Entrepreneurs can strike while the iron is cold

BUSINESS VIEWPOINT

Brett Crane

In today's economy, the thought of starting or expanding a business may seem foolish. Popular wisdom would cite a laundry list of reasons why this is simply the wrong time. After all, credit is tight and consumer spending is down.

But history tells us that tough times are exactly when many entrepreneurs launch businesses that become successful, capitalizing on opportunities that would not have otherwise been available.

In simple terms, these downturns present an opportunity to entrepreneurs who create new ideas and new ways to tackle problems for their customers.

Success stories from previous downturns are easy to identify. Many companies that are household names today started in difficult economic times by finding an unmet need and focusing their energy on creating and marketing a product or service that fits. Companies with entrepreneurial vision that identify these changing needs will find success. Several companies, such as Hyatt Corp. and CNN did exactly that.

The Hyatt hotels chain started in the midst of a recession in the 1950s. In 1957, Hyatt R. von Dehn opened his first hotel at Los Angeles International Airport, and the company expanded dramatically over a decade along the quickly developing West Coast.

CNN is another example. During the 1980s recession, the first-of-its-kind 24-hour news channel might not have seemed like a wise move. The station now reaches 1.5 billion people worldwide.

For a bit of local flavor, consider StairMaster, which was formed during the economic downturn of the 1980s.

The common thread between these companies is they realized and capitalized on an unmet need.

A company with a fresh idea can see many advantages to starting up during a slump: lower overhead costs, cheaper labor costs, lower energy costs, availability of commercial space and less competition for talent.

What about getting financing? Even though a traditional loan might be perceived as more difficult to find during these times, most entrepreneurial businesses are funded by alternative sources, including friends, family and "angel investors." And here is a possible surprise: Despite what you may hear, most local banks are still actively lending to businesses.

So how does Tulsa fit into all of this? Will the recession impact local entrepreneurs? Hopefully not, since the future of our community will depend on building successful new businesses.

In visiting with Claire Cornell, assistant director of the International Business and Entrepreneurship Department at the University of Tulsa, she also seems optimistic about Tulsa's economic climate and entrepreneurship. She told me that during bad economic times, people have an extra push to go on their own because of limitations in their own job and threats of layoffs. And opportunities just present themselves more clearly during tough times.

Tulsa was born and grew through the entrepreneurial efforts of earlier generations. That spirit has remained strong here. A large portion of the jobs we rely upon are the result of business people who took advantage of an opportunity.

Starting or expanding a business is risky at any time. According to the U.S. Small Business Administration, two-thirds of new businesses are still in existence after two years, and 44 percent are in business after four years. But interestingly, the number of businesses that are started each year, even during down cycles, appears to be relatively constant.

"Economic slumps typically last for a short period, so they don't tend to affect entrepreneurial plans that have been years in the making," says Dyan Machan of SmartMoney.com.

A good idea is a good idea, no matter what the economic climate is like. Regardless of the economy, you might want to strike while the iron is cold.

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The views expressed here are those of the author and not the Tulsa World. To inquire about writing a Business Viewpoint column, e-mail a short outline of the article to Business Editor John Stancavage at john.stancavage@tulsaworld.com. The column should focus on a business trend; the outlook for the city, state or an industry; or a topic of interest in an area of the writer's expertise. Articles should not promote a business or be overly political in nature.

ConocoPhillips employees walk outside the company's offices in Bartlesville. Tulsa World file

Oil towns share good, bad times

• Bartlesville and Ponca City's economies are often entwined.

BY RANDY ELLIS
The Oklahoman

"It was the best of times, it was the worst of times."

Like characters in Charles Dickens' 1859 novel "A Tale of Two Cities," the triumphs and tragedies of Bartlesville and Ponca City will forever be entwined.

Separated by just 70 miles of highway, the fortunes of these two communities have been tied to the oil and gas industry for nearly a century.

Sometimes they have triumphed together.

Such was the case in the early 1900s when oil patriarchs Frank Phillips in Bartlesville and E.W. Marland in Ponca City helped the cities burst forth from the Oklahoma prairie with architectural splendor, opulence and culture seldom found outside the great metropolises of the world.

Sometimes they have shared tears.

ConocoPhillips began delivering termination notices this month to several dozen employees in Ponca City and more than 120 in Bartlesville.

"There was a sense of fear and foreboding when the layoffs were announced," said Kevin Tully, senior minister of First United Methodist Church of Bartlesville.

"I think people are really struggling to make sense of this," added Mike Seabaugh, pastor of the First Baptist Church of Ponca City. "Some of these folks have been here with the company their whole careers. It's very traumatic."

