

SMALL BUSINESS

Bouncing From Start-Up to Start-Up, and Loving It

By ANNE FIELD

Howard Yellen has recently found what promises to be his dream company: a business with a life span of no more than two years. The company, Settlement Recovery Center in San Francisco, helps small and medium-size businesses in California recover money owed them by Microsoft as part of a \$1.1 billion antitrust settlement. When the funds have been distributed, Mr. Yellen will be out of business — an outcome that suits him just fine.

"I'll help my clients get their share of the money and then — poof — I'll be on the next start-up," said Mr. Yellen, 43, who has about 20 new business ideas in his pocket. "This is perfect." It is his sixth start-up in 15 years.

Mr. Yellen is one of a special breed of small-business owners — the serial entrepreneur. Serial entrepreneurs thrive on the high-pressure excitement of starting a business from scratch, but invariably, whether they stick with the business for one year or 10, they depart, only to start another.

It is all about building toward the thrill of opening night; staying till the 200th performance is beside the point. "Serial entrepreneurs get a visceral charge out of taking an idea to market and making it happen," said Tarby Bryant, who runs the Gathering of Angels, a network of private financiers in Santa Fe, N.M., called angels who provide seed capital to start-ups. And, while they are by no means in the majority, the desire to do it again is not uncommon. Approximately 43 percent of chief executives of current Inc. 500 companies say that they plan to start another company after leaving the one they are running now.

If love of action inspires them to start companies, their motives for leaving are more complex. "There is no one size fits all," said Sydney Joyner, a management consultant in Portland, Ore., and a partner with Joyner Strayer Consulting, which specializes in start-up management. Some deliberately plot an exit strategy even as they start a business. Some lose interest when the company gets too big. Others cannot manage a maturing business and are forced out. Still others leave after an acquisition or initial public offering.

What distinguishes serial entrepreneurs? "They are more attached to starting something up than to the actual concept," said Geoff Yang, a partner with Redpoint Ventures, a venture capital firm in Menlo Park, Calif. And unlike mainstream entrepreneurs, they resist the idea of sticking around with a reduced role in the company they founded.

"As soon as the risk is over, they want to go back and do it again," said Dick Strayer, a Los Gatos, Calif., psychologist and a partner with Joyner Strayer.

Probably the most common reason for leaving is boredom. After the start-up phase ends and a company becomes more stable, the job of the founder naturally changes to be less hands-on and more supervisory.

For entrepreneurs like A. J. Brown, that is of no interest. Mr. Brown now runs his fifth start-up, a health club called Trainer's Club in Lake Oswego, Ore., which he began four years ago after moving to the Portland area and failing to find the kind of gym he wanted. On a typical day, he will do everything from check payroll to fold towels. "I like to roll up my sleeves," he said. Even so, he says it is only a matter of time before he goes on to another business.

Scott Shickler of Atlanta, now on



Peter DaSilva for The New York Times

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Serial Entrepreneur

Howard Yellen has made a career of starting and leaving companies.

Company	Started	Left	Sales when he left	Staff when he left	What happened	Why he left
Superflex Educational Software	1988	1991	N.A.	20	Sold for undisclosed price	"We accomplished our goals."
Professional Consulting Group	1991	2001	\$10 million	45	Sold for undisclosed price	"I was bored."
AGR Franchising	1994	1995	\$750,000	6	Shut down	"It was a failed concept."
Today's Your Day	1996	1996	None	3	Shut down	"Operational manager left."
ASPdq.com	1998	2000	None	8	Shut down	"The Internet bubble burst."
Settlement Recovery Center	2003	—	N.A.*	23*	Waiting for other shoe to drop*	"Poof, I'll be on to the next start-up."*

*Current situation; he would not disclose sales data.

his sixth company, has taken that impulse a step farther. He is not only a serial entrepreneur, he is also a parallel entrepreneur, and one who seems at home in just about any industry.

His current businesses range from Global Realty, which helps home buyers who have had trouble qualifying for loans, to Global Education Technologies, which sells education-

People who take an idea and run with it, but not very far.

al software for children with special needs. But his business plans all include exit strategies to allow him to sell out to a bigger company within three years. "I like growing a business," he said, "then I want to get out."

Those repeat entrepreneurs who do stay after an acquisition or public offering often regret doing so. The slower pace makes them impatient, and they do not like being a small frog in a big pond.

Take Zack Rinat. He sold the first of his three companies, a pioneer in the application-server market named NetDynamics, to Sun Micro-

systems in 1998, three years after starting it. He then spent what he calls "a very painful year" at Sun as a vice president and general manager, feeling stifled in the big-company environment. "You have to do the meeting before the meeting before the meeting," he said.

Mr. Rinat quit, knowing he wanted to start a new company but with no idea what it would be. A few months later, he started Model N, which sells software to help financial executives analyze and manage revenue.

Similarly, when Mike Schaefer took his second company, the Atlanta-based IXL, public in 1999, after three years in business, he was stunned by the change the move produced.

In particular, he chafed at the policies and procedures public ownership required, and missed the collegiality of a small company. And the human resources manager he hired just before the initial offering exasperated him with what he considered to be bureaucratic decisions, like vetoing the margarita parties called Feedback Fridays that he called to celebrate successful projects. "I got out of corporate America to be able to do this kind of stuff," he said.

A year after the initial offering, with 2,500 employees, up from the company's original 36, "I knew the company had gotten too big for me," he said. He left and a year later joined forces with a fellow serial en-

trepreneur, Mr. Shickler.

Sometimes repeat entrepreneurs have to be shoved out before they learn that their talents apply to start-ups, not to running bigger companies. That is why some venture capital firms include in their term sheets the stipulation that if the board deems it necessary, the chief executive must start a process to find a successor.

At other times, the company simply fails. But, for the serial entrepreneur, that is generally an incentive to try something else.

"I'm not afraid of failing; it doesn't bother me in the least," said Mr. Brown of Trainer's Club. A company he founded called Portivity, which sold sales-force automation software, went under in 1999 when he could not get a second round of financing. He immediately created a business plan based on some of Portivity's concepts, and started another business a month later.

It is not uncommon for serial entrepreneurs, after, say, the third or fourth start-up, to leave with the intention of taking a long breather from the business world. But many find themselves involved in a new venture before the year is out. Mr. Brown moved to Portland, where he had grown up, meaning to relax. Three months later, he decided to start a business. "I get bored too quickly when I'm not working on a company of some sort," he said.