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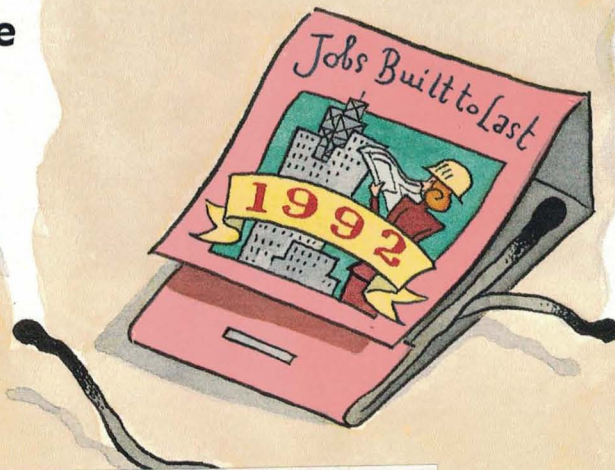
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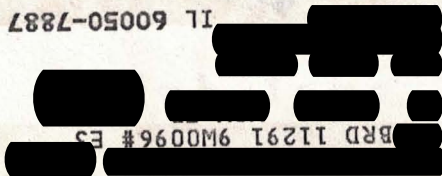
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From Executive to Entrepreneur

How corporate castoffs start businesses and cope with the difficult transition

BY JANE APPLIGATE

SECURE IN HER 12TH-FLOOR OFFICE, Charlotte Appel Chamberlain charted the financial course for Glendale Federal Bank from 1979 to 1981, and again from 1983 to 1989. A respected economist and strategic planner, Chamberlain managed a staff of 26 professionals and chaired the asset-liability committee of the then-thriving California thrift. At one point, in anticipation of new, stricter federal banking regulations that threatened to curtail the seemingly unstoppable growth of Glendale Fed, she worked on plans for a massive layoff.

"Being an economist and statistician, I knew the probability of layoff was high, but these things are always a surprise when they actually happen," says Chamberlain, who was among the first 600 employees let go by the shrinking bank.

With two weeks' notice, generous severance and the offer of free office space, computer and telephone for a year in exchange for company consulting, Chamberlain was forced into one of America's fastest-growing groups: the reluctant entrepreneurs.

Every day thousands of corporate castoffs, shell-shocked by the decline of corporate America, are trying to figure out where they fit into the wobbly U.S. economy. And their numbers continue to grow. *U.S. News & World Report* estimates that the Fortune 500 companies slashed about four million jobs in the 1980s. In 1991 U.S. corporate cutbacks were announced at a rate of about 2,600 a day.

Unlike executives in past recessions, in which white-collar workers were eventually rehired by other big corporations, many of today's laid-off executives will end up working for smaller companies or starting their own businesses. Why? Because banking, real estate and other shrinking fields are not expected to expand. Thirty-four percent of corporate officers polled by the International Foundation of Employee Benefit Plans said they made permanent, not temporary, payroll cuts last year.

Despite the obstacles and the emotional toll, about one in five discharged managers starts his or her own business, according to research conducted by the outplacement firm Challenger, Gray & Christmas. That's up from only 7 percent in 1985. "More than 70 percent of these managers are over 40," says James Challenger, the firm's president. "Becoming their own boss is preferable to going back on another payroll. They fear the emotional trauma of being discharged again."

"When I lost my job, my husband was really encouraging. He said, 'Start your own company. What have you got to lose?' I knew if I passed it by, I probably would have kicked myself,"



Mary Anne Jackson of My Own Meals: "You never think you're ready."

says Mary Anne Jackson, former director of business-and-operations planning for the Swift/Eckrich division of Beatrice Foods, who was axed in a 1986 leveraged buyout.

But the transition from corporate executive to entrepreneur can be rough. A 1987 study conducted by the U.S. Small Business Administration showed that 23.7 percent of all small businesses fail within the first two years, 51.7 percent within four years and 62.7 percent within six. Experts say that those corporate execs who made a successful switch went through a series of stages in which they quickly adapted to the radical changes in lifestyle, status and job duties.

STAGE 1: MOVE FROM ANGER TO ACCEPTANCE

Most professionals find that getting over the experience of being fired takes weeks or even months. Not only are their egos bruised but they also experience the loss of perks—preferred parking spaces, secretaries, elegant business cards, club memberships, travel privileges and the status of working for a billion-dollar firm. "When I was laid off, all that I had been working for, for 20 years, came crashing down on my head," Chamberlain admits. "I very much identified with the corporate world."

Shut out of her executive life, Chamberlain immediately set up shop as a company consultant. She humbly shared space with 40 other women, who were processing paperwork for the bank, seven blocks away from her former digs. Instead of having more than 20 associates reporting to her every day, Chamberlain began her business with one client and no secretary. "I had to do it, bill it and clean up after it," she recalls. Frustrated and lonely, Chamberlain gave up four months later and joined a larger consulting firm, the National Economic Research Associates.

