

November 2018

# WOMEN and ENTREPRENEURSHIP in ALASKA



# Overview

49th State Brewing Co.'s theater buzzed with excitement. Not because a casting producer from Shark Tank was visiting Alaska for the first time (she was, and loved it), not because of a giant blow-up shark "airswimming" above the audience (although that was pretty cool), and certainly not because of the generous prize money (there wasn't any). But because all five randomly selected competitors for the Vitalize Alaska Pitch Competition were women, and each of them gave a dynamic, compelling performance - some said the best overall showing they've seen in Alaska.

A few months later, the three finalists for the Outdoor Products pitch competition at Confluence were all women. Of the 13 graduates from the Small Business Administration's Emerging Leaders program earlier this year, eight were women. And looking back, the winners of the Alaska Business Plan Competition from 2015 - 2018 were all women. For those of us working in Alaska's entrepreneurship ecosystem it feels like the male dominated world of entrepreneurship is changing, and recently released data corroborates this feeling: Alaska leads the nation in percentage of women-owned employer firms.



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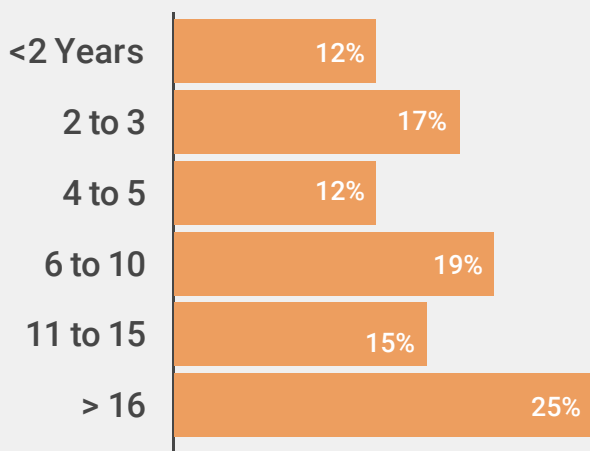
**Alaska leads the nation in percentage  
of women-owned employer firms.**

# Growth Potential

71 percent of Alaska's women-owned firms employ fewer than five people, and are less than five years old.<sup>1</sup> While this may seem like a modest number, it's actually an indicator of growth in Alaska's economy. 89 percent of Alaska's new job growth between 2005 and 2014 stemmed from firms employing fewer than five people.<sup>2</sup> In fact, the *2018 State of Women-Owned Businesses* report ranked Alaska seventh highest in the nation for employment growth in women-owned firms.<sup>3</sup>

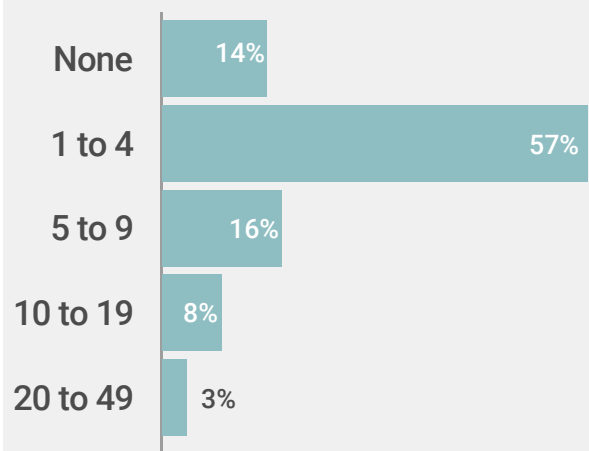
## Age of Woman-owned Firms in Alaska

Number of years women owned firms have been in business



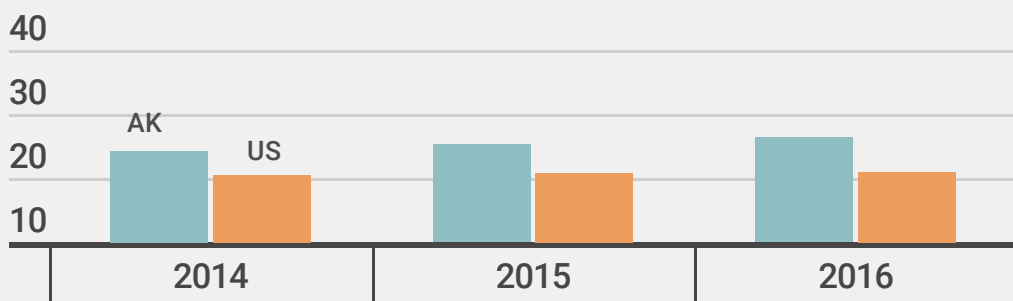
## Size of Woman-owned Firms in Alaska

The number of employees women owned firms employ



## Women-owned business growth in Alaska

The percentage of women owned employer firms compared to the U.S. as a whole



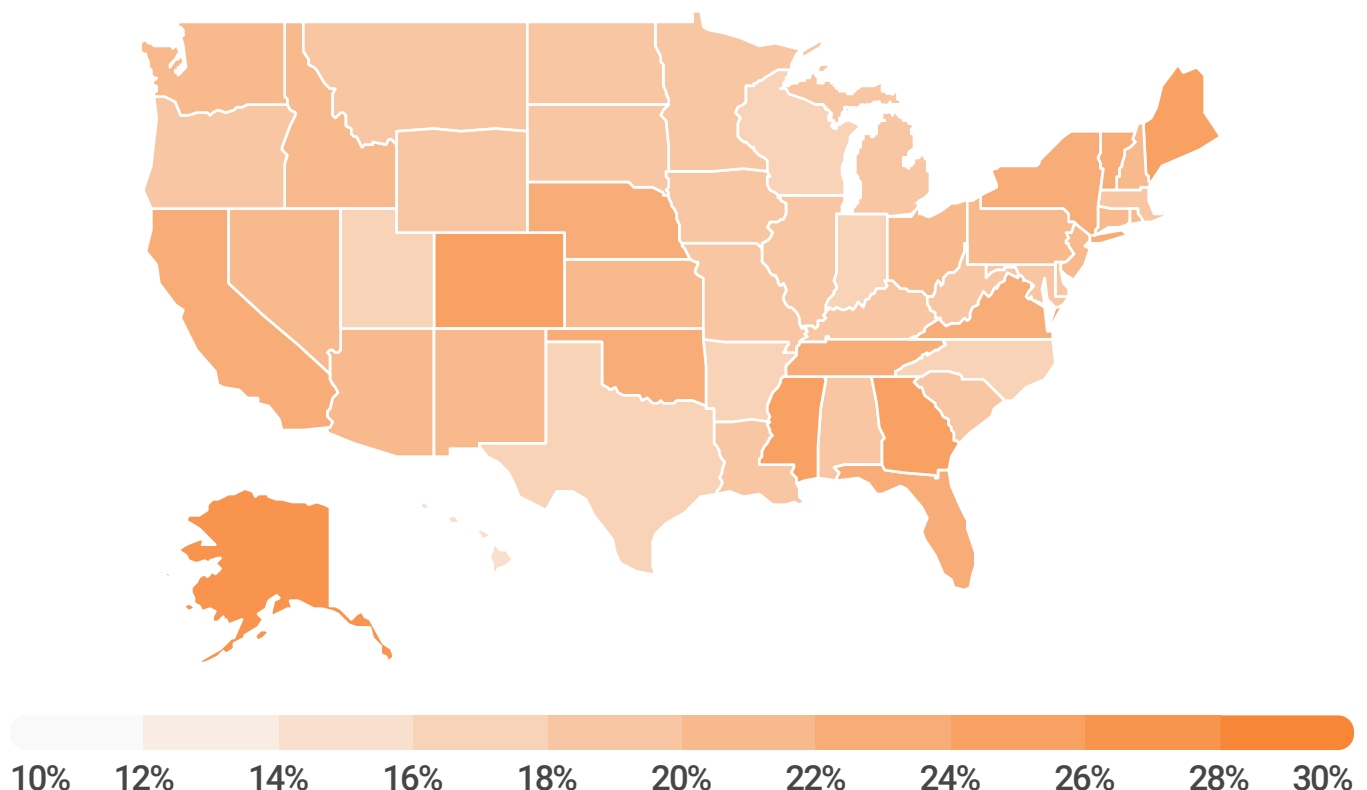
Nationally, the number of women owned businesses is expected to increase 1.5 times faster than the average.<sup>4</sup>

