

INSIGHTS

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LOOK FOR A RETURN ON GENDER EQUITY

Hoda Abou Jamra, Founding Partner, TVM Capital Healthcare Partners

Many a private equity fund manager has pointed to modern portfolio theory to urge greater allocations to alternative investments. Diversification leads to superior risk-adjusted returns, the argument goes. Well, half a century since that theory was first developed; the private equity industry is finally turning its attention to a different type of diversification, and in my view, a more important one: diversity of people – in age, ethnic background, and particularly in gender. As is the nature of hard-headed investors, this is not purely for emotive reasons or some romantic notion to make the world a better place.

Increasingly, leaders in the corporate and investment world are realising that a mix of backgrounds, viewpoints and approaches at a senior level promotes better decision making in an increasingly globalised market place, where investors, employees and customers are diverse. Promoting diversity is good practice, not only because mirroring your customers provides a better understanding of them, but because encouraging different points of view can unlock innovative ideas that can drive a company forward.

The link between diversity and performance is increasingly coming under scrutiny

For example, as financial performance has declined at fast food chain McDonald's, the spotlight has turned on the relative lack of diversity and change at the top. The company operates in 119 countries, but as many as 10 of its 13 non-executive directors come from within the Chicago business community. And the average tenure of the governance committee, which is responsible for appointing new directors, is 17 years.

The argument for greater diversity in leadership is also being bolstered by a growing body of research suggesting that more women on the management floor and in the board room may equate to outperforming returns. According to a study of 3,000 listed companies published in late 2014 by Credit Suisse, greater gender diversity in management correlates with better financial performance, superior return on equity and higher stock valuation. Since 2005,

companies with more than one woman on the board have returned a compound 3.7 percent a year more than those that have none.

Does this mean that better companies hire more women? Do women choose to work for the most successful companies? Or do women help improve corporate performance? So far, the answer is difficult to deduce from the data available, but it's likely that a combination of all three is at work.

Such a conclusion should be extremely thought provoking for private equity, an industry built on the idea that an investment, coupled with an increase in financial and managerial acumen at a company, can add considerable value.

It would be logical for private equity firms to encourage greater gender diversity at senior levels at the companies they invest in. And because private equity executives occupy board seats at portfolio companies, it would make sense for the industry to welcome more women into its own midst.

Regulation?

In the Middle East, we are doing relatively well in terms of numbers of women in private equity – although I would personally like to see many more. Publicly available information for the investor members of the MENA Private Equity Association shows that women account for around 18 percent of the sector's senior leadership and investment teams. This compares to 11.8 percent in Asia, 11 percent in North America and 9.7 percent in Europe, according to Preqin. However, on the corporate front, the region seems to be lagging. According to Hawkamah, the number of women on the boards of publicly listed companies in the six-country Gulf Cooperation Council (GCC) region decreased from 60 seats – or 1.5 percent of total board seats – in 2008, to only 43 in 2011. This compares to a rise of female participation on boards globally from 9.6 percent of total seats in 2010 to 12.7 percent in 2013.

So what can be done to encourage greater gender diversity?

In December 2012, the United Arab Emirates cabinet made it compulsory for corporations and government agencies to include women on their boards of directors. This followed similar moves in Norway, Italy, France, Belgium, Spain and Iceland.

But when such policies and quotas are implemented – the reaction from corporate leaders across the world appears to be fairly uniform. They say: "Fine. But where are all these women with the right experience, expertise and qualifications?"

It would be tempting to pass this off as male-inspired resistance to change, but I believe it is a genuine concern that needs to be addressed.

Psychology of success

Executives – whether male or female – are obviously not shipped into the board-room straight from college. They are made, and remade, by the companies they work for and the colleagues they work with. So if we are looking for ways to encourage greater diversity, it makes sense to take a close look at corporate culture. It is clear that not enough women are on the well-worn track to the very top. But the curious thing is that so many start on the right path, only to lose their way. Why does this happen?

A 2014 report by Bain and Company suggested that the divergent career paths for men and women are attributable to different levels of aspiration, and a relative lack of confidence among women that they can attain senior positions. The report concluded that companies should intervene early in women's careers to instill healthy ideas of what it means to be successful, encourage supervisors to offer strong support, and present clear role models from within the company.

This may sound straightforward, but behaviour patterns are deeply engrained in men and women in the corporate sphere.

A Harvard University experiment, highlighted by Facebook COO and "Lean In" author Sheryl Sandberg, showed that successful women may be less appreciated than their male counterparts. In the study, students reacted unfavourably to a resume of a female venture capitalist but praised the identical resume of a fake male counterpart.

While we would wish such attitudes to change, realistically, we should recognise that ambitious women face a huge psychological barrier – a fear of being unpopular.

