

Angels in America

Newly formed private investor networks are swooping in to lift the fortunes of female-owned businesses

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Lauren Flanagan has some advice for businesswomen who want to join the multimillionaire's club: Find an angel.

The Michigan businesswoman has had several "angels," or private investors, over the last 25 years, and has raised more than \$30 million to start six technology companies, each with \$1 million-plus in revenues.

"I learned what it takes to build successful businesses, having done it myself," said Flanagan, 50, founder and chief executive officer of SCIO Corp., a financial consulting firm based in Douglas, Mich.

Now she is teaming up with about 30 other wealthy female investors to form Phenomenelle Angels Fund I LP, which will invest in female- and minority-owned companies that generate at least \$1 million in revenues.

Around the country, small, tight-knit groups of wealthy women are beginning to pool their money, contacts and business expertise to help more women-led businesses surpass the million-dollar revenue mark. It's a high-risk game, but female investors say they are committed to helping them grow.

"Not only is there a responsibility to help other women, but it comes back" to those who invest, said Leslie Grossman, co-founder of the Women's Leadership Exchange, a New York-based company founded to educate women who run high-growth businesses, particularly in technology.

The exchange will host a forum Tuesday at McCormick Place for women who



want to move their businesses beyond the million-dollar mark. Forum workshops will focus on marketing, mentoring and financing. Money to finance startups and emerging high-growth businesses, known as venture capital, is scarce in the Midwest, especially for women, Flanagan said.

"And there is even less angel money," she said, referring to capital supplied by individual investors. "Women tend to be very much out of this process."

In Chicago, venture capitalist Sona Wang is organizing a group of women--and at least one man--to establish the Ceres Venture Fund, which will invest mainly in the fast-growing life sciences and technology fields, she said. Particular emphasis will be given to female-owned companies, added Wang, general partner for Inroads Capital Partners, a venture capital firm and one of Ceres' fund managers.

Although women are starting companies at twice the rate of men, they still lag when it comes to accessing private investment capital.

In 2004, million-dollar, women-led companies received 4 percent of venture capital funding, versus 11 percent of million-dollar firms run by men, though women-led firms grew at nearly twice the rate (17 percent) of all firms (9 percent), said the Center for Women's Business Research in Washington.

"There's a lot of potential out there for women to become angel investors. But they're underrepresented ... and we'd sure like to change that," said Marianne Hudson, director of the Angel Initiative for the Ewing Marion Kauffman Foundation, a Kansas City, Mo.-based non-profit that promotes entrepreneurship. "I'm hearing from a couple of new groups every week that are in the process of getting started. Some become a reality and some don't."

Historically, private equity markets have been controlled by men. Even the best-laid business plans were often rejected if they came from a woman, some business sources said.

Wisconsin businesswoman Susan Davis recalled what happened in the 1970s when she and a group of women presented an idea for a woman's magazine to a group of male venture capitalists. The men said it was one of the best business plans they had ever seen, Davis recalled. But there was one problem.

"We don't finance women," they told Davis, president of Capital Missions Co., an Elkhorn, Wis., firm that networks socially responsible investors. .

As women kept getting turned down by male investors, some saw the need to create their own means of funding women's business ventures. That was the thinking behind the Texas Women Ventures Fund, a group of 40 self-made female millionaires. In three years they have raised \$5 million to invest in women-led companies (this sentence as published has been corrected in this text).

"We'll be looking to invest in two or three deals this year," said Carol Nichols,

senior vice president of business banking for Bank of America in Dallas and one of the fund's founders.

"We see it as an economic opportunity if we can educate more women to become venture capitalists and to flow into women-owned and women-led businesses," said Nichols, who believes that as more women become wealthy, they also will wield more power in the political arena.

"In this country, money gives you a seat at the table," she said. "We'll be able to create better public policy, and more [women] would run for public office. I think [women's] actual objective is to be influential."

The impact of the investments women make today might not be felt for another 5 to 10 years, but research has shown that economies are more robust when women are involved in all aspects of investing.

"They call it 'patient' capital for a reason. We're going to have to wait and see how engaged women become," said Amy Millman, president of Springboard Enterprises, a 5-year-old organization based in Washington that works to accelerate women's access to private equity markets.

"This is all so new. Involvement of women entrepreneurs has been around for a while but not at this level."

But Millman predicts that female-focused investment groups will continue to sprout as more learn how to maneuver in the male-dominated world of business investing.

"Women will find that it's in our best interest to invest not only our hearts and our beliefs [in other women], but also our wealth," Millman said. "Women have reached the pinnacle of their careers and amassed a certain amount of wealth. Now they are ready to make investments."

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Internet resources for investors

To learn more about angel and venture capital investing, check out these resources on the Internet.

Springboard Enterprises. Produces programs that support entrepreneurs who are seeking private equity funding: www.springboardenterprises.org.

Ewing Marion Kauffman Foundation. Provides grants and education for entrepreneurs: www.kauffman.org.

Angel Capital Association. A professional alliance of angel groups in the U.S. and Canada: www.angelcapitalassociation.org.

Women's Leadership Exchange. Promotes and educates female entrepreneurs:

www.womensleadershipexchange.com.

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