



LEARNING NOTE: NAVIGATING FIRM SELECTION FOR WOMEN-INCLUSIVE ROI

- Three considerations are important when selecting and vetting companies for women-inclusive return on investment (WI-ROI) calculations: understanding the inclusive business model, including if and how benefits accrue to women; assessing if the women-inclusive business model can be compared to “business-as-usual”; and ensuring the company has high-quality cost and revenue data to participate in the process.
- The WI-ROI framework allows portfolio managers and private sector engagement practitioners to not only evaluate the financial performance of investments but also to guide the process of selecting and vetting firms to create a portfolio that maximizes social impact.

Introduction

Many impact-oriented initiatives are increasingly recognizing opportunities to support the private sector to empower women in the workplace and generate direct financial benefits for firms. A [series of case studies](#) under the Feed the Future Market Systems and Partnerships (MSP) Activity Social Inclusion Learning Stream seeks to strengthen the evidence on the return on investment (ROI) of women-inclusive business strategies for small- to medium-sized enterprises (SMEs) in low- and middle-income countries (LMICs).

This learning note provides key insights gained from the process of vetting and selecting companies. It is targeted toward implementing partners that are managing portfolios of firms and want to select SMEs for WI-ROI calculations or social impact.

What is a WI-ROI?

The term “**WI-ROI**”—women-inclusive return on investment—refers to an ROI that measures the financial success of investments that specifically aim to include and empower women. To yield a WI-ROI, the ratio must compare the net gain or loss of a women-inclusive investment to the cost of the same investment. For more details on women-inclusive investments, see the [WI-ROI Framework](#).

*The **Feed the Future Market Systems and Partnerships (MSP) Activity** is advancing learning and good practice in market systems development (MSD) and private sector engagement (PSE) within USAID, USAID partners, and market actors. For more information, access to technical resources, and opportunities to engage, visit www.agrilinks.org/msp.*

This document was made possible through support provided by Feed the Future through the U.S. Agency for International Development, under the terms of Feed the Future Market Systems and Partnerships Contract No. 7200AA20C00054 managed by DAI. It was prepared by Erin Markel and Sabine Garbarino of MarketShare Associates, together with Yaquta Fatehi of William Davidson Institute of the University of Michigan. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of USAID or the United States Government.

Key Considerations for Vetting and Selecting WI-ROI Firms

Vetting and selecting companies for the WI-ROI cases proved a complex undertaking and went beyond briefly checking company characteristics against a few selection criteria. In fact, in all cases, detailed due diligence was undertaken to make a judgment if companies were suited for absorbing a WI-ROI approach. In detail, all case studies involved:

1. Performing due diligence on the women-inclusive impact of the investment
2. Assessing the feasibility of comparing the “business-as-usual” (previous) strategy to the women-inclusive model
3. Assessing data needs, availability, and companies’ willingness to share and clarify data

Due diligence on the women-inclusive impact of the investment

Understanding if SMEs are set up to succeed in achieving WI-ROI financial performance outcomes requires assessing the potential profitability of an inclusive investment (or lack thereof) and ensuring that the new business strategy will positively impact women.

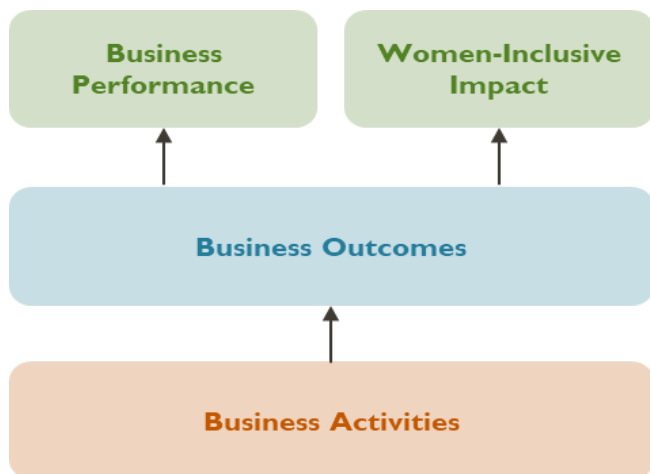
It is helpful to work with the business to describe in detail its new inclusive business models, including financial and social goals. Supporting the business to disaggregate the data for various inclusive initiatives or activities is key. If a company is implementing multiple inclusion activities, each initiative needs to be isolated to be properly monitored and assessed for its contribution to the firm’s financial outcomes. To do this, categorizing the inclusive investments into the [WI-ROI Framework](#) commonly used business strategies ensures this isolation and establishes a link between the investment and potential financial metrics (See Figure 1).

Once categorized, developing a Theory of Change (ToC) helps to articulate the expected financial returns for the company and empower women (See Figure 2). Validating the potential impact on women outlined in the ToC is a critical next step. Importantly, a detailed understanding of the business strategy is required to make this judgment. Given that most companies do not collect social impact data in advance of their initiatives (or at all), conducting this step relies on the collection of secondary data (alongside anecdotal evidence) to test and understand assumptions of the model in the given context. If more time and money are available, ex-ante and/or ex-post primary data collection from the targeted women beneficiaries could enhance the quality of this data and social impact projections.

