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Number of women-owned startups growing at rapid pace in NJ



Consultants 2 Go co-founders Sandi Webster, left, and Peggy McHale pose for a portrait in their office in Newark. (Frances Micklow/The Star-Ledger)

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It wasn't long after their former employer's downtown Manhattan office was damaged during the Sept. 11 terrorist attacks that co-workers Peggy McHale and Sandi Webster were laid off.

They had ascended the ranks to management at a large financial services company. When faced with unemployment, the women decided to pool their severances and use it as seed money to start a consulting firm. In 2002, their Newark-based company, Consultants 2 Go, was born.

"The money from a big company can entice you and keep you there. There's no doubt about it," said Webster. "But when they decide you're not needed anymore, you have to reassess what you want to do and if the path of entrepreneurship will give you an opportunity to do more of what you like."

Their company now employs 65 people and has been on Inc. magazine's list of America's 500 fastest growing businesses three years in a row. McHale said they owe a large part of their success to the camaraderie and support they have found

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in other New Jersey women who own businesses.

"I find women to be really generous about sharing good information with one another. They'll say, 'I was just able to renew my line of credit with this bank and this particular person was good to deal with,'" she said. "Even people I hardly know seem eager to help the person behind them."

In the past 17 years, women have been flocking to entrepreneurship at a faster rate than their male counterparts, according to a soon-to-be-released report from American Express OPEN. Between 1997 and 2014, the number of women-owned businesses in the United States rose 68 percent, twice the growth rate for men and nearly one-and-a-half times the rate for all companies, according to the report's analysis of Census Bureau figures.

The report estimates women now start 1,288 companies each day, up from 602 during 2011 and 2012.

Data changes

At first glance, those claims seem at odds with the way the Census Bureau works -- its most recent data is current through 2007. That's because the American Express report uses gross domestic product data to extrapolate and estimate for years Census data doesn't yet cover, said report author Julie Weeks, CEO and president of Womenable.

The Michigan-based consulting group partners with companies, like American Express, to publish data on women entrepreneurs.

"We're looking at Census data, which is gathered every five years and gets published two to three years afterwards, and pairing it up with data that does get published every year, GDP at a national, state, metropolitan area and industry level," she said. "It's not a straight line extrapolation. We've had to account for the effects of the Great Recession."

In New Jersey, the report estimates, the number of women-owned businesses grew 48 percent between 1997 and 2014. The state's 230,000 women-owned businesses employ nearly 260,000 people and contribute \$45 billion to the economy, according to American Express's analysis of Census data.

The study notes that many of the businesses being started by women are in the service sector. Weeks said that's true across the board, not just for women.

"There's been quite a decline in manufacturing in this country, a lot of off-shoring in the assembly of things. We're not only transitioning from a manufacturing to service economy, but to a knowledge-based economy," she said. "So a lot of these service firms are more technical in nature. It's not just retail, but also business-to-business."

Among those B2B firms is Karen Primak's IPAK, a West Deptford-based company that designs and manufactures print and digital marketing products for clients in the education, entertainment and health care sectors. She left an advertising job in Manhattan to start her own company in 1993 at what she calls the end of the "Mad Men" era.

"Desktop publishing was becoming popular and our clients all thought they were creative directors and copy editors because it had gotten easier for them to change the color of artwork or dice up copy," said Primak, president, CEO and co-founder of IPAK. "I started my company because I knew I wanted to still be involved in something creative."

The firm has humble beginnings. Primak's first office was the second bedroom in her mother's apartment and her startup capital was a \$50,000 U.S. Small Business Administration loan. Now she's headquartered in a 125,000-square-foot building and employs more than 90 people.

Looking back, Primak said she wishes she had been more willing to share her workload with her co-founders and employees sooner.

"I think in an ideal world, I would have delegated more work to other people early on and spent more time working on the business rather than in the business," she said. "We had a clear vision when we started, but it's hard deciding how to get there when you're running the business and having kids."

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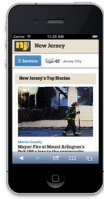
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Different priorities

Penni Nafus, executive director of the Women's Center for Entrepreneurship Corp., said in her 16 years at the center, she's seen more women feel comfortable being frank about wanting to leave room in their lives to have children and care for their families.

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After reading a summary of the newest American Express report on women business owners, it struck her that while women open new businesses at a faster rate than men, their companies tend to be much smaller.

"It's probably by choice that many of the women who open businesses keep them small so they can maintain a balanced life," Nafus said.

The Chatham-based center, the only one of its kind in the state, offers classes that range from technology to marketing. Until recently, the center offered microloans of up to \$5,000, with a fixed, 3 percent interest rate, to low- and moderate-income female entrepreneurs. The state defunded the program in December.

"I would love to bring back that program. It included training and we were able to work with women to create their business plans," she said. "I did testify in front of the assembly appropriations committee and budget committee. I don't know if they paid any attention or not, but I was asking for more money so we can continue the program."

She has daily reminders of how much women need alternative financing options.

The most prevalent problem, she said, is that inexperienced business owners go into the process expecting 100 percent financing. It's not until later that they discover most lenders expect a down payment ranging between 10 percent and 30 percent. On top of that an overwhelming majority of lenders want borrowers to have collateral worth at least the full amount of the loan and sometimes more.

Room for growth

After bootstrapping her business, Meghna Prasad, CEO and co-founder of Googaro, plans to look into financing options this year as she expands the company.

She launched the Jersey City-based company, a monthly subscription service that mails mothers hand-picked products for children as young as infants and as old as 3 years, in 2012 while she was pregnant with her son.

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It's fitting, she said, that she's expecting her second child this year as Googaroo becomes a sophomore company.

While she's found a lot to appreciate about the thriving community of tech entrepreneurs in New Jersey, she still yearns to see more women at networking events. The growth of women-owned businesses seen in other industries has lagged in technology.

At Hatch Match, an event hosted by Stevens Institute of Technology in Hoboken, all 10 of the venture capitalists present were men and almost all of the business owners were men as well, Prasad said. Potential investors were surprised to hear a business focused on baby products has had the kind of traction Googaro has experienced.

"When you're an entrepreneur, you tend to feel a little isolated," Prasad said. "Knowing there are other women going through the same problems and then also knowing that there are women who conquer those problems and achieve a balanced life, that's very powerful."

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