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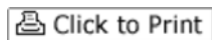
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## Business founders likely to emerge from meltdown

By Del Jones, USA TODAY

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As this protracted recession plays out and millions are laid off, there may be some reassurance in knowing that many of the job-creating company founders and CEOs of the future will rise from the ashes of today's unemployed.

That's the way it's played out in the past. In 1989, Bob Bales was working as project manager for technology company CACI International on a Navy contract that was suddenly canceled. Bales and 180 others were shown the door. He launched a tech company, NCSA, into the teeth of the 1990-91 recession, then launched two more in 2000 and 2006. "All told, the companies have provided more than 1,000 new jobs," Bales says.

The U.S. economy lost 3.6 million jobs in the last 13 months, and millions more will go before the economy turns around. The good news is that talented people will grow frustrated with the job search and take the dive into entrepreneurship. The number who succeed will be small.

But among them may be a Tom Stemberg, who founded 43,000-employee Staples ([SPLS](#)) after he was pushed out by supermarket chain Finast-Edwards when his division was sold in 1985; or a New York City Mayor Michael Bloomberg, fired from Salomon Bros., only to start the financial news service that made him a billionaire and today employs about 10,000.

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Crushing setbacks are a critical element of success, says Yale University management expert Jeffrey Sonnenfeld, co-author of *Firing Back: How Great Leaders Rebound After Career Disasters*. Those setbacks often come early, and Sonnenfeld says that among MBA students at Yale, Harvard and Emory universities, 25% have already been laid off or fired. Campbell Soup ([CPB](#)) CEO Douglas Conant, who has a 1976 MBA from Northwestern University's Kellogg School of Management, worked his way to head of marketing for Parker Bros. when parent company General Mills ([GIS](#)) decided to exit the toy and game business in the 1980s. He was out of work for about a year and emphasizes that it was a turning point in his life.

At USA TODAY's request, the CEO organization Vistage International surveyed its membership. Of the 2,441 who responded, one-third said they had been laid off or fired before becoming a founder or CEO. Among those who involuntarily lost a job, 78% said that, in retrospect, it turned out to be good for their careers. Only 2% say that it turned out badly. USA TODAY also asked SmartBrief, a company that e-mails news articles of interest to top executives, to survey CEOs and company owners. It found that 61% of 626 respondents said they had been laid off or fired, and half of those said it was the best thing that ever happened.

A few success stories can make a big difference. David Thomson, a former McKinsey & Co. consultant and author of *Blueprint to a Billion*, 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.

Peter Pifer, 70, says 2009 reminds him of 1992, when he was putting his two children through college and thinking about making his stretch run toward retirement. He had given up a successful career with Scientific-Atlanta in the 1980s to start an electronics assembly company in Norcross, Ga. Ten years later, it was doing well enough to go public. Then, a competitor moved in from Alabama and "ate up all the business" just as the U.S. economy was recovering from a recession aggravated by the first Gulf War and a jump in oil prices.

The bank pulled his line of credit, and he was "shut down overnight ... laid off by the bank," Pifer says. The company, backed by Pifer's personal assets, went bankrupt. He lost two homes. At 54, he told his kids they would have to work their way through college and his wife that they were broke, living on unemployment, and moving into an apartment. Six months later, he was diagnosed with prostate cancer.

"It's easy to get despondent," but Pifer says to keep faith. He's now CEO of Enhanced Telecommunications, a broadband and data software company he founded with an American Express card that he managed to hold onto after going through bankruptcy. Enhanced Telecommunications has 30 employees and \$5 million in annual revenue and owes "not a nickel to the bank," Pifer says.

Propulsion engineers Mike Peery and Don Roberts were developing computer programs at Boeing (BA) when Boeing cut its research budget during the wicked downturn of the early 1980s. The two volunteered for a layoff to start a software engineering firm now named Tecplot, which has had an annual growth rate of 15% since 1985. Tecplot employs 43.

### Timing can be everything

The best time to start a business is when everyone else believes it's the worst time, says Julie Northcutt, who was laid off from golf-related Internet start-up Golfserv in 2001 just before the Sept. 11 attacks, then started Chicagoland Caregivers, an agency that provided services to seniors needing home care. She sold the 125-employee company in 2007 and started Caregiverlist.com, a website that matches senior homes to employees.

