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Women business founders rising, but slowly

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By **Del Jones, USA TODAY**



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Where are the Starbucks, Nikes, Amazons, Home Depots and Genentechs founded by women?

This is a question that puzzles those who track fast-growing companies. Few fledgling businesses founded by men or women ever grow into giant corporations, but with women launching twice as many businesses as men,



By Sara D. Davis for USA TODAY

Susan Rice, president of Black Diamond French Truffles, discusses a menu with chef Antonio McLaughlin, of JFR Barn restaurant, in Southern Pines, N.C.

some meaningful percentage of the new giants might be expected to have a woman as keystone.

That women are conspicuously missing is somewhat counter-intuitive to the glass ceiling argument. Only 43 women have climbed the traditional ladder to become CEOs of *Fortune* 1000 companies in the last 35 years, and fresh research from executive women's organization Catalyst suggests that the pipeline is not exactly filling up with future candidates. Such a track record might have caused the best, brightest and most ambitious executive women some years ago to tire of limited opportunities and set out to control their destinies and report to no man.

But if 43 seems like a low number, consider how many companies were founded by women, then grew into the *Fortune* 1000. The total is three. And all were co-founded by men:

- Golden West Financial by Marion Sandler and her husband, Herb.

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- Software Spectrum by Judy Odom, her then-husband Richard Sims and business partner Frank Tindle.

- PC Connection by Patricia Gallup and business partner David Hall.

Golden West and Software Spectrum have subsequently been acquired, leaving PC Connection, founded in 1982, as the only existing *Fortune* 1000 company (No. 971) with a woman as a founder. Gallup remains CEO.

The obvious explanation is that companies take decades to grow into giants, and women need more time. But an examination of the up-and-coming billion-dollar companies indicates that women founders remain so rare that there may not be enough in the pipeline to replace founders of the past, such as Jenny Craig, Debbi Fields (Mrs. Fields Famous Brands), Estée Lauder, Ruth Fertel (Ruth's Chris Steak House) and Mary Kay Ash.

David Thomson, a former McKinsey & Co. consultant and author of *Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth*, identifies the next generation of big companies, and it puzzles him that women founders are all but non-existent when conditions for women have never been better. Fast-growing companies today are more likely to resemble Apple than General Motors, with success more dependent on ideas than on capital. There's no reason why Facebook billionaire Zuckerberg, 23, isn't Mary instead of Mark.

At USA TODAY's request, Thomson re-examined his data and re-interviewed women entrepreneurs to make sure that the early signs of a change weren't around the corner. He learned two things: There are no signs of change and, "This is a very emotionally charged topic," he says.

The odds of an early-stage start-up with a big idea eventually hitting \$1 billion in annual revenue are 1-in-20,000, Thomson says, which is why in the 22 years from 1985-2007, only 387 new publicly traded companies achieved \$1 billion. Based on today's ratio of women who have founded up-and-coming \$1 billion companies, Thomson estimates that the odds of a woman starting a company that reaches \$1 billion, whether she stays with the company or leaves, are closer to 1 in 500,000.

Tough road, odds

"It's sad," says Lane Nemeth, who founded Discovery Toys 30 years ago and built it into a \$100 million business before selling it to Avon Products in 1997. Four years ago, she co-founded Petlane, a Tupperware-style direct-sales company. The pet products company has \$1 million in annual revenue, but Nemeth predicts that it will grow to \$400 million within 20 years. Pet products, she says, are a \$41 billion-a-year industry, 20 to 40 times larger than the educational toys industry was when she founded Discovery Toys.

If Nemeth succeeds, she will have twice beaten the odds. Consider how long those odds are:

- Ohio State University finance professor Rudi Fahlenbrach examined the Standard & Poor's composite 1500, an index of publicly traded companies of all sizes. Only 63 still had the original founder as CEO. None were women.

- Of the last 100 publicly traded companies that crossed \$1 billion a year in revenue the first time, only Endo Pharmaceuticals was solely founded by a woman, Carol Ammon, now a director after being chair.

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- Among the other 99, AMN Healthcare was co-founded by husband and wife Steven and Gayle Francis. At Cheesecake Factory, Evelyn Overton made cheesecakes that were popular at bake sales before her husband Oscar opened a bakery, and their son David launched a small chain of sandwich shops that last year grew into the \$1 billion national restaurant chain. Elizabeth Arden, who died in 1966, teamed with chemist Fabian Swanson to launch the beauty products company that took until last year to hit \$1 billion in sales.

- Thomson identified 100 smaller companies that have surpassed \$200 million in revenue and are growing so fast that they will likely be the next to surpass \$1 billion. Four had women as founders or co-founders: Kendle International, a clinical research services provider founded by Candace Kendle and Christopher Bergen, friends at the time and now married; cosmetics company Bare Escentuals, founded by Diane Richardson; Super Micro Computer, co-founded by Chiu-Chu (Sara) Liu Liang with husband Charles Liang; and Rait Financial Trust, founded by Betsy Cohen.

"This is quite dismaying to me, as I'm the father of three bright, enterprising daughters," Thomson says.