Support from supervisors would help. But it appears that women receive less mentorship than men -- possibly because male bosses are less comfortable giving constructive criticism to women. Indeed, a 2011 Harvard Business Review study showed that nearly two-thirds of male executives report they are hesitant to engage in one-on-one meetings with more junior female colleagues.

Set an example

Although there are clearly challenges, I believe there is momentum behind the move to get more women into senior positions, thanks to the support of male and female executives across the world. And as more women accede to key decision-making roles, it is important that they act as good role models, inspiring other women to follow in their footsteps.

We in the private equity industry are uniquely placed to play a positive role, by setting a good example ourselves when we employ women and by influencing how our portfolio companies are run.

At TVM Capital Healthcare Partners, for example, we have actively encouraged strong female representation in leadership positions at our portfolio companies, and we have benefited from diversity of thought and approaches. This dynamic has helped promote open debate and transparency, and encouraged new ideas and innovation.

I believe that self-interest should be a great motivator for promoting greater diversity in boardrooms and in the upper echelons of management. As private equity practitioners, we know from experience that our ability to create the right corporate culture is as vital to the creation of long term value at a company as our capital and expertise.

About the Author

**Hoda Abou-Jamra,
Founding Partner, TVM Capital Healthcare Partners**

Hoda Abou-Jamra has forged a successful investment career in the Middle East and North Africa (MENA) region, driven by her previous experience in U.S. pharma and life science business development as well as fundraising for U.S. and European life science investment firms, and a deep passion to promote corporate and societal progress. As the Founding Partner of TVM Capital Healthcare Partners she has been driving the firm's corporate development in collaboration with the TVM Capital team in Munich, with a special focus on investor relations, fundraising, portfolio business development, as well as marketing and sales activities since 2007. Developing international partnerships with world class medical and clinical institutions and generating deal flow are some of her key contributions to the firm's investment and company building activities.

Hoda is a regular speaker and commentator in the regional private equity and healthcare arena. Additionally, as an advocate of social impact investing, she is engaged as

- Dubai Business Women's Council member
- Women Business Leaders of the U.S. Health Care Industry Foundation (WBL) member

TVM Capital Healthcare Partners' investments have been focused on highly specialized clinics in fields such as ventilated care, post-acute care, rehabilitation, home care/nursing and in vitro fertilization, In the portfolio, Hoda contributes in her areas of key strength in operational roles, such as at ProVita International Medical Center, Abu Dhabi, as well as at board level.

She currently holds board positions at Manzil Health Care Services, a dedicated provider of professional home care and home nursing services headquartered in Abu Dhabi, as well as Bourn Hall International, a chain of fertility clinics in Dubai, Delhi and Kochi, the international arm of reknown Bourn Hall Clinic in the UK who invented the IVF procedure.



Hoda's earlier career focused on business development in the life science and healthcare industry in the U.S. To this day, she maintains strong links with the U.S. healthcare and biosciences community, including leading venture capitalists, especially in the Boston area where she lived for 20 years. She is also the founder and CEO of the non-profit think tank organisation The BioExec Institute Inc., as well as the recently founded The HealthExec Institute. Before co-founding TVM Capital Healthcare Partners, she was the CEO of Boston BioCapital, a Boston based company that supported U.S. and European life science investors to raise capital in the Middle East where she started her activities by creating Boston BioCapital Dubai in 2007.

She graduated from the Bouve College of Health Sciences, Northeastern University, Boston, with a degree in Pharmacy.

About TVM Capital Healthcare Partners

TVM Capital Healthcare Partners Ltd., established in 2009, is the first private equity firm in the MENA region dedicated exclusively to healthcare, investing in healthcare services, pharmaceuticals, devices and other hospital-related businesses. The company is committed to the highest standards of quality, transparency and innovation. It brings its international network of relationships to bear in the value creation process, forming partnerships between companies in the MENA region and global leaders such as Spaulding Rehabilitation Network (a Harvard Medical School teaching hospital) and Joslin Diabetes Center (an independent, non-profit institution affiliated with Harvard Medical School). TVM Capital Healthcare Partners, with its eco-system of companies such as the TVM Operations Group, an accelerator company as well as Health Talent Consulting, a specialized recruitment firm, has a team of over 40 in the region. The investment team is complemented by experienced healthcare managers (Executives-in-Residence) and medical experts from the U.S., Europe and the region, who together with the team at TVM Operations Group are able to conceptualize, develop, operate and grow world-class healthcare businesses.

TVM Capital Healthcare Partners is part of TVM Capital Group, an affiliation of globally acting venture capital and private equity firms with an operating track record of 30 years. TVM Capital Group has financed more than 120 healthcare and life science companies and has documented its success as a growth capital investor through 43 initial public offerings from its portfolio.

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