AGAINST ALL ODDS

Three Fledgling Businesses Brave the Recession

In 1983, Grant Behrman navigated an eight-person expedition through the Amazon rain forest, braving a thicket of coral and bushmaster snakes in quest of the Waorani, a tribe of seven hundred occasionally violent aborigines who roam the wilderness of southern Ecuador.

Compared to that undertaking, what's quitting your job, risking your security, and setting out with your older brother to raise one hundred million dollars in the midst of a recession?

"Just another adventure," says Grant, offhandedly. "And it's a lot less risky," he assures you, "than the Amazon."

For the moment, the world-class explorer and his world-class fly-fisherman brother, Darryl, have been reduced to rummaging around for paper clips in a new sublet office in midtown New York. On the morning of February 4, Grant resigned as a principal at Morgan Stanley, and Darryl relinquished his partnership at Wertheim Schroder. And in the space of three short hours, Behrman Capital L.P. was born.

The recession, they think, is as good a time as any for this kind of start-up. For one thing, their kind of capitalism has less to do with the economic climate than it does with heeding the call to action from the still, small voices inside their own heads. It's about casting off caution and thrusting themselves against the grand economic malaise. Who knows if it is gumption or lunacy that propels them?

The Behrmans are members of a unique breed that doesn't wait for Japanese backing or a forecaster's notion

BY BROOKE KROEGER

The Behrmans think this is a good time for a start-up. Is it gumption or lunacy that propels them?

Adventure capitalists Darryl and Grant Behrman

of the right moment. They would rather reach into their interior wellsprings, pull out their personal checkbooks, pray all goes well before their kids enter college, and then, as the taunt goes in the television commercial, just do it.

The breed has other specimens, too. Here are the stories of five of them.

A Capital Idea

Though the press release announcing the sudden creation of Behrman Capital L. P. circulated February 4, Grant and Darryl Behrman have been tossing around the idea of a partnership since their boyhood in South Africa.

"It's something we both wanted," says Grant, now thirty-seven, the quintessential gray-flannel banker. "We talked of emigrating to America, of living in the same city, of having children who played with each other. Perhaps even going into business together."

So far, so good. They managed the emigration before Darryl's graduation from Stanford business school in 1974, and Grant's from Wharton in 1977. Because Darryl had settled in Scarsdale, Grant moved to nearby Harrison even though every deal he did for Morgan Stanley over the past two years was on the west coast. Grant's children are two and four, and Darryl's, fourteen and twelve, so their vocational plans are still in abeyance.

But why did they start this capitalist adventure *now*?

"I guess it really was decided early this year," says Darryl, in the broad South African accent he and his brother have not modified, his gray three-piece suit pulled a little tight in the jacket to accommodate an expanding frame. The brothers acknowledge that Darryl's turning forty last summer had some impact on their timing.

Behrman Capital will provide funding for "emerging growth companies," and the brothers cite three good reasons why a company like that might succeed now. First, they both think they have impressive track records. (Darryl, for example, led the Wertheim team that acquired Chappell & Company, a music publishing company, for $105 million in 1984, and sold it to Warner Communications three years later for $220 million. At Morgan Stanley, Grant convinced the investment house to put $500,000 into Xilinx, a designer and marketer of silicon computer chips. Five years later, Morgan Stanley sold its stake for $4.9 million, and Xilinx has gone from a $20 million company in 1985 to a $525 million behemoth.) Second, the Behrmans think the companies they have targeted—mostly in data, telecommunications, and information processing—are vastly undervalued. And third, they believe the current investment competition is fragmented and weak.

And so, as they go about the business of looking for paper clips, hooking up telephones, hiring lawyers and accountants, preparing a presentation for prospective investors, and hiring a skeleton staff, it doesn't feel much different than casting for another world record (Darryl has held seven world fly-fishing records) or venturing into the rain forest to study the Waorani, a tribe known for its violence toward outsiders and the harmony of its family life. (Grant's Amazon expedition was important enough to be included in a permanent display at the American Museum of Natural History, where excerpts from *Nomads of the Rain Forest*, the well-received film he produced for the PBS *Nova* series, is screened regularly in a nearby alcove.)

