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Business founders likely to emerge from meltdown

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Enlarge By Dan MacMedan, USA TODAY

Steve Carley, CEO of El Pollo Loco, behind the wheel of an electric delivery car in Irvine, Calif., has been laid off three times in the course of his work life.

By **Del Jones, USA TODAY**

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.

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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

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"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?"

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I was laid off during an internship after the firm lost a major client. This seeming 'set-back' led to a series of successful positions to now where I am an associate director. If you lose your job, it's tough for a while, but hang in there. Losing my first full-time position was one of the better advancement moves that happened to me in hindsight. Squirrelb8.com

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the ppl who are lazy dont BECOME lazy, they never could have done it without an employer and THATS why they dont. its not always laze either. sometimes its incompetence, sometimes its not knowing enough of the particular business, sometimes its not knowing enough of business in general. there are lazy ppl and there are not. what i see, from the stance of a 24 year old fresh out of college, is that older ppl view us as lazy, but in reality are scared to death that were not. because as long as theyre on top, they can call us lazy, giving us barely real jobs and then asking why we dont do more? but when we prove were not lazy, it scares the bejeezus outta them. they dont want to move us up out of fear. or is it just greed? lol
the bottom line is, you will never prove youre not lazy unless youre working for yourself. they will never value you at what the market will. this is the nature of economics.