Change is happening, and Alaskan women are leading the way. However, women are still struggling in key areas that can have weighty impacts on business growth and outcomes. A 2017 report by the U.S. Senate Committee on Small Business and Entrepreneurship, *Tackling the Gender Gap: What Women Entrepreneurs Need to Thrive*, examines the intersecting financial, cultural and structural obstacles facing women entrepreneurs, including:<sup>5</sup>

- Few role models and a lack of mentors that contribute to the perception that entrepreneurship is a male-only endeavor.
- A gender pay gap that hurts the ability of women to be successful entrepreneurs.
- Unequal access to startup funding and financing streams that leave women with fewer credit options and a small portion of venture capital.

## Alaska Leads the Nation

Compared to the rest of the nation Alaska is home to the highest percentage of female owned firms





# Mentorship Matters

On the mentorship side of the equation, 48 percent of female founders report that a lack of available advisers and mentors limits their professional growth. A lack of mentorship can seriously hamper the creation of new businesses and business growth. Service Corps of Retired Executives (SCORE), a non-profit mentorship organization, recently found that entrepreneurs with mentors are five times more likely to actually launch businesses than those without. Additionally, business owners who receive three or more hours of mentoring each week report higher revenues and employment growth rates.<sup>6</sup>

60Hertz Energy is a computerized maintenance management system for power plant operators and energy professionals. Founder Piper Foster Wilder says that mentors have been invaluable to her strategic and financial decision making process.

Her experience has been largely free of gender bias that would prevent progress: “I’ve been taken seriously and supported by a lovely circle of men who primarily compose the investor community here — from grandfathers to older-brother-types.” She continues, “On the other hand, those I’ve turned to when most vulnerable or unclear about terms, or unaware of how to proceed have been women.” Foster Wilder connected to mentors by participating in Launch Alaska, the Alaska Investor Network, and reaching out to her personal network.



Piper Foster Wilder, founder of 60Hertz Energy, and her daughter  
Photo credit: Ciara Zervantian

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**The Alaska SBDC is committed to finding new and more effective ways of supporting all of our state’s small business owners, and we are pleased to see the number of successful women entrepreneurs growing. Our goal is to continue empowering these entrepreneurs with the tools, resources, and support they need to become even more successful.**

- Jon Bittner, Alaska SBDC Statewide Director

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Alaskan entrepreneurs looking for mentorship can connect with SCORE or reach out to the Alaska Small Business Development Center (SBDC), which offers advising and training for small businesses. The National SBDC found that in centers with women business advisors, the number of female clients went up dramatically. Additionally, the Alaska SBDC found that that during 2017, 58 percent of their workshop participants were women. Because of these factors, the Alaska SBDC decided to broaden the services they provide to women business owners by developing a Women's Business Mentorship group and hosting a series of events centered around supporting and promoting women-owned businesses.

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**It's exciting to see those I've mentored excel and continue to raise the bar.**

- Barbara Cash



Barbara Cash (second from left) founded RIM Design, now SALT, LLC

Photo credit: Rhae Anne Etheredge

Barbara Cash, founder of RIM Design (recently transitioned and restructured as SALT, LLC) says that she didn't have many business mentors when she launched her company 40 years ago. However, she says she "soon met some highly professional clients and learned as much as I could about how they conducted themselves and dealt with business challenges and difficult people." In part because of her isolated experience as a young business owner, and in part because she enjoys encouraging and helping the people around her to grow, Cash has been mentoring designers in her firm for most of her career. "I must say I've made some improvements since the early days, when I think my 'mentoring' included a little 'blundering' through many situations! I learned so much through sheer trial and error. I certainly hope my approach, methodology and attitude is more positive, knowledgeable and beneficial now. It's exciting to see those I've mentored excel and continue to raise the bar."