And sometimes one city has benefited at the expense of the other.

That seems to have happened with increasing frequency since 2002. That's when Phillips Petroleum Co., founded by Bartlesville's Frank Phillips, merged with Conoco Inc., the successor to Ponca City-based Marland Oil Co. The result was ConocoPhillips, a huge international oil company based in Houston.

A recent gut-wrenching chapter in Oklahoma's century-long "tale of two cities" was written Feb. 17 when ConocoPhillips announced it would be transferring 750 jobs away from Ponca City over the next three years, including 250 this year. Of the jobs being moved this year, 70 will be moved to Bartlesville, officials said.

For Bartlesville, population 34,800, the announcement was bittersweet.

Seventy new jobs during a worldwide economic recession are always welcome, but "I agonize over the loss in Ponca City," said Bartlesville City Manager Ed Gordon.

"We have compassion and sensitivity for our sister city of Ponca City," echoed Bartlesville Mayor Tom Gorman.

For many in Ponca City, population 24,700, the announcement was just plain bitter.

"E.W. Marland would be turning over in his mausoleum right now," said one longtime resident, who requested anonymity.

Back in Marland's heyday, his oil company employed about one-third of the town's work force, said David Keathly, executive director of the Marland Estate. Conoco employed as many as 5,200 in Ponca City as recently as the early 1980s, said Craig Stephenson, the community's city manager

A similar "company town" atmosphere existed in Bartlesville, where at one time in the 1980s Phillips employed about 9,000, half of the town's work force, Gorman said.

Oil-industry employment had diminished in both cities by 2002. Bartlesville had about 2,400 Phillips employees, and Ponca City had about 2,100 Conoco workers at the start of the ConocoPhillips merger.

Conoco's name appeared first on the nameplate, but former Conoco employees in Ponca City have fared worse than their Phillips Petroleum counterparts in Bartlesville since the merger — at least in terms of layoffs.

The number of ConocoPhillips employees in Bartlesville has grown to about 3,000 since then, while the number in Ponca City is expected to drop to about 700 within the next three years.

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New debt bubble feared with use of credit cards

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Dear Action Line: Regarding recent columns on credit cards, isn't the problem really that foreclosures and job losses are causing people to use cards more, bringing on another debt bubble explosion? — L.T., Tulsa.

Yes, says a pro-consumer Web entity that has monitored the credit card industry for eight years. LowCards.com— see **tulsaworld.com/LowCards** — says credit card delinquencies are on the rise and company charge-offs are becoming the next threat to our ailing economy. Not everyone has a sub-prime mortgage, but everyone has a credit card.

LowCard CEO Bill Hardekopf said several issuers recently reported that charge-off rates — loans that banks don't expect to be repaid — are exceeding 7 percent. As credit-card delinquencies are tied to unemployment and unemployment continues to rise, analysts predict that the charge-off rate could rise to as much as 10 percent. Charge-offs are bad for issuers and cardholders alike.

Bloomberg data show the average charge-off rate was 7.1 percent in January, up from 4.6 percent a year earlier. American Express reported in January that its annual net charge-off rate (a measure of credit default) rose to 8.3 percent in January, up from 7.2 percent in December. The rate for loans at least 30 days delinquent increased to 5.3 percent, from 4.9 percent.

To reduce the risk of getting stuck with failed loans, credit-card issuers have become cautious lenders. They have tightened lending requirements and require higher credit scores. Some issuers are increasing interest rates, accepting fewer applications, lowering credit limits and closing inactive accounts. Some are even trying to buy out some of their accounts that are at the highest risk of default.

The changes that issuers make affect cardholders who are in their own financial straits — changes making it harder for them to meet monthly payments.

"Charge-offs are failed, noncollectable loans," Hardekopf explained. "Since credit-card debt is unsecured, issuers don't have any collateral for the loan. A charge-off is lost money for issuers. They are losing billions of dollars to charge-offs, so they must make adjustments to pay for losses."

If you don't pay on your credit-card balance for several months, the issuer assumes you don't intend to pay at all and charges off your account. After this, the outstanding balance is classified a loss, meaning the lender has given up on collecting the debt.

Charge-offs don't free cardholders from debts. Their loans are turned over to collection agencies, and unless defaulters declare bankruptcy, they have to pay something for that debt, plus interest, fees and court costs.

Charge-offs devastate credit scores, as credit reports show defaulters have histories of not paying bills. Lenders charge them high interest rates for future loans. Charge-offs stay on credit reports for seven years.

