

ENTREPRENEUR

By Neil Balter

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4 Mistakes to Avoid

I wish I could thrill you with the lessons I learned in my first year of business. The truth is, my first year was defined by tough, blue-collar labor and reckless youth. I was partying like crazy, and the first time I made \$500 in a day, I felt I had won the Lottery.

But the value of my story doesn't come from that first year. It comes from the wisdom I have since gained—what I call the 20,000-foot view. And that's what I would like to share with you here.

I've made a lot of mistakes over the years and, as the owner of two multi-dealership companies, I've seen a lot of new business owners do the same. In this paper, I will call out some my pitfalls in the hopes you won't fall into them too.

"I had just graduated from high school and decided not to go to college. I was as improbably a candidate to start my own business as there ever was. But in retrospect, I did have a few things going for me; I had desire, enormous energy and I was too naïve to realize I could fail."

- Neil Balter

At the young age of 17, Neil Balter founded California Closets® and with it established a new industry — custom home organization. In just under a decade, Neil expanded the company to include more than 100 franchises across five continents, with annual sales in excess of \$66 million. In 1990, just before his 30th birthday, Neil negotiated the multi-million dollar sale of the company to Williams-Sonoma, Inc.

Neil founded his current company, Organizers Direct, in 1995.



Neil Balter, Founder/CEO-Organizers Direct



Mistake #1

People talk the talk but they don't walk the walk. They say, "I'll do whatever it takes to be successful," and they do for the first three-to-six months. They come into their business all revved up. They think they're going to be the honchos behind the desk pushing all the buttons and smoking the big cigar. If it was easy to be an entrepreneur, everybody would do it. It's not. It requires long hours, hard work and usually lousy pay at the beginning.

Here's how I spent my first high-power year in business. I spent it rummaging through people's houses installing particle board in their closets. Of course, that was after constructing the shelves outside in a carport with plastic hanging down the sides to protect the materials from the weather. Pretty glamorous, huh?

So, let me ask you: Are you prepared to work your tail off and make little to no money for a whole year? It's a pretty safe bet that's how it will be. Most people get tired of working six and seven days a week with little return. Eventually, they give up. And that's one reason why businesses fail. You'll find as I did, that starting a new business takes a huge long-term commitment. It requires planning, and realistic expectations don't hurt either.

Still on board? Okay. Time for mistake number 2.

Mistake #2

New businesses are almost always under-capitalized. As a result, it takes longer to make things happen. Not only are you making less money than you thought you would initially (see #1), you don't have the money to invest in building your business. The reason is you either didn't have enough or acquire enough money to begin with.

I discovered when it comes to raising money; always raise more than you need. If you think you need \$100, get \$150. If you think you need \$200,000, get \$300,000. You never get in trouble being over-capitalized. I'm not even sure that's a word, but you get my point. Remember that cash is king.



Mistake #3

When you're young and you have enormous success early on, you get this feeling of invincibility. Your ego gets really big because people keep putting you up on a pedestal and you believe all the hype.

In 1985, my business was growing big time so I hired a CEO. He got us into a huge amount of debt and we couldn't pay our bills. I was within a week or two of losing California Closets when a mentor bailed me out. I fired the CEO and we got the business turned around. But it was an important lesson for me. I was young and immature. I had a house on top of the hill, and I thought I knew it all. That was a dangerous combination.

Everybody can fail.



Mistake #4

Be careful who you hire. Say you've got a best friend who you've known for 30 years, but you're looking to get rid of him. Give him a job. He'll hate you in six months. Hiring friends and family doesn't work. I know that's not an absolute, but it holds true in my experience, and in all the businesses I've watched.

The things that I generally tell people not to do are things I did myself. I believe the CEO I hired in Mistake #3 was trying to take over my business. He got us into a mess but his plan was to ride in and offer to buy the business and save the day.

I'm a pretty optimistic person but I just hate partnerships. I don't think they work out. Over the years I've seen many of our franchises or dealerships start out as partnerships but very few have made it. The problem revolves around two core issues: either there's not enough money to go around or there's too much money to go around. Either way, you've got conflict. Someone has to be the boss.

It's About Passion

Owning your own business is hard work; if you are going to put in that much effort, you better be passionate about what you do. The best advice anyone ever gave me was "enthusiasm is contagious — catch it!" And, you know what? It's true. I am living proof.

At age 17, I was as improbable a candidate to start my own business as there ever was. Not only did I have zero experience, but I was struggling just to make it through high school. In retrospect, I did have a few things going for me: I had desire, enormous energy and I was too naïve to know how much the odds were stacked against me.

Thirty-five years later, after founding, operating and then selling a company, I've completed the full cycle. Though I am now years into this new venture, it hasn't always been easy. I have had my share of ups and downs, and along the way I've gained wisdom and a passion for sharing it.

I've learned as much from success as I have from failures, which makes me an enthusiastic mentor. When consulting with our dealers, I am always candid about my mistakes and I'll call out the pitfalls, hoping they won't fall into them, too. I am deeply committed to helping those around me succeed. If you have ever dreamed of owning your own business or, if you already have a business and are looking for a new perspective, take the next step towards an exciting opportunity with Organizers Direct.

I will be with you every step of the way.



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