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Entrepreneur finds way to stretch himself

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He didn't know much about rubber products when he bought firm, but that's changed

**By ANJALI ATHAVALEY
For The Chronicle**

Russell Molina, president of Custom Rubber Products, doesn't have much of an appetite for the restaurant business.

Working at the family-owned Molina's Mexican Restaurants and Cantinas would seem like a natural step for the 36-year-old entrepreneur. But he said his experience waiting tables in college horrified him.

"After about my third day, I realized I didn't go to college to get into this business," Molina said. "It was brutal, man."

Owning a rubber manufacturing business, however, is an entirely different matter.

When Molina bought Custom Rubber in 2002, it was a stagnant business that drew customers only through word of mouth. After two years under his watch as majority owner, president and chief executive officer, its jobs and sales are steadily rising.

The right way to buy

His story illustrates how it's possible for someone with little or no knowledge about the business he's buying into can be successful if he's willing to shop carefully, draw on experts and learn the business from the ground up.

BUYING A NEW CAREER

- **Who:** Russell Molina
- **Was:** president of an investment management firm
- **Now:** majority owner of Custom Rubber Products
- **How:** SBA loan and financial help from family and friends
- **Quote:** "I want to add value ... but I'm not going to come in and shake it, rattle it and disrupt that core group that's here."



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Custom Rubber was a family-owned business established in 1961 by Bob Boone. It manufactures custom-designed rubber products used in the oil and gas industry by such oil-field service companies as Baker Hughes, Halliburton Co. and Davis-Lynch.

Taking over an existing business can be challenging for newcomers like Molina. They stand the chance of losing customers who were loyal to the previous owner.

"They would need to know whether the business is tied to the owner or a key personality who might leave the company," said Tequesta Wiggins, a business consultant with the University of Houston Small Business Development Center.

Before buying Custom Rubber, Molina was president of Woodco Fund Management, an investment management firm in Houston. He decided in 2001 he wanted to purchase his own business.

Risky business

The business was one of 25 Molina considered. And buying an existing company can be financially risky.

"It's important that they understand what they've bought," Wiggins said. She said prospective owners must scrutinize the financial statements of a company before buying into the business.

Molina needed little help from his attorneys to determine whether Custom Rubber was solid, he said. He closed on the deal in September 2002.

He said he chose Custom Rubber because it had a positive cash flow and "was being sold for the right reasons."

The family was parting with the company because Boone died. Boone's wife chose Molina as the buyer partially because of his family's reputation in the restaurant business, Molina said.

He also promised not to move the company or lay off the employees.

"My thing was, look, I want to keep everybody; I want to grow the business from the group that we have. I want to add value to it, but I'm not going to come in and shake it, rattle it and disrupt that core group that's here," Molina said.

Buying the company was a calculated risk. Custom Rubber is near Crosstimbers and Hardy Toll Road, an area with relatively

little economic activity.

The employees knew their products and understood their customers, but no one pushed the company to grow, Molina said. Custom Rubber did not advertise its products, and workers had little communication with the management.

"They didn't have a marketing presence. There was no salesperson, there was no rep, there was no catalog, there was no brochure," Molina said. "They solved the customers' problems, and then they would sit back and wait for the phone to ring again."

He relied on a Small Business Administration-backed loan and equity investments from family and friends to pay for the business. He also received a \$660,000 loan from the Houston Small Business Development Corp., a city organization that encourages growth in depressed areas.

What banks look for

A good track record and a set of goals for the business attracts a bank to an entrepreneur, said Michelle Wright, assistant vice president of Southwest Bank of Texas. She worked with Molina on his loan.

Molina's experience in investment management proved he could handle the company's finances, she said.

He also told the bank how he planned to make the company grow. Wright said they continue to chat at least twice a month about where Custom Rubber is headed.

"The last owners were not involved in the business," Wright said. "He let us know he has no problems getting his hands dirty. He was willing to get in there and learn everything about the company."

He had a lot to learn. Molina said he knew nothing about making rubber products.

So he did something a little different from the previous management at Custom Rubber. He immersed himself with his new workers, mixing rubber and molding parts for several days.

At the top of his priorities was replacing the company's outdated computer system, which was familiar to no one except Boone himself.

"The system was like handcuffs because nobody knew it," Molina said.

Molina, a marketing major at Sam Houston State University, actively advertised Custom Rubber's services. He put up a company Web site and visited customers in person.

He hired a vice president of sales and marketing, a lab manager and an inside sales manager in charge of scheduling orders. The number of employees has grown from 42 to 58 on his watch.

Revenue on the rise

Molina's efforts seem to be working. Custom Rubber has attracted new customers, and sales are on the rise.

Before Molina took over, Custom Rubber saw annual revenue of about \$3.8 million. In 2002, it saw \$3.3 million.

After that, revenue began to increase, jumping to \$4.6 million last year. Molina said this year, the company is expecting over \$5 million.

In the next five years, he sees himself as a seasoned CEO looking to acquire other companies. He'd like to see Custom Rubber double.

"Here's my crazy idea," he said. "I'd like to get it to a \$100 million company."

He insists it can be done through acquisitions.

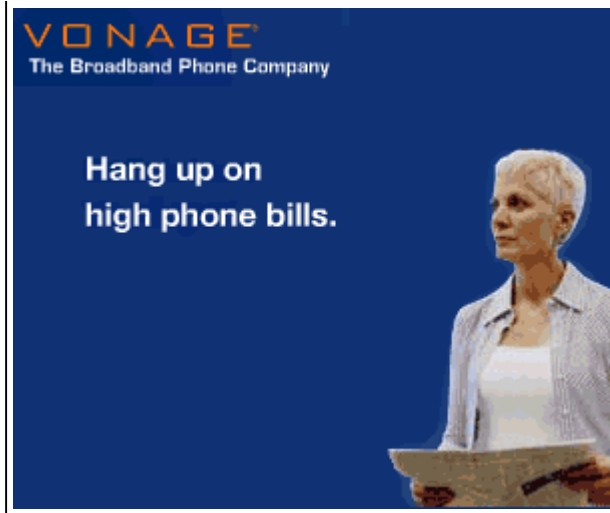
"I'm a young guy, so I think I have a lot of potential to do a lot of things," Molina said.

As focused as he is on Custom Rubber, he has no problem contributing to another family business that has sentimental value.

He proudly noted that he eats at Molina's at least once a week.



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