Not -so-sunny outlook

That women are not growing businesses into megacompanies is more than a curiosity and may have broad implications. Bruce Phillips, senior economist at the National Federation of Independent Business, says 66% to 80% of all new net jobs are created by small firms. But the Small Business Administration says that among those to begin operations this year, 82% will fold by 2012.

Small businesses destroy jobs as fast as they create them, and net job creation comes from the handful of companies called gazelles that start small and grow large, says Veronique de Rugy, a senior research fellow at the Mercatus Center of economics at George Mason University.

Thomson agrees. He says 7,500 U.S. companies went public from 1985 to 2007, but the 5% (387) that reached \$1 billion in revenue created 56% of the jobs and 64% of the market value. In the last five years, China has passed the USA in creating \$1 billion companies. Health care and taxes are hot issues, but policymakers should not overlook the importance of nurturing new billion-dollar businesses, and women could be a part of the answer, he says.

The Center for Women's Business Research plans to release research next month about larger firms. It includes focus groups with successful business owners and finds that more young women than young men have recently founded companies that grew to \$1 million in revenue. When asked about their business goals, more young women than young men are citing raw growth, says research director Gwen Martin.

For example, Susan Rice launched Black Diamond French Truffles with plans to become North America's largest orchard of truffles, an edible fungi that can sell for more than \$1,000 a pound. She says she has no curbs on growth. "The sky's the limit."

Sharon DiMinico founded \$100 million toy franchiser Learning Express, which has been so successful that she hired her husband Lou away from his real estate developing career to lead franchise development. That goes

against custom, although it is not unique. Twenty-nine years ago, Pam Lopker founded software firm QAD after figuring out a software system to efficiently manage her then-boyfriend's rubber sandal business. QAD is at \$236 million and growing. Lopker is chairman and president, and the boyfriend, Karl Lopker, is her husband and company CEO.

On the home front

Women who have built big companies don't know why they remain so rare, but explanations fall largely into two camps: discrimination and nature. They say men have easier access to money from bankers and venture capitalists, the lifeblood of growth. Women also are often more devoted to family, and even those who out-earn their husbands often remain responsible for children and households.

That makes them more likely to launch "lifestyle businesses" so they can get to pediatricians and PTA meetings, says Stephanie DiMarco, co-founder of Advent Software in 1983, who bought out her programmer/partner Steve Strand in 1993.

DiMarco said she was the principal founder and could have done it alone except that she was 25 and naive enough to think she needed a male partner to be taken seriously. She stepped down as CEO in 1999 at age 41, but remained chairman and was brought back as CEO to restructure the company in 2003. Since then, Advent Software has quadrupled its market cap to more than \$1 billion. She says it is very difficult building a company and raising children, and she could not have done it without a supportive husband.

"Maybe size is not what drives a female entrepreneur but relative profitability, impact on society, company culture, employee satisfaction and other values," says Maxine Clark, who founded Build-A-Bear Workshop in 1997 and remains CEO of the company that grew from \$362 million to \$474 million in revenue from 2005 to 2007.

Golden West Financial, co-founded in 1963 by the Slanders, was a regular in the *Fortune* 500 before it was sold in 2006 to Wachovia Bank for \$24 billion. Marion Sandler says that among the rich couples she knows, it's still the man who chooses charities and political organizations to contribute to. She says she often finds herself seated at dinner parties next to a man who assumes she has nothing interesting to contribute to a conversation. But Sandler also says women are more often content to run small bookstores and dress shops. Not her.

She grew up with four older brothers, and "wired" with ambition and on the path to success before getting married, she says.

Successful sisters can have different opinions when asked to explain the dearth of women-founded large corporations. Claire's Stores is a costume jewelry boutique with 3,000 locations. It was founded by Roland Schaefer, and his daughters Bonnie and Marla took over when he had a stroke in 2002.

The family owned 36% of the voting shares, and Bonnie and Marla both worked for the company, but the Claire's board of directors passed them over to begin a search for an outside CEO.

"We had to get tough," Marla says, and the board agreed to make them acting CEOs. Over five years, company

revenue increased 36% to \$1.5 billion before they led the sale of the company to a private-equity firm last year for \$3.1 billion. Marla says women can get more done in the same amount of time as a man, but they have different priorities. "I have a husband and kids, and they want a piece of me," she says.

Bonnie says gender discrimination is more rampant today than any other form of discrimination. DiMarco says discrimination persists, but it's manageable, and there are no barriers that can't be overcome by a woman with focus. "Everything's equal, but it's not. Particularly if there are children involved," says Nemeth, who raised one child with the help of a supportive husband and her own "absurd amount of energy."

But there's a cost to growing a giant company. Most of her successful female colleagues are divorced, Nemeth says.

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By Tim A. Parker for USA TODAY

Build-A-Bear Workshop's Maxine Clark with scouts Brea Griffonetti, left, and Cameren Agosta at the Galleria Build-A-Bear in St. Louis. Clark founded the company in 1997 and remains CEO.

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