Even wildly successful entrepreneurs find the first few months difficult, and liken them to a period of mourning. To cope, experts recommend, try to get out of the house as much as possible. Many companies offer laid-off executives the services of outplacement counselors, who provide clients with the use of phones, offices and career advice. Those without access to outplacement can obtain low-cost assistance from a local Small Business Development Center counselor. (Contact the nearest U.S. Small Business Administration office for a referral to a center.)

Consider joining networking groups and attending Chamber of Commerce mixers. Outplacement counselors, such as Don DeVore, founder of the Corporate Executive Outplacement Group in Pasadena, Calif., also suggest scheduling meetings with business acquaintances. Not only will this improve your mental state, but should you decide against becoming an entrepreneur, it may also prove a wise investment of time. "Effective networking accounts for about 85 percent of all placements made among my clients," says DeVore.

STAGE 2: TRAIN YOURSELF

Forget that you were a division manager at GE. Do you have the experience necessary to run your own business? Can you work a spreadsheet program? Can you prepare an inventory analysis? Leo Lauzen, president of Comprehensive Business Services of Canada, a network of franchised accounting offices, has pointed out that operating a business requires skills in management, planning, accounting, taxes, marketing, finance, personnel and sales. "If you're deficient in any of these areas, you're placing yourself in jeopardy," said Lauzen.

Would-be entrepreneurs can fill in experience and knowledge gaps by taking classes and seminars offered by community colleges, university extension programs and organizations such as the American Woman's Economic Development Corporation (AWED), which offers one-on-one counseling for as little as \$35 a session. And some entrepreneurs find that the best training doesn't cost them anything.

Before Mary Anne Jackson opened her company, My Own Meals, which produces children's meals and other food products, she learned the ins and outs of the business by doing pro bono consulting for small food companies. "I had come from a billion-dollar company," says Jackson, whose five-year-old company now has five full-time employees. "I wanted to see what was involved, what kinds of issues you have to deal with in small companies, before I started my own."

A food-industry veteran, Jackson also used every possible personal contact to collect information for her business plan. She called former associates in marketing and packaging at Beatrice; she interviewed managers she knew at Kraft and other food companies. "Quite a few people helped me without expecting any kind

of compensation," she says, although she returned the favor to one woman by giving her the résumé-enhancing title of vice president. Total cost of package design, product development, office expenses and an assistant's salary for the first year: \$137,000.

STAGE 3: FIND A PLACE FOR YOURSELF

Now is the time to decide whether you want to run your own business, work with a partner, start from scratch, buy a franchise or be a consultant. A good outplacement counselor can help you clarify your goals, but before making any moves, carefully evaluate your options and ask yourself some basic questions, starting with, Do you want to work alone?

On the advice of her outplacement counselor, Chamberlain became a consultant, but she says she never considered beforehand what that meant—that she would be working by herself—and she quickly discovered that she hated the solitude. Looking back, she says, she realizes that she would have been more successful if she had had a partner to support and encourage her.

There are other questions to consider. For example, Do you like creating your own way of doing business, or would you rather follow a proven system? If you prefer the latter, think about buying a franchise. Many offer extensive training programs and support for franchisees. [For more information, see "Hot Franchises You Can Afford," in the April 1992 issue of WORKING WOMAN.]

Perhaps you'd rather use your busi- (Continued on page 71)

MAKING IT ON YOUR OWN

IF YOU SENSE YOUR JOB MAY BE ELIMINATED, BEGIN PREPARING to be out on your own. Here's how.

- Find out what entrepreneurship requires. Ask business owners you admire about their work. Spend some time at their offices—either as a pro bono consultant or an observer—to get a sense of how small businesses operate.
- Make contacts. Attend events sponsored by business groups, such as the local venture-capital association or the National Association of Women Business Owners. Go to all the luncheons and outside business meetings you can.
- Evaluate your skills and career objectives. Meet with a counselor at a U.S. Small Business Administration's Small Business Development Center. The SBA offers a variety of free and low-cost services and publications for would-be entrepreneurs.
- Fill in gaps in your business knowledge. Enroll in classes sponsored by the American Woman's Economic Development Corporation (AWED) or a local community college.
- For solace and guidance, read *Parting Company: How to Survive the Loss of a Job and Find Another Successfully*, by William Morin and James Cabrera. The authors offer excellent advice on coping with the psychological, emotional and financial aspects of starting over, and the section on starting your own business or consulting practice is detailed and thought-provoking. Also helpful is *From Executive to Entrepreneur: Making the Transition*, by Gilbert Zoghlin. Zoghlin, a benefits consultant, takes you through the detailed decision-making process required before striking out on your own. It includes financial-planning worksheets and exercises to help you make the right decision. —J.A.

(Entrepreneurial Edge, from page 34)

ness acumen to solve someone else's problems. In that case, you might want to seek out a small-business owner who would welcome you and your talents—and possibly your money—into his or her business as a partner. Make sure that you test out the relationship first by working on a short-term or consulting basis.

Of course, many corporate castoffs who eagerly start their own small businesses may find they are just not suited to the entrepreneurial life. Even if they have money stashed away or access to capital, they're unwilling to put what they have on the line. "Some people are not risk takers," says DeVore, the Pasadena outplacement counselor. "Starting a business not only takes liquidity, but you also have to be willing to tie up your house, your car, your spouse, your cat and your dog."