"If you've fallen behind and there is no way to make your monthly payment, contact your card issuer to work out a payment plan," Hardekopf said. "Don't wait, hoping your situation will improve after time. Issuers are willing to work with you if you let them know soon that you have a problem paying." See **tulsaworld.com/CCCS**.

Submit Action Line questions by calling 699-8888 or by e-mailing phil.mulkins@TulsaWorld.com or by U.S. mailing it to Tulsa World Action Line, PO Box 1770, Tulsa OK 74102-1770.

FOREIGN EXCHANGE

The dollar fell after the Fed left a key interest rate at a record low and said it would buy up to $300 billion of long-term government bonds, a new step aimed at jolting the country out of recession.

MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
USD per British Pound	1.4223	+.0197	+1.39%	1.8192	2.0182
Canadian Dollar	1.2498	–.0205	–1.64%	1.0691	.9921
USD per Euro	1.3424	+.0419	+3.12%	1.4370	1.5711
Japanese Yen	96.31	–2.15	–2.23%	104.93	100.00
Mexican Peso	13.8995	–.1260	–.91%	10.8685	10.6838
EUROPE/AFRICA/MIDDLE EAST					
Israeli Shekel	4.0779	–.0519	–1.27%	3.5224	3.3990
Norwegian Krone	6.5482	–.2108	–3.22%	5.7904	5.1361
South African Rand	9.7145	–.1768	–1.82%	8.2169	8.0128
Swedish Krona	8.1037	–.3637	–4.49%	6.6903	6.0168
Swiss Franc	1.1440	–.0391	–3.42%	1.1005	.9968
ASIA/PACIFIC					
Australian Dollar	1.4773	–.0353	–2.39%	1.2525	1.0774
Chinese Yuan	6.8377	–.0004	–.01%	6.8399	7.0822
Hong Kong Dollar	7.7523	+.0001	+.00%	7.7821	7.7760
Indian Rupee	51.096	–.310	–.61%	46.512	40.323
Singapore Dollar	1.5145	–.0154	–1.02%	1.4320	1.3778
South Korean Won	1409.40	–6.70	–.48%	1133.76	1010.10
Taiwan Dollar	34.18	–.02	–.06%	32.26	30.77

ENERGY FUTURES

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
HEATING OIL (NYMX)					
42,000 gal, cents per gal					
Apr 09	126.63	130.05	123.21	126.40	–1.07
May 09	128.30	131.66	124.73	127.92	–.90
Jun 09	130.59	133.98	127.15	130.22	–.80
Jul 09	134.22	136.84	130.55	133.27	–.80
Est. sales 40,366. Tue's sales 78,160					
Tue's open int. 267,784, -743					
LIGHT SWEET CRUDE (NYMX)					
1,000 bbl.- dollars per bbl.					
Apr 09	48.50	49.87	46.92	48.14	–1.02
May 09	49.04	50.60	47.71	48.90	–1.14
Jun 09	50.40	51.99	49.06	50.35	–.86
Jul 09	51.68	53.24	50.23	51.64	–.54
Est. sales 336,650. Tue's sales 537,807					
Tue's open int. 1,197,113, -18,761					
NATURAL GAS (NYMX)					
10,000 mm btu's, $ per mm btu					
Apr 09	3.703	3.852	3.672	3.684	–.128
May 09	3.782	3.922	3.743	3.759	–.123
Jun 09	3.905	4.038	3.870	3.881	–.117
Jul 09	4.050	4.165	4.007	4.023	–.110
Est. sales 66,501. Tue's sales 98,578					
Tue's open int. 662,532, +4,250					
NY HARBOR GAS BLEND (NYMX)					
42,000 gallons- dollars per gallon					
Apr 09	1.3580	1.4252	1.3356	1.3657	–.0581
May 09	1.3904	1.4411	1.3550	1.3840	–.0522
Jun 09	1.3986	1.4317	1.3640	1.3927	–.0434
Jul 09	1.3875	1.4300	1.3675	1.3953	–.0366
Est. sales 56,565. Tue's sales 78,962					
Tue's open int. 205,255, +3,402					