Everyone else used the economic downturn as an excuse to do nothing, which meant less competition, Northcutt says. "It turned out to be a really good time to start a business. I have always been entrepreneurial, and I just never really had the time, or made the time, to work on my business ideas until I was laid off."

Martin Bodley was laid off from his job as director of new technology in 2003 when Denmark-based headset maker GN Netcom decided to cut costs and consolidate more work in Copenhagen. He co-founded wireless company Revolabs, where he is CEO. It has 42 full-time employees.

"There is life after layoffs," Bodley says. "If it weren't for my layoff, Revolabs would not exist."

"Sometimes we need that extra push when a great idea is upon us, but we're too comfortable to pull the trigger," says George Burke, co-founder of BookSwim, a company that rents books much as Netflix rents movies.

Burke says it was "a breath of fresh air" when he was fired in 2006 as online marketing manager from Sessions Online School of Design. "I'm not sure I would have launched BookSwim without being fired. I probably would have continued to plan and plan some more until the concept got old or until I talked myself out of its feasibility."

People should not feel victimized by pink slips, Bales says. "This is the land of opportunity. In today's environment, you cannot depend on some large company, and certainly not the government, to take care of you."

In 1991, Dan Berman was hired as vice president of an outsourcing call center. Two days after starting his job, he was told that funding had fallen through, and he was asked to work for free for two weeks. That arrangement dragged on for two months. He decided that if he was going to work for free, he might as well work for himself.

He started PharmaCentra, a pharmaceutical marketing company in Atlanta. He made \$5,000 his first year but now has 100 employees. "There will be many opportunities as the economy shifts," Berman says. "Go after those."

There are some signs that this recession is playing out as recessions have in the past. Matt Flocks spent 16 years with Forest City Ratner, a real estate developer that owns 11 million square feet of commercial property in New York. He was vice president when company stock plunged from \$69 to \$4 a share. He was laid off last October, along with more than half of all employees.

Flocks founded ORBI Associates, a nine-employee company designed to weather the recession by becoming an outsourcer to help other real estate developers survive. When the time is right, ORBI will be positioned to become a "full-fledged development company on the economic upside," Flocks said.

Flocks predicts others in many industries are using a similar strategy to "leverage the down economy and come out on the upswing."

"Never give in, especially to negative emotions," advises Scott Rosenberg, an industrial engineer by training, who founded Miro Consulting in 2000 after being laid off more than once. Miro, which provides software consulting services for 10 of the largest 100 companies, has 18 full-time employees and \$25 million in annual revenue.

"Be positive and think creatively," Rosenberg says. "Have a tolerance for risk, and try something new. Seek to understand your strengths, not limitations."

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Holly Green, CEO of The Human Factor, says recessions can give competitive people time to breathe. She was twice laid off in 2002, first from a biotech start-up, then The Ken Blanchard Cos. She says she took a low-paying job for 18 months to "build back my emotional stamina," before launching the human resources consulting company. "In tough times, you may have to remain humble and be willing to take a few steps back," Green says.

Steve Carley has been laid off three times. Today he's CEO of El Pollo Loco, a 386-store chicken chain that employs 4,000 people, not including those working at 247 franchise restaurants.

"I wouldn't have this phenomenal opportunity without those layoffs, and would have missed out on one of the most gratifying leadership opportunities of my career," Carley says.

The Vistage survey for USA TODAY found that one-third of the CEOs have laid off employees in the last year, and one-third anticipate even fewer total employees by the end of 2009. Other CEOs interviewed by USA TODAY said that being themselves laid off in the past caused them to look at present layoffs with a different perspective.

"I am sensitive about making sure that any necessary layoff is handled properly in terms of timing, message and communication with those affected and the remaining staff," Bodley says. Still, he says, those at the top must do what's best for the company.

Four years ago, Berman says he laid off Clark Ridge, who has since returned as PharmaCentra's vice president of operations and is a superstar. The layoff proved to be good for Ridge's career, because he gained broader experience, Berman says.

"It's one of the most difficult things I have to do as a business owner," says Jeffrey Menaged, CEO of Chief Executive Air. "When you let someone go, it's a management failure, as well. Still, America is a country filled with freedom and opportunity. How can there be no room for people who want to work?"

**READERS: What's the toughest obstacle that you have overcome in the workplace?**

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