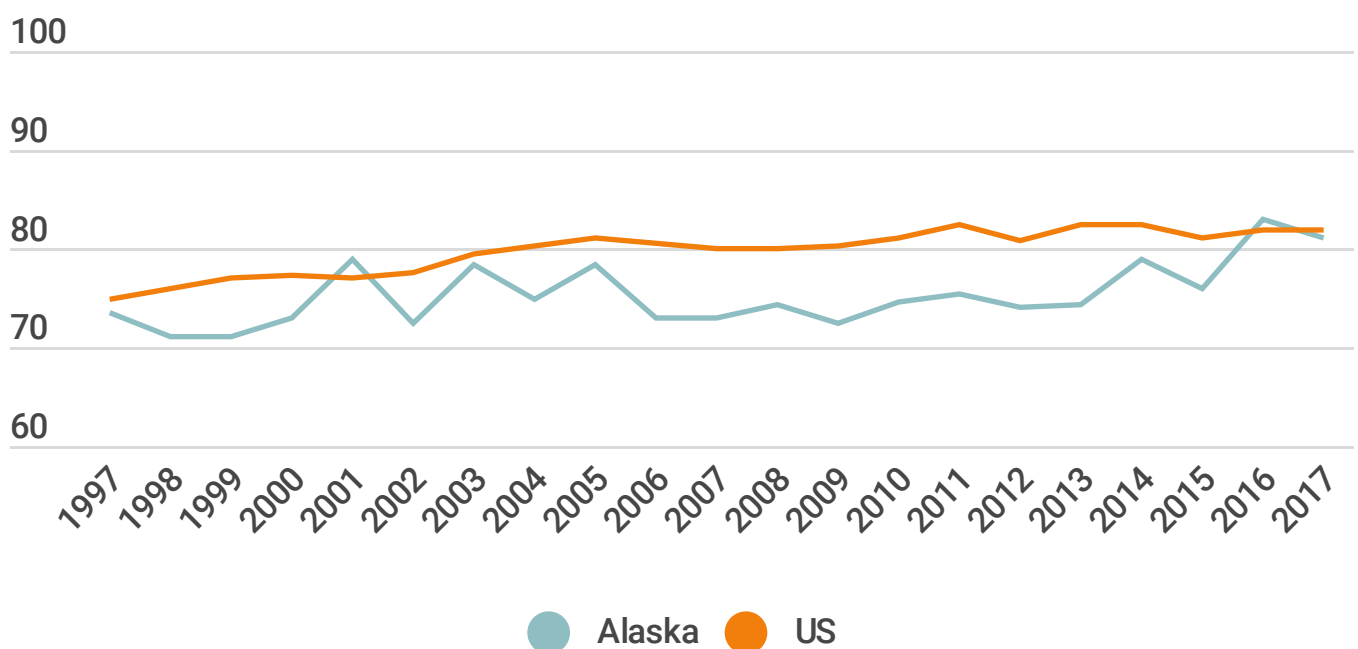
# Pay Gap Impacts

According to *Tackling the Gender Gap*, “researchers have found that college-educated women make about 90 percent as much as men at age 25, but only 55 percent as much at age 45. The majority of this pay gap stems from women not getting raises and promotions at the same rate as men.” Considering that the Kauffman Foundation says the peak age for a woman to start a business is between 45 - 55<sup>7</sup>, many female entrepreneurs have already experienced decades of wealth discrimination by the time they launch their first business, placing them at a disadvantage in terms of self funding with savings or pursuing traditional debt financing.