Figure 1: WI-ROI Framework



Figure 2: Graphical Representation of a Theory of Change



In one case, an SME was pre-selected, committed to the research, and shared high-quality financial statements. During the development of the ToC, it was determined that women farmers were not likely to successfully integrate into the agricultural input supply chain as envisaged, and there was a considerable risk of future benefits being captured by the women’s husbands in the given context. While the business model was likely to show positive financial outcomes, the benefits to women of these potential financial gains were unlikely to materialize. Thus, the SME was not selected.

Feasibility to compare the business-as-usual strategy to the women-inclusive model

The WI-ROI, like a conventional ROI, requires comparing unique business investments over time—the time of the “business-as-usual” strategy with the new inclusive business strategy. Thus, as part of the vetting process, it is important to understand if a clear before (baseline) and after (endline) scenario can be established (ex-ante) or identified (ex-post). This is necessary to identify the difference in costs and revenues between the two business models.

For example, in the [case study on Grean World](#), an Ethiopian SME, there was a clear "before" centralized sales model without women staff and an "after" new inclusive model, decentralized with women sales agents. In this example, deriving a WI-ROI was straightforward.

Unpacking the WI-ROI is very challenging when a company integrates multiple inclusive business initiatives at the same time across multiple operations. It makes the comparison and isolation of financial performance much more difficult. As an example, a social enterprise was identified for vetting with an exciting talent and leadership program to attract, retain, and promote women into senior positions. Since its founding, the firm implemented several women-inclusive initiatives. These women-inclusive practices were tightly woven into its business operations, yet it did not track costs specific to the initiatives. The inability to clearly distinguish a before and after model posed challenges to identifying an isolated business strategy and measuring its financial contribution. As a result, this company was not selected. When selecting a social enterprise that incorporates women-inclusive activities across its core business, it is critical to isolate each intervention and ensure the existence of quality cost data (before and after the intervention) to effectively unpack these additional complexities.

Data needs and availability

Data availability was a prerequisite for selecting companies for the WI-ROI studies. Data necessary for the WI-ROI calculations included costs and revenues associated with the “business-as-usual” model (baseline scenario) and the women-inclusive intervention.

At the vetting stage, companies shared audit statements as proof of good bookkeeping and completed Excel sheets on the data that was likely needed (based on the preliminary information provided during the outreach call). In subsequent exchanges with company management, data availability was also explored. During this phase, the research team communicated the selection criteria, including the need for audit statements and proof that companies tracked required data, and agreed with the need to collect and report on additional data uncovered during the interviews. In some cases, the research team concluded that the companies did not meet the selection criteria. Concurrently, companies decided if they had the time and resources required to participate in this process—some determined they did not. While this decision-making process sounds straightforward, it is a process of co-discovery between the researchers and business

leaders, requiring a two-way communication path that is complex in practice. Data requirements became clearer during subsequent interviews, and the research team and companies profiled developed a more detailed understanding of the business model and the analysis, respectively.

In both published cases, an iterative process of data analysis and requesting and receiving additional data was key to calculating the WI-ROI. As a result, a more comprehensive understanding of the women-inclusive aspects of the business model led to the identification of additional indicators relevant to the costs of setting up and implementing the strategy. This demonstrated that collecting, cleaning, and analyzing the required data can be a resource-intensive activity and often requires the support of more experienced researchers.

Conclusion

Vetting and selecting a strong portfolio of partner firms for WI-ROI considerations includes two key factors: 1) ensuring that all key conditions are met for the firms to achieve their expected outcomes, and 2) that the WI-ROI lens offers critical lessons in early stage (ex-ante) firm selection.

Table I below outlines key conditions for firm WI-ROI considerations.

Table 1: Key Conditions by Consideration

	Involves	Conditions To Be Met
Due diligence on the women-inclusive impact of investments	<ul style="list-style-type: none"> Outreach with firm Review of available company information Key informant interview(s) with company Secondary data review of the impact of comparable initiatives 	<ul style="list-style-type: none"> Positive impact on women as entrepreneurs in value chains, employees, or consumers has materialized Low risk that benefits to women will be captured
Feasibility to compare the “business-as-usual” strategy to the women-inclusive model	<ul style="list-style-type: none"> Outreach with firms Review of available company information Key informant interview(s) with company 	<ul style="list-style-type: none"> A clear before and after scenario can be established; alternatively, reasonable assumptions
Assessing data needs and availability	<ul style="list-style-type: none"> Review of available company financial and audit statements Data samples on cost and impact of inclusive business strategy Key informant interview(s) with company 	<ul style="list-style-type: none"> High level of confidence in the company’s bookkeeping and financial records Availability of data on cost and impact of inclusive business strategy

While these WI-ROI studies focused on ex-post financial performance impact, there is immense potential to integrate a WI-ROI lens in early-stage partnerships and consider similar vetting and selection criteria to identify the right private sector partners for a fund or partnership portfolio.

If the conditions are met and the WI-ROI can be applied from the outset of a fund or partnership portfolio selection, there is an increased opportunity to scale and deepen WI-ROI impact. This approach offers the opportunity to work with firms to strengthen their data capacities instead of requiring it as a condition, expanding the universe of companies with whom implementers can partner to support women-inclusive investments.