Businesses Worth Repeating Pizza Hut and Boston Chicken's founders tried their luck in new industries. But sticking to what they know best proved more rewarding.

By Verne Harnish

(FORTUNE Small Business) – There's George "The Chicken Man" Naddaff, Frank "Papa Pizza" Carney, Mo "Tea Time" Siegel, and Neil "The Closet Guy" Balter. All, as you may have guessed, have these nicknames because they closely describe businesses that made them rich. Each built his reputation on the company he created: Naddaff with Boston Chicken, Carney with Pizza Hut, Siegel with Celestial Seasonings, and Balter with California Closets. Each earned a windfall when he eventually sold the company. But they have something in common. Each used the cash to invest in new industries. And almost all of them failed at great expense.

Why? As a business advisor and the CEO and founder of the consulting firm Gazelles Inc., I'm always encouraging entrepreneurs to become synonymous with their products and their industries. But once they achieve that, I remind them that success in one industry doesn't guarantee results in another. The reasons for failure vary, but sometimes it's because your old Rolodex can't really be called upon for help in your newly chosen field. Other times it's because you've diversified into so many businesses that your attention and energy--not to mention your bank balance--become too divided. No matter the reason, when you stray too far from the business you know best, you're almost sure to get your head handed to you.

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Sure, there are rare exceptions to the Maintain Your Core Competency rule. Wayne Huizenga is one of those unusual entrepreneurs who has succeeded in the trash business (Waste Management) and video-rental business (Blockbuster), and now is pursuing the used-car business (AutoNation). But whatever industry he moves into, he invests only in companies that can benefit from his specific skills--among them, the ability to fix customer service problems.

And when done poorly, venturing into new territory can be quite costly. I can't tell you the number of entrepreneurs I've met who have made a significant chunk of change selling their businesses, only to lose it pursuing other businesses. Neil Balter, "The Closet Guy," has lived that nightmare. While still a part-time student at Pierce College in Los Angeles, Balter launched California Closets in 1978. Twelve years later, with 700 employees, 100 franchisees, and 130 locations--including ones in Japan, Australia, and Spain--he sold his firm to Williams-Sonoma for $11 million.

After staying on to run the firm for a few years, he left to take some time off. On a trip to Aspen, Colo., with some friends, Balter met the creator of a French fry vending machine. "Having built California Closets, I thought I could do no wrong," says Balter, who quickly dumped a large chunk of his net worth into the business, moved from California to Canada, and devoted three years of his life to the venture. His

French fry vending machines never caught on. Mostly they just caught on fire, in part because of mechanical glitches that were never really resolved. Says Balter: "The business was losing a load of money, but I couldn't get out. My ego couldn't accept that it wouldn't work."
His ego and bank account took another bruising when yet another friend persuaded him to invest in what turned out to be an ill-advised product and rarely seen late-night infomercial for PetFlex, a flexible dog leash.

With two pricey failures to his credit, Balter decided to return to closets. Today he's recovered 90% of his net worth and is having fun again with Organizers Direct, his closet business based in Scottsdale, Ariz. "It's nice being able to pick up the phone and make stuff happen," says Balter. "I've learned my lesson of going into industries I don't understand. I'm the Closet Guy!"

Not everyone is as comfortable being so closely identified with their business. That was especially true for Mo Siegel of Celestial Seasonings, the herbal tea company he founded when he was 19. "I was 34 and I'd [been making tea] for over 14 years," says Siegel, who was convinced there should be more to his life. So when Siegel sold his creation to Kraft for $35 million in 1984, he decided to travel the world and make a difference. But after launching several nonprofit initiatives, he became frustrated by his inability to gain the kind of traction he had had growing Celestial.

That's when he met Mother Teresa. Explaining his situation (read: whining) to the great humanitarian herself, he received a piece of advice that refocused his life forever. "I clearly remember her shaking her finger at me and admonishing me to 'grow where you're planted,' " says Siegel.

So that's what he did. He returned to his roots, rejoining Celestial Seasonings as CEO in 1991 after his management team repurchased the company from Kraft. Taking the company public in 1993, he brought in a CEO in 1997, became chairman, and then merged the firm in 2000 with Hain Food Group for $390 million in stock. Now he's vice chairman of Hain Celestial. To satisfy his humanitarian ambitions, Siegel continues to serve on the boards of several nonprofits, letting those who are better at building charities do what they do best.

For Frank "Papa Pizza" Carney, returning to what he does best took plenty of time and money. In 1958, while still students at Wichita State University, Carney and his brother Dan founded Pizza Hut with $600 they borrowed from their mother. Pizza Hut had grown to 3,400 restaurants by 1977 when Pepsi purchased it for just over $300 million. Frank stayed on through 1980, leaving just after introducing Pizza Hut's most successful menu addition ever, the pan pizza. For the next nine years he invested in over 30 businesses, ranging from ski resorts to Mexican restaurants, more than doubling his net worth. But after a series of missteps he saw his Midas touch tarnished, and within four years his millions were a memory. "I was stretched too thin," says Carney.

Then, in 1994, a friend and former Pizza Hut board member, Martin Hart, gave Carney a call. He had become the Houston franchisee for Papa John's Pizza and was hoping Carney would develop a taste for Pizza Hut's competition. "I realized they had what we used to have at Pizza Hut--great ingredients making a great pizza," says Carney. "Pizza Hut had become so caught up in growth at all costs that they destroyed the product." Mortgaging his home at age 56, Carney opened his first Papa John's restaurant that same year. These days Carney is Papa John's second-largest franchisee, with 130 restaurants and 2,500 employees in five markets. "When you reenter a familiar business, things are easier the second time around--maybe it's my comfort level--it feels like old home week," says Carney with a smile.

Experience counts for a lot, says George Naddaff, who just can't seem to get his fill of fast-food chicken. In the '60s he built up a chain of 19 Kentucky Fried Chicken stores in the greater Boston area, which he sold in 1970. He went on to found Boston Chicken, which he eventually sold to a group of Blockbuster Video execs in 1992, remaining chairman and CEO until the company's IPO in 1993. The company, now known as Boston Market, is a 700-unit subsidiary of McDonald's. Then, in November 1996, Naddaff invested in Ranch*1, a New York-based chain of grilled-chicken sandwich restaurants, which clawed its way out of Chapter 11 with Naddaff at the helm. With 60 units operating in nine states and Taiwan, Naddaff sold his interest in April of this year.

For Naddaff, repeating himself is a safe bet. "It only makes sense that going back into a business you already know cuts your risk way down," says Naddaff. "If you're a handicapper and it's raining out, the horse that's won seven races in the rain is a less risky bet."

Still, he's gone against the odds over the years. When he launched Boston Chicken, he was also consumed with another business venture, Mulberry Childcare Centers. In retrospect, splitting his time between two companies wasn't the smartest move. "I found that one of the entities had to suffer. One had to be the favorite." He sold his string of child-care centers to KinderCare in 1991.

Returning to a singular focus has worked out just fine for Naddaff. Says the 72-year-old: "Look, wherever I go, people call me 'The Chicken Man.' " It's a nickname he can live with and one he continues to profit from.