In Alaska, the gap is closing, but still present.<sup>8</sup> A 2018 U.S. Bureau of Labor Statistics report says that in 2017 Alaskan women earned about 81.8 percent of what men earn.

## Trends in the Gender Pay Gap

How much are women making in Alaska as a percentage of men's earning?

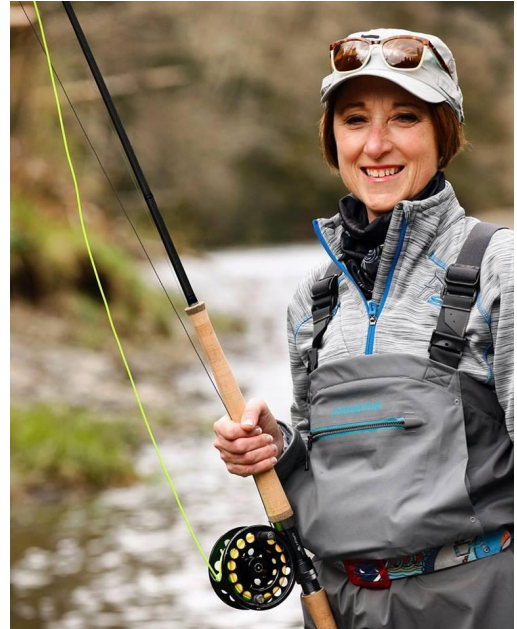




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**I knew if I didn't  
launch the  
company I would  
always regret it.**

- Linda Leary



Linda Leary. Photo credit: FisheWear

Linda Leary worked in the private sector for 34 years, primarily in transportation and logistics at Carlile where she was president for five years. She was 54 when she launched FisheWear, a line of functional fishing fashion. The idea for FisheWear slowly evolved as she pursued her passion, fly fishing, and spent time quizzing the women and men she met on riverbanks around the country. After Carlile was acquired by Saltchuk in 2013, Linda began to transition out of the private sector and launched FisheWear in 2015. Apart from \$66,000 raised from a Kickstarter campaign, her business was entirely self-funded. She says that she was fortunate that she never experienced a gender pay gap.

Along with her savings, she poured her experience as an executive into FisheWear, but the learning curve was still steep. “In some ways, it’s very similar to the work I did at Carlile - logistic and project management. But I had a lot to learn about manufacturing, and looking back I should have hired an expert to work with me - I could have ramped up faster if I didn’t spend so much time learning about design and production.” Regardless, the years Linda spent at Carlile, doing customer discovery and learning how to run and build a business aided her immensely. Three years later, FisheWear is still growing. “I was in Houston last weekend, visiting fly shops to promote our new product line. We have new partnerships with brands like Orvis, and acquired Women’sFlyfishing.com -- now, along with products, we offer classes and trips.”

# Funding Imbalance

Nationally, women receive around 2.2 percent of all venture funding,<sup>9</sup> and women of color are awarded an even smaller fraction of that at 0.2 percent.<sup>10</sup> Some have attributed this gap to the lack of female investors in venture capital. However the numbers show otherwise: despite the number of female venture capitalists increasing from 3 percent in 2014 to an estimated 7 percent today, the slice of the funding pie going to women led businesses has shrunk.<sup>11</sup> This is a trend that finds parallels in the realm of traditional funding as well. Women receive just 16 percent of all conventional small business loans, and about 4 percent out of the total dollar amount awarded.<sup>12</sup>

## Women Get Results Outcomes of venture capital funded women led businesses

**41%**

higher return  
on equity

**58%**

better operating  
results

Both male and female startup investors appear to display the same bias in their questioning, inadvertently favoring male entrepreneurs over female ones. In a study published in the Academy of Management, venture capitalists posed different types of questions to male and female entrepreneurs: They tended to ask men questions about the potential for gains and women about the potential for losses. Two-thirds of the questions posed to male entrepreneurs were promotion-oriented, while those posed to female entrepreneurs were prevention-oriented. For example, when questioned about projections, men were asked “What major milestones are you targeting for this year?” whereas women were asked, “How predictable are your future cash flows?”<sup>13</sup>

Despite the funding imbalance, studies have shown that women-led companies funded through venture capital processes see a 41% higher return on equity and 56% better operating results.<sup>14</sup>

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I tell other women of color in business to **KEEP GOING** and think about your ancestors, grandmom, mom, daughter, nieces, etc. They need to see us win, we got this!

