

Corporate layoffs bring more entrepreneurs into market

BY JAMES DORNBROOK | STAFF WRITER

The silver lining to the cloud of corporate layoffs hovering over Kansas City the past few months could be that it's motivating more people to buy or start businesses.

Tim Skarda, owner of Allied Business Group Inc., said that, lately, most new clients inquiring about businesses for sale are former corporate employees.



Skarda

"When there is more chaos in the work force with job transitions and layoffs, we feel it," Skarda said. "I don't want to overstate it, but there is a definite increase in interest there. (Business brokers) are more active when there are more people looking to change their career."

Skarda said it is hard to leave a steady, well-paying corporate job and put savings on the line through a business acquisition. When layoffs cause that stability to evaporate, he said, people gain interest in becoming self-employed.

Jeff Olsen, founding partner of Business Sales and Consulting LLC, said he can relate to people leaving the corporate world to buy a business. Before he bought his business six years ago, he was director of strategic planning at Hallmark Cards Inc.

"I was a conservative, family-oriented, reasonably high-up corporate guy for 22 years, and I became a perfectly happy entrepreneur," Olsen said. "So my feeling

is anybody can do it. My opinion is a lot more people can do this, and a lot more people are starting to think they ought to try."

When companies such as Sprint Nextel Corp. go through multiple rounds of layoffs, more corporate executives reach the tipping point where they become willing to try running their own business, he said.

"So a lot of the trends we see right now are due to the fed-up factor," Olsen said. "People don't want to be at the mercy of somebody else for making money and not be in control of their own destiny. They'd rather fail on their own than have someone else fail them."

Paul and Stephanie Freeman left the corporate world to buy Coleman Industrial Construction Inc. in June because they wanted to build their legacy.

"Working for a corporation, you are adhering to someone else's vision and values," Stephanie Freeman said. "Owning a business is something that reflects your mission and your set of values. It's something you are creating with your time and effort. It's really a very motivating thing on a daily basis."

Freeman said her experiences at companies such as Hallmark and her husband's at places such as American Century Investments help them as business owners.

"The skills you acquire working in the corporate world teach you to establish good relationships with your clients and the people who assist you in your business," Freeman said. "That is really the most important thing."

Diane Wier, vice president and SBA coordinator at Commerce Bank, said former corporate managers are considered ideal prospects for financing.

When there are more managers in the market, there are more opportunities to pair a small business buyer and seller.

"When you have corporate layoffs, there are people caught up who have a wealth of expertise, like management skills, that are transferable to many businesses they might want to buy," Wier said. "They've often got a reasonable amount of cash they can inject into the business. If they've been working for quite some time, they usually have collateral to also offer if the business doesn't have much built-in collateral, which is sometimes a requirement."

Wier suggested that people interested in buying a business find a mentor and try the job for a while first.

"Nothing is worse than investing your whole life savings and getting into something you hate," Wier said. "A lot of people talk about getting into franchises like a Subway shop or something. But if you've never had to go close a store at 11 p.m., you should go try it awhile and see if it fits in your lifestyle."

- Recent job cut announcements
- Sprint Nextel Corp.—4,000 in January
 - Embarq Corp.—1,000 in November and December
 - H&R Block Inc.—500 in January
 - NovaStar Financial Inc.—170 in January and about 1,400 in 2007
 - Cerner Corp.—97 in January