

She's An Angel

Women back women's startups

Barbara Boxer, a practicing attorney in Milwaukee, knows just how difficult it can be for women entrepreneurs to raise money. She ran her own mail-order medical supply company for 20 years before selling it in 1990, and now many of her clients are women who own businesses. After participating in a conference for women trying to raise funding, the 56-year-old decided to take matters into her own hands. Last summer, Boxer started Women Angels, a group of women investors that focuses on women-owned businesses in the Midwest. Now the group's 22 members are getting ready to make their first investments. They will put \$150,000 to \$500,000 in each of two companies, one in biotech and one in transportation.

Boxer is part of a small but growing legion of women angel investors, who are using their own money to back young companies. Often, those are companies led by women. "We're seeing more women entrepreneurs who are cashing out of their businesses," says Jeffrey Sohl, a professor of entrepreneurship at the University of New Hampshire. "The more women who are successful in business, particularly in entrepreneurship, the more women angels we're likely to see." That's because the prime candidates to be angel investors are former entrepreneurs. There are at least six women-focused angel groups in the U.S., with an additional dozen or so just getting started, according to a recent report from the Kauffman Foundation.

Angels are a rich source of capital for entrepreneurs. Last year, 225,000 angels invested \$23.1 billion in roughly 49,500 deals, according to the Center for Venture Research. Women represented 9% of that group, up from 5% in 2004. Part of that increase is coming from new women-led investment groups, but there's still plenty of room for growth. Women not only control 50% of the country's wealth, but they also represent an increasing percentage of entrepreneurs. About half of private companies are majority-owned by women, according to the Center for Women's Business Research.

A NETWORK OF THEIR OWN

Why aren't there more women angel groups? There are plenty of reasons. For one, only about 15%-20% of angels are organized into groups at all, with the rest investing on their own. Angel investors tend to be serial entrepreneurs, and serial entrepreneurs tend to be men. Social networks also play a role, since angel groups usually form around investors' social circles. "Men tend to socialize and affiliate with people they do business with," says Maggie Kenefake, manager of growth entrepreneurship for the Kauffman Foundation. "If you look at women, their networks are more social, philanthropic, or family-based."

Plus, like much of finance, this segment of the investment community has the reputation of being an old boys' club. It's not so much that women are snubbed, although that does happen. It's more that some women have found the groups intimidating, especially to those without a background in finance. That's one reason that Stephanie Hanbury-Brown, a former executive at JPMorgan, started Golden Seeds in 2004. "I wanted to create a safe environment for women to learn about investing, a place where they would feel comfortable to ask the dumb questions," Hanbury-Brown

says.

Just because many women are newer to the investment game doesn't mean they're any less discerning than men. Although women angels actively seek out, and tend to attract, more women entrepreneurs, the groups conduct the same amount of due diligence and ultimately fund companies at the same rate as men do, roughly 10% of the proposals they see. And while many of these new groups have every intention of helping other women entrepreneurs, being an angel is, in the end, still an investment decision. Says Boxer: "This isn't about altruism. It's about making money."

By Adrienne Carter