- Jasmine Smith



Jasmine Smith at the Business Boutique. Photo credit: Ciara Zervantian

Jasmine Smith founded the Business Boutique in 2006 and says that finding startup funding was a challenge, made exponentially more so as a woman of color. “Nobody would lend to me; one lender said I didn’t ‘look’ ready. They asked me double questions, wanted double paperwork, and double references - I felt like I had to go an extra step to prove my worth and gain a voice in business,” she explains. “So I worked three jobs - one job paid for school, one job paid my home bills, and one job was saved to start my business. I didn’t get any conventional capital.” Today, Jasmine employs four people at the Business Boutique and serves an average of 90 clients a year. She is also launching a startup: BabyVend, a baby-supply vending machine. Currently, the Baby Vend team is working with a national vending machine trainer and the first vending machine will be open for business at the Ted Stevens Anchorage International Airport before 2019.



Katherine Jernstrom at the Boardroom (under construction). Photo credit: Ciara Zervantian

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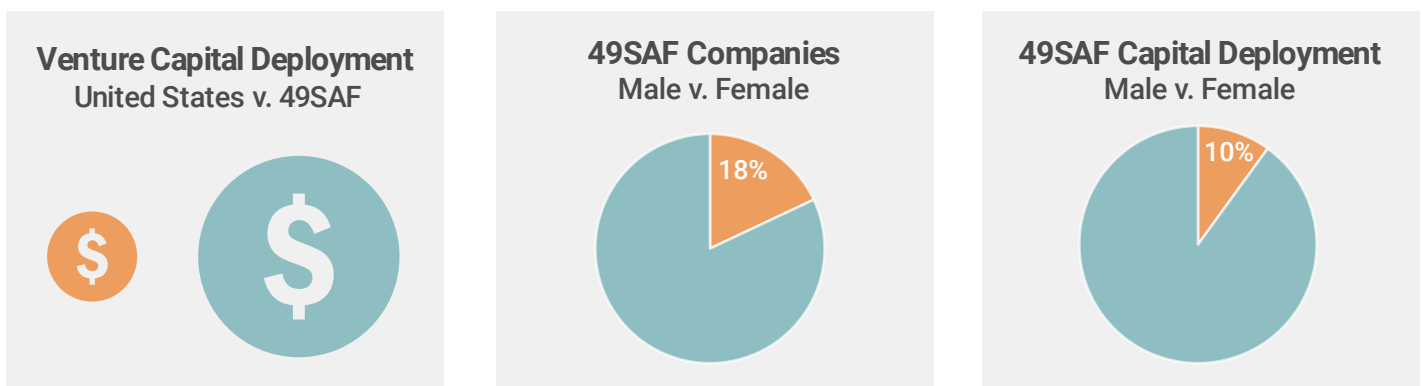
- Katherine Jernstrom

Katherine Jernstrom, a local investor and founder of The Boardroom, says female entrepreneurs and female investors bring different sensibilities to the table. “In my experience, women tend to have a better ability to listen and learn, and they communicate and ask for help more frequently. This leads to highly coachable entrepreneurs who are open-minded and flexible to feedback and change. Conversely, arrogance and defensive behavior is a quick way to kill a company (and a relationship with your investor).”

A woman in her mid 30s, Jernstrom says she felt welcomed by Alaska’s investment community. “Because the balance is heavily skewed towards older men, they looked to me as something new, as a way to fill the gap. Women offer different perspectives regarding market need, team dynamics, and customer demand than male investors.” For the most part, she felt recognized that she brought a different set of strengths to the table.

