Managing multiple businesses

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Similar industries and nearby locations will make it a bit easier, of course. Four serial entrepreneurs offer hard-won advice.

Eight years ago, Hamilton Chan faced the daunting task of turning around his father's 30-year-old commercial printing business and shoring up its flagging customer base. Five years later, the Los Angeles company he had grown up working in was back in the black.

So Chan started all over, founding a second company, online stationery seller Paperspring.com. He is CEO of both companies and employs 22, with three individuals working solely for Paperspring and "lots of overlap" among the others.

When is one company just not enough? In Chan's case, the moment arrived when he needed a new challenge.

"When you inherit a legacy business, you're still jonesing to create something of your own," says Chan, a Harvard-educated lawyer and investment banker. "You really learn from past mistakes and you develop experience as an entrepreneur that you'd love to parlay into something that would be ideal—if only you could start from scratch."

Of course, Paperspring did not really start from scratch. Chan leveraged the cash flow, employee experience, and credibility of Charlie Chan Printing, founded in 1969, to boost his startup.

Having one successful company makes it easier to start a second one, but it's also a risky venture that—if not done correctly—could jeopardize not only the new company but the established one as well.

"It's a major challenge. You've got to have the skill base and the risk appetite," says Jon Gillespie-Brown, a serial entrepreneur and author of So You Want to Be an Entrepreneur. "You've got to be able to plan strategically, and you really want to be clear on why you're doing it."

Diversifying with a Second Business

There are times when it makes sense for a small business owner to open multiple companies. Some ventures are inherently difficult to scale up in size. Moving into a related area with a separate business can increase revenue and perhaps stabilize overall cash flow when one company hits a rough patch.

"If you're running a smaller business, it's tough to have a one-legged stool," Gillespie-Brown says. "Having a couple legs gives you diversity, both in customers and in the stages of the business. In a recession, if one business is suffering, the other may be doing well."

For Bob Shirilla, the decision to start a second business was purely a practical one. He owned Keepsakes Etc., in Canfield, Ohio, which sells custom blankets and tapestries.But the seven-employee operation relied on weavers in the U.S., who were fast becoming an endangered species. "Our supply chain was in jeopardy," he recalls. So a decade ago he opened a second business, Simply Bags, to sell customized beach bags and lunch totes manufactured overseas.

Along with diversifying the supply chain, Shirilla's revenues leveled out. Orders for Keepsakes Etc. peaked at Mother's Day, graduation, and Christmas. Simply Bags sells best in the summer

and fall. "It evened out our year and allowed us to grow the business without killing our employees at holiday time," he says.

Shirilla's companies share accounting, IT, and order departments. Gillespie-Brown says that leveraging the experience, personnel, and facilities of one company to extend into a second offers synergy and economy.

"An owner who can manage all of this can focus on the company that needs it the most, and if you have one firm that's fairly self-sustaining, you can grab your best folks and use them to punch up the next company," Gillespie-Brown says.

Growth Opportunities

That's what Vincent Huang did. The Taiwan native is CEO of two prepaid wireless-phone distribution companies, 100-employee VHA and ERI, both located in City of Industry, Calif.

"The businesses are complementary, but different," Huang says. "VHA [founded in 2001] was doing so well, with year-over-year growth, that I felt ready" to start ERI in 2006.

Huang was acutely aware of the need to capitalize on trends. An earlier venture into entrepreneurship, with a wireless company he founded in the late 1990s, failed partly because he was so focused on daily operations that he missed new opportunities. "I went back to Taiwan and saw an innovation that would have made us the first ones in the space, but I was managing all the existing stuff and missed the opportunity," Huang recalls.

Foreseeing the potential for revenue growth at ERI, which with 10 employees now earns more than its older sibling, Huang established it as a C-corp, which he believes may make it more attractive for eventual acquisition or investment. "VHA is an S-corp and may not have a lot of potential buyers. I'm fine with that. But ERI has a lot of potential," Huang says.

Staying within a related space—both in geography and mission—is an important key for success in multiple business ownership, Gillespie-Brown says. "Doing something related, that you know something about, and keeping them in the same building or very nearby, is crucial," he says. "Managing two very diverse companies, with different markets and a wide variation in locale, would be a major risk."

Not Too Far Away

He experienced the pains of remote management when he emigrated to the U.S. and opened a company in Silicon Valley while retaining ownership in a company in his native U.K.

"It was a 'cat's away, mice will play' situation. Most employees need close supervision, and as soon as I was remote, things went downhill," he says. "If you are trying to manage a business that you're more than a day-and-back away from, it's going to be very problematic."

Chan hasn't had that problem: Paperspring is located a few steps across an alley from Charlie Chan Printing's headquarters. "We've had wonderful cross-promotional opportunities between the two businesses and garnered new clients on both sides," he says. Having a brick-and-mortar printing shop stand behind his Internet company lends it credibility that many of his startup competitors lack, he says.

But he admits that running two companies requires a tricky balancing act: "One of the dangers is spreading yourself too thin and distracting the staff." Another danger is jealousy or fear among staff or investors, who may worry that a CEO's new darling will be distracting to the detriment of the initial venture.

"I have to be very careful about my time and make sure there's no favoritism," Chan says. "When it works well, opening the new business reinvigorates the entire company. There's a chance for upward mobility, it wakes everybody up, and they realize that the company is growing."

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