AGRICULTURE FUTURES

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
CORN (CBOT)					
5,000 bu minimum- cents per bushel					
May 09	388.50	391.25	384.75	388.25	–2.25
Jul 09	398.75	401.50	395	398.50	–2.25
Sep 09	408	410	404.50	407.25	–2
Dec 09	419.25	421.75	415.75	418.75	–2
Est. sales 239,076. Tue's sales 137,361					
Tue's open int. 755,477, -1,240					
COTTON 2 (NYBT)					
50,000 lbs.- cents per lb.					
May 09	42.83	43.09	41.54	41.72	–1.13
Jul 09	43.60	43.90	42.51	42.63	–1.02
Oct 09	45.43	45.43	45.37	45.37	–.90
Dec 09	48.09	48.15	46.86	46.97	–.94
Est. sales 1,060. Tue's sales 12,686					
Tue's open int. 128,065, +1,498					
OATS (CBOT)					
5,000 bu minimum- cents per bushel					
May 09	193.25	195.25	191.75	193.25	+.25
Jul 09	202	203.50	200.50	202	...
Sep 09				211	...
Dec 09	226	227	224	226	...
Est. sales 1,872. Tue's sales 1,339					
Tue's open int. 14,084, -364					
SOYBEAN MEAL (CBOT)					
100 tons- dollars per ton					
May 09	289.60	290.80	286.10	289.50	+3.50
Jul 09	285.50	286.50	282.50	285.40	+3.00
Aug 09	278.60	279.50	277.20	278.90	+2.20
Sep 09	270.20	271.20	268.50	270.00	+1.30
Est. sales 43,779. Tue's sales 43,779					
Tue's open int. 109,450, -127					

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
SOYBEAN OIL (CBOT)					
60,000 lbs- cents per lb					
May 09	30.98	31.33	30.84	30.92	–.39
Jul 09	31.25	31.55	31.12	31.19	–.40
Aug 09	31.40	31.64	31.33	31.35	–.39
Sep 09	31.56	31.69	31.50	31.50	–.39
Est. sales 32,622. Tue's sales 32,622					
Tue's open int. 205,854, -2,724					
SOYBEANS (CBOT)					
5,000 bu minimum- cents per bushel					
May 09	916	920.75	909	915	+2
Jul 09	913	917	906	911.75	+1.25
Aug 09	896	901.25	893.25	896	...
Sep 09	868.25	874.75	866	868	–4.50
Est. sales 163,106. Tue's sales 122,600					
Tue's open int. 287,084, -2,185					
WHEAT (CBOT)					
5,000 bu minimum- cents per bushel					
May 09	539.50	559	528.25	530	–22.50
Jul 09	552	571.50	541.25	542.50	–22.25
Sep 09	576.50	595	567	567	–22
Dec 09	598.25	616.25	587.25	588.50	–21.75
Est. sales 126,191. Tue's sales 69,519					
Tue's open int. 291,840, +1,870					
WINTER WHEAT (KCBT)					
5,000 bu minimum- cents per bushel					
May 09	601	609	581	583	–22.25
Jul 09	611	618	591	593.75	–22.25
Sep 09	617	617	603.75	603.75	–21.75
Dec 09	641	641	618.50	618.50	–21.50
Est. sales 3,217. Tue's sales 14,147					
Tue's open int. 79,201, -329					

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
CATTLE (CME)					
40,000 lbs.- cents per lb.					
Apr 09	84.45	84.50	83.40	83.55	–.75
Jun 09	82.05	82.20	81.17	81.40	–.52
Aug 09	83.22	83.40	82.62	82.82	–.40
Oct 09	86.75	87.02	86.25	86.57	–.08
Est. sales 2,296. Tue's sales 27,092					
Tue's open int. 206,133, -1,258					
FEEDER CATTLE (CME)					
50,000 lbs.- cents per lb.					
Mar 09	92.70	93.20	92.55	93.07	+.47
Apr 09	93.35	93.67	92.45	92.92	+.12
May 09	94.40	94.85	93.70	94.05	–.27
Aug 09	98.00	98.25	97.20	97.77	–.15
Est. sales 594. Tue's sales 4,016					
Tue's open int. 23,070, -187					
HOGS-Lean (CME)					
40,000 lbs.- cents per lb.					
Apr 09	62.27	62.65	61.90	62.25	+.10
May 09	73.40	73.40	72.75	73.07	+.07
Jun 09	74.15	74.80	73.95	74.47	+.40
Jul 09	75.55	75.80	75.25	75.72	+.50
Est. sales 2,347. Tue's sales 21,147					
Tue's open int. 129,950, +788					
PORK BELLIES (CME)					
40,000 lbs.- cents per lb.					
Mar 09				87.90	...
May 09	90.00	90.25	87.75	90.22	+.72
Jul 09	85.30	86.50	85.15	85.15	+.60
Aug 09	84.70	84.70	83.50	83.50	+.20
Est. sales 21. Tue's sales 220					
Tue's open int. 998, -15					