"Yesterday, Grant's wife was the office manager and today my wife is the office manager," Darryl says on the third day of what he jovially, if a bit nervously, described as "unemployment." A bona fide office manager started work the following week.

"This is a personally funded start-up," says Darryl, who, with his brother, plans to invest the customary 1 percent of their own money in the fund's total pool. That's one million dollars if they raise the one hundred million dollars they hope to secure. They think it's a reasonable goal, even in this market.

So far the response has been very positive, the brothers say. "Either we're suicidal or you have to take us seriously," Darryl says, adding that they have demonstrated stability, having had only two jobs each in their combined thirty-one years of experience. "And people we have spoken to have taken us very seriously."

For this pair, venturing out on their own was an obvious step to controlling their own destiny, as Grant puts it. "You only get that by having your own firm," he says.

For years, when the brothers talked about their plan to work together, Grant would think of the two of them as parachutists, standing wind-whipped in front of an open plane door, waiting to jump.

Now, with their future security on the line, Grant has altered the metaphor a bit. "Darryl, we're in free-fall," he says. "We have to land."

The Present-Minded Professor

Jeffrey Kittay's adventure hasn't taken him to the Amazon, but certainly it is a long way from French literature and medieval prose. Professor Kittay, late of Yale University, is now Publisher Kittay, founder of *Lingua Franca*, the magazine for academics "with attitude."

After Kittay stopped teaching French literature in 1982 to write a book on medieval prose and sort out some family business problems, he began to realize just how isolated academia can be. Professors, after all, are often monastically trapped on their own campuses with little chance to indulge their passion for cross-campus shoptalk, for comparing notes on crotchety old department heads, on who was hired where and who was getting tenure. He realized just how much the academic community enjoyed dissecting itself, and how riveting it was when a mainstream publication picked up on a university issue and did a feature story.

He talked up his idea, only to have some pretty smart money tell him it was suicide. Kittay recalls that Geoffrey O'Brien, editor of the *Reader's Catalog*, told him it just wouldn't work; Jay Kriegel, once a publisher of *The American Lawyer*, advised Kittay that professors would never buy the magazine.

Yet Kittay persevered. He published a pilot issue last June and then watched the magazine industry go into a recessionary tailspin. He did not falter. After months of talking to experts, raising $200,000 (half from his own pocket), surveying his colleagues, hiring an editor, and jobbing out the editing and production duties, the first official issue of *Lingua Franca* appeared last December.

Printed on non-glossy paper, *Lingua Franca* has saucy two-color graphics, bold headlines, and a subdued but thoroughly contemporary look. By early winter, the bimonthly was starting to attract notice outside the academic community. *Harper's*, *New York Newsday*, and the *Los Angeles Times* had all asked permission to reprint *Lingua Franca* articles. Random House took out a full-page ad in the second issue and then signed up for a whole year.

The magazine is attracting an audience because the forty-seven-year-old Kittay has figured out how to write about academia the way people in the field have always talked about it privately. The December cover story, for example, is a roundup on how various universities are pruning their professorial "deadwood"—tenured staff members who don't produce. The article cites a Stanford dean recalling his efforts to convince one do-nothing professor to take retirement at half salary. "The professor declined," the dean told the magazine, "pointing out that, after all, he was already retired on full salary." This is pretty racy for this sometimes stuffy group, but not material for a libel suit.

"We don't have to get very personal or lowdown," Kittay explains. "These fields are so submerged that all you need is just a little bit of real personal interest and hipness; you don't have to be the *National Enquirer*."

The open question is whether *Lingua Franca* will work financially. Kittay's hopes are humble: a publication that pays for itself and its staff and provides him with a good living—comparable, for instance, to what he earned at Yale. As he says: "Modest goals for a modest environment."

His idea is to create a life's work, not something to sell as soon as he can make a profit. His job in the near term, he says, is to establish the magazine as essential to the university community, to make it a publication that academics need for their work. One of the ways he hopes to achieve that is with Jobtrack, a regular feature that gives a comprehensive accounting of who's being hired where. A top priority, he says, is editorial quality, which will make the magazine habit forming. And then, of course, the enterprise has to create enough revenue to pay for itself. Kittay thinks that the publication may accomplish that goal by mid-1992.

