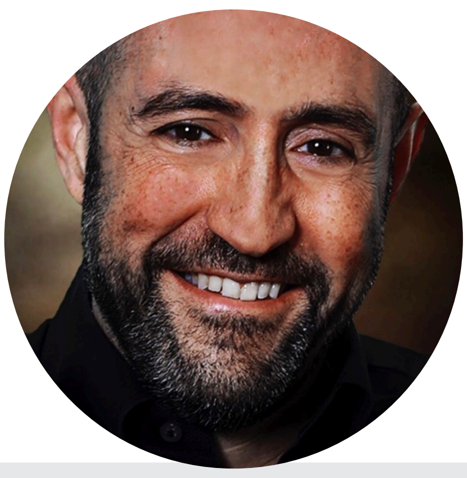

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