Although Jernstom says the entrepreneurship ecosystem is transforming, there is still a shortage of investor-backed female-led companies, tech companies specifically. “Universities are graduating more women in engineering now than when I was in college, but the talent pipeline still takes time to produce. There are a lot of female-led companies around products related to the female market (Spanx for example), and for obvious reason. But, as we see more and more female-led, but non-gender specific companies, I wonder how the investor community will keep pace. It sounds so obvious, but when you have a bunch of alpha male investors making all the investment decisions, not only are they not drawn to founders who are more feminine in their leadership style, but they often underestimate them and pass them over.”

## 49th State Angel Fund and Female-led Startups



In Anchorage, the 49th State Angel Fund (49SAF) reports that roughly 18% of the companies involved with the fund are women-owned, and 10% of the total capital the fund has deployed to date has gone to companies with female founders or co-founders. Joe Morrison, Director, says that while he's pleased 49SAF is operating at five times the national average of venture capital placed with female-led startups, he isn't satisfied. “Yes, it's a better representation than other areas of the country, but we can do even better.” He expects to see the number grow in the future, explaining that, “Some of the most promising companies in Alaska are founded or run by women—including multiple national award winning startups—and our fund managers are watching them closely.”





Heather Kelly. Photo credit: Heather's Choice

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of funding  
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go out there and  
find them.

- Heather Kelly

One of the companies funded by the 49th State Angel Fund is Heather's Choice, an Alaskan company making lightweight backpacking food. Heather Kelly, the founder, raised the largest round of private investment to date in Alaska earlier this year. Heather is working to build a world class business with just shy of a million dollars in funding. In her words, she has “utilized every funding mechanism under the sun” and says that, “I haven't felt any pushback being a woman fundraising - there are tons of funding opportunities if you are willing to go out there and find them.” Currently, Kelly is negotiating a deal with REI, a leading outdoor equipment retailer.

Funding sources Heather has found to helpful in building her business:

- Personal Savings
- Friends and Family
- Kickstarter
- Launch Alaska Accelerator Program
- Alaska Accelerator Fund
- Anchorage Equity Partners
- Alaska Investor Network Bridge Loan
- Private Investors
- Credit Cards
- University Grants
- Pitch Competition Prize Money
- Business Line of Credit
- Shopify Working Capital Loan
- Kabbage Small Business Funding

# And yet, optimism!

The data shows that change is happening, albeit slowly. Although women-led businesses report higher returns on investment and better than average operating results, persistent obstacles appear to limit growth. The gaps in the entrepreneurial network indicate major hurdles for women to overcome on their road to success, hurdles which add an additional layer to an already difficult road for entrepreneurs to travel.

## How can we support women entrepreneurs?

Individuals within the entrepreneurial ecosystem (or with resources to contribute to the entrepreneurial ecosystem) can make a significant impact with small changes:

- **Leverage available resources.** Women looking for mentorship or business guidance should reach out to the Alaska SBDC. Although it's just one organization among a whole host of local resources, the Alaska SBDC offers technical assistance and business consulting to clients, as well as connections to other resources.
- **Contribute your own resources.** If you have business or industry experience, think about becoming a mentor. If you have funding resources, think about becoming an investor. If you know a female entrepreneur support her however you can. Encourage her, provide support, and add connections to her network.
- **Cultivate a culture of inclusion in the ecosystem.** Dedicated resources designed to encourage female entrepreneurship and support women-owned businesses, including advising and programming, could expand the network for women entrepreneurs. Greater recognition of the barriers to entry for women entrepreneurs through public education could serve to reduce the biases they face.

The *Women and Entrepreneurship in Alaska* brief was created by a team from the University of Alaska Center for Economic Development (CED).



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CED is a university based partnership promoting economic diversity through entrepreneurship, community building, and action oriented strategy. CED is a program of the University of Alaska Anchorage Business Enterprise Institute and is one of 52 University Centers designated by the U.S. Economic Development Administration.

# Endnotes

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