One economic conundrum is the audience—professors are a highly educated, extremely discerning group that demands a quality product, but cannot really afford to pay for one. For that reason, Kittay has kept the annual subscription rate under twenty dollars. Advertisers always want to reach undergraduate students, still on the parental dole, but professors and graduate students, the gentrified poor, are another matter. Convincing

JEFFREY KITTAY'S HOPES ARE HUMBLE: A MAGAZINE THAT PAYS FOR ITSELF AND ITS STAFF AND PROVIDES HIM WITH A GOOD LIVING.

Professor-turned-publisher Jeffrey Kittay

Body•ology founders Daniel Samakow and Ira Schechter

advertisers to sign on is therefore a considerable challenge.

But at every step, Kittay has been driven by the notion that what he is doing makes sense. He can see ahead to a time when there will be merchandizing opportunities the magazine can take advantage of, such as video conferences or video interviews of great lecturers. But for now, such ancillary interests would just be a distraction. "They may very well backfire on us as much as anything else," he says.

The Body Snatchers

To look at it, you would think the pretty peach-colored shop with the double-arch doorway, at the Century City mall near Los Angeles, is all about skin care. But the co-owners of Body•ology, Daniel Samakow and Ira Schechter, would disagree.

To be sure, they sell skin-care products, their own special line developed over nine months in several different laboratories. But skin care isn't the only thing. Body•ology (which started out as Body Logic before Samakow and Schechter recently changed the name) is a highly specialized marketing niche, exploited by a couple of California guys trying to have some fun and—that phrase again—control their own destinies.

The partners have invested some $200,000 and a great deal of "California thought" into their venture, which Samakow summarily describes as the next generation beyond Body Shop. Body Shop is the British-based retailer that customizes skin-care products and that has expanded to the States, wowing fourteen-year-old girls with its kelly green and black plastic bottles of Raspberry Ripple Bathing Bubbles and Peppermint Foot Lotion.

With appropriate deference to a highly successful predecessor, Samakow explains that his cosmetics are different than European skin-care formulas, which, even when they eschew animal testing, tend to be "more traditional," with many of them using mineral oil and alcohol.

The Body•ology formula emphasizes products made with natural ingredients such as safflower oil and aloe vera compounds. Body•ology provides a sophisticated "menu" of herbal extracts—rose, chamomile, calendula—that the individual can have added to the basic products. "What we're addressing are individual needs," says Samakow.

For Schechter, now forty-nine, Body•ology is a chance to retire again in five years. The last time he retired was in 1988, after fifteen years with Host International, an airport food-and-beverage firm. He had been flying 120,000 miles a year, and decided to stay put in Aspen, only to find out he couldn't afford to live there. Along the way he met Samakow, who was then the CEO of Gruene, a line of all-natural men's toiletries.

What the men came up with was a new way to sell skin-care products. While some retailers provide no sales help at all, assert Schechter and Samakow, others drive potential customers away with high-pressure sales tactics. The Body•ology approach is to let consumers touch and feel a product themselves. Sales help is provided only upon request.

Furthermore, Schechter and Samakow have created an upscale environment that's not so flashy that the customer thinks he is paying for the fixtures. At Body•ology, a purchase doesn't have to be an investment. (Two-ounce travel-size bottles cost $2.50 each.)

Soon after the store opened in November, the partners were in touch with Frank LaTorre and Leonard Linar, who franchise Häagen-Dazs ice cream parlors. Body•ology has leased a shop on Main Street in Westhampton that the owners plan to open this month, and if it is popular with the summer crowd, they want to open other shops in the New York area.

But aren't there frustrations? "That we won't get enough capital to take advantage of the opportunities we have," Schechter says. So far, they have been calling on friends and have made some investment-house contacts, but money for expansion is not yet secured.

Schechter says the partners' long history in the corporate world has enabled them to "bring together a team that ordinarily would work on a ten-million-dollar project." They have effectively "gained capital" by getting free laboratory time and the work of major design firms at reduced prices, thanks to some good friends.

Schechter says what he has personally invested "represents a substantial portion" of his net worth. "With three kids in college and one in high school, this is a risk."

Just how much of a risk?

"I figure I can afford to retire," he says, "if I die next Wednesday." ■

MERLYN ROSENBERG