Not surprisingly, many of the most successful reluctant entrepreneurs say they secretly dreamed of going out on their own long before they were forced to. While Jackson enjoyed her job at Beatrice, she admits that the thought had crossed her mind—frequently. She was way ahead of most corporate castoffs when it came to writing a business start-up plan. Armed with an M.B.A. and experience as a CPA, she knew how to crunch numbers. She also knew the food business—and liked it. And Jackson has more than passing knowledge of what kids like.

The mother of three, she relies heavily on her children's comments about new recipes. (A recent thumbs-up favorite in the Jackson house: pizza-flavored ravioli.) Now, in addition to selling children's meals, My Own Meals sells a variety of food products to the government and private food-service organizations.

In retrospect, Jackson believes getting fired gave her the push she needed. "Starting your own business is like getting married. You never know when you're ready. And you never think you're quite ready," she says. Hurt and rejected, you may feel getting fired was a catastrophe. But those who start out as reluctant entrepreneurs often end up as enthusiastic ones. ■

Jane Applegate is a nationally syndicated columnist and the author of *Succeeding in Small Business: The 101 Toughest Problems and How to Solve Them*.

Breadwinners

(Continued from page 61) Arann. "He felt that if only he were stronger, more powerful, he could fix things. Since he couldn't, he identified with the adult, who had failed, and was overwhelmed with despair."

Parents should seek support from peers, Arann advises. Talk to friends, join a support group like Forty-Plus, a self-help organization for unemployed white-collar executives and professionals with branches in many large cities, or seek help from a professional. But don't unload on your children. "Tell the kids what the situation is, but give them a sense of your own mastery. It's hard when you don't feel it," Arann acknowledges, "but it's imperative."

When Jennifer Green's husband, an insurance executive, was unemployed, she remembers explaining to her 6-year-old son: "Dad's looking for a job, and he'll find one. It may take time—it's hard—but you know him, he never gives up." Maintaining that positive outlook can be especially difficult when the depression that often follows job loss sets in. It can become an extra personality in the house. Beth Paulson recalls how glad she was to have a job, "not just because of the money, but because it gave me a chance to get away. The atmosphere was less oppressive at the hospital where I work."

Once a man finally finds a job, the family often discovers that they don't necessarily live happily ever after. Instead, his depression is replaced by anxiety. "He used to sleep all of the time," Jo Anderson recalls. "Now he wakes up every morning as if he's been shot out of a cannon. And he works 12 hours a day." The anxiety is predictable. It may take "a year or more for it to sink in that he's safe," cautions Arann. "The trauma lives on even after he's found a job." What should a wife do? "Permit him to talk as much as he's able about his fears, without entering into his system of anxiety and terror," Arann advises. "Be a reality check, pointing out all the evidence that suggests he's going to keep this job."

While many couples learn to respect the rhythms of long-term marriages during the shock of unemployment, Louise Wyatt has been facing a different problem: establishing a relationship while a man is out of work. When Louise met Matt, she was 47 and running her own educational-software firm. She had never married, and enjoyed her independence. "I had more or less given up on trying to find the right man—and

I had decided not to let it ruin my life," she recalls. Then she met Matt at a dinner party. "I ended up sitting across the table from him. And I heard his laugh."

Just a few months later Matt lost his job at the real estate firm where he had worked for 20 years. "He was 47, too," Louise recalls. "That was three years ago, and he hasn't found full-time work since."

"At first he was very optimistic—that first summer we went off on a vacation," she remembers. But that was their last extended time away. "Last Christmas he surprised me with a weekend in a nearby country inn," she says. "But mainly we stay at home. I like to cook, and we have friends over. Sometimes we go out with friends to a restaurant that is supposed to be inexpensive. Sometimes it isn't. We just try not to go out with those people again."

But Arann warns not to simply avoid friends. "Use them as a support system," she says. "I have one friend who is very up-front in restaurants. She always says, 'We're on a budget, so we're only going to pay for what we ordered.' It's a little difficult, but to isolate yourself only deepens your despair."

"It helps that we're both naturally thrifty," says Louise. "Even if there were a lot of money sloshing around, I'd still buy my clothes at outlets." What's the hard part? "There have been times when I've gotten angry over housework," she says. "I think, 'Why isn't the kitchen clean? He's here all week.' If I were home, I'd not only clean it, I'd reline the shelves." But this is not the time to reline the relationship. Matt, raised in a traditional '50s style, never took much part in housework—it wasn't part of the bargain of their relationship. She knew he would only feel demeaned if she tried to turn him into a house-husband now.

Instead, he is, as always, involved in landscaping projects. This time they're bigger. "When we talk on the phone, he'll tell me, 'I moved a tree today.' And he's grinning—I can feel it," says Louise, her pleasure obvious. "And since he has more time than I do to read newspapers, he challenges me when we talk politics."

This month Louise and Matt are getting married. "We're having a small wedding, and we've scraped together enough frequent-flier mileage to go on a honeymoon," Louise reports. She won't say where. Only that it's exotic. And inexpensive. ■

Maggie Mahar is senior editor of *Barron's*.