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Hard Times Prompt an Entrepreneurial Itch

By WILLIAM SANTIAGO

SAN FRANCISCO -- LAST August, Scott Allison checked to make sure that his phone was still working. It was, but there were no calls, no new clients. With pink-slip contagion sweeping the Bay Area, it looked as if his days as the No. 2 executive at a long- successful public relations agency might be coming to an untimely end.

So he did what an increasing number of senior managers uncertain of their job prospects are doing: He set himself up at his own company.

Mr. Allison, 38, was hired in 1999 as president of Connors Communications, a New York firm, to run its San Francisco office and to

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open one in Los Angeles. It was the height of the Internet boom, and he had trouble keeping up with demand from the Bay Area's fledgling dot-coms, all rushing to get out the word about their businesses.

"The idea was that you had to cut through the clutter," he said. "I was getting 15 to 20 calls a day from people who wanted to hire us. Companies didn't even need a proposal from us; they just wanted to come by and drop off a check."

Then came the Internet bust, a disaster for the public relations industry. Clients canceled accounts; some agencies closed. In the last six to eight months alone, about 20 percent of all employees at big public relations firms have lost their jobs, according to Jack O'Dwyer, a publisher in Manhattan whose newsletter and Web site track the profession.

The loss of a single \$100,000 annual retainer set off alarms at the Los Angeles office of Connors in December 2000, said Scott Pansky, the general manager. The client's vice president for marketing came in on Christmas Eve to deliver the bad news. "She said she has to fire us and that she's going to lose her job," he recalled.

Business kept slipping, and Mr. Allison and Connie Connors, who founded the firm in 1995, began discussing the fate of the West Coast operations, including the possibility of layoffs, closing the offices or even selling the company. Then, consulting with accountants, lawyers, potential investors and Ms. Connors, he began thinking about starting his own agency.

The risks were weighed against new realities. The previous year, he earned a little over \$200,000 in salary and bonuses, and now he was staring at unemployment in a field where midlevel jobs were drying up. Just as unnerving, the staff members who reported to him also faced the prospect of losing their jobs.

He reached a decision, he said, while sitting up one night in bed talking with his wife. "She said, 'Well, if we don't do this, what's going to happen?' " he



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said. "And I said, 'More than likely, I'll be out there looking for work with thousands of other people.' "

He wasn't exactly a start-from-scratch entrepreneurial type. The thought of starting his own firm in a bedroom office and scraping by for months or years held no attraction.

But this was different. Mr. Allison and five of his managers put up the money to take over the two California offices last Sept. 1; they renamed the business Allison & Partners, with 21 people on the payroll. "I get to start with two offices, an experienced staff and the ability to go after a decent-sized account," he said.

The buyout was structured as an asset purchase of furniture and equipment, for a nominal sum, and included a low six-figure commitment of his own money. There was no debt involved, and Allison & Partners assumed the continuing liabilities of leases and salaries. The company also reached an agreement with Connors not to compete on each other's home turf and to work on some projects together. Ms. Connors says her firm has kept its technology focus and is signing new clients.

Mr. Allison and his managers have all taken pay cuts, but they hope to restore their previous salary levels by next year. All employees are now shareholders in the new company.

MANAGEMENT experts say Mr. Allison's move into a more entrepreneurial role is a common transition for managers in a recession. An ousted chief of a Fortune 500 company may start acquiring troubled firms and turning them around, or a laid-off middle manager may open a Jiffy Lube franchise.

The percentage of jobless former managers and executives starting their own businesses increased to 9 percent in the fourth quarter of 2001 from 6.45 percent in the previous quarter, according to Challenger, Gray & Christmas, the outplacement firm.

While Mr. Allison has no regrets about becoming an owner, he concedes that the burdens have multiplied. "Now I have to worry about cash flow, what check came in today, what bills have to be paid today," he said. "Employees used to talk about 'the company.' Now they talk about 'Scott's company.' The responsibility was instant, not a gradual change."

Diversifying its clientele outside the high-tech sector, a modern survival tactic of many public relations firms, Allison & Partners has already added accounts from the likes of Sony ([news/quote](#)) Pictures and the Disney Channel. "Our ambitions are, we think, realistic: Be the best in class and the No. 1 boutique agency in California," he said.

Abbott C. Jones, founder of AdMedia Partners in New York, a provider of investment banking and advisory services to the advertising and marketing industries, said Mr. Allison had the good luck to be able to start his business with a minimum of financial risk.

"It's a professional service industry with no fixed assets," Mr. Jones said. "You are largely talking about the talents of a few individuals."

Indeed, Mr. Allison said providing even short-term job security gives his firm a competitive advantage.

"If your agency has gone through three or four rounds of layoffs, I don't even need to go to your office," he said. "I know your people are not focused on their clients. They're focused on finding another job."

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