

**EPISODE 353**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:24.1] WS:** This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Josh Patrick. Thanks for being on the shows Josh.

**[0:00:32.5] JP:** My pleasure, thanks Whitney.

**[0:00:35.0] WS:** I'm excited for this conversation. I'm looking forward to this, just run some things we talked about. Before we started recording and – but I wanted to remind the listeners again to go to Life Bridge Capital, go to the contact us page and sign up. Sign up there so that way, we will actually schedule a call with you so I can speak with you and help you any way that I can. Love to connect with anyone that I haven't talk to yet as an avid listener of the show.

Appreciate you listening, hope you will share this show and I would appreciate it and look forward to speaking to you on the phone but also in person at the next conference or somewhere. But today, you know, Josh Patrick is on the show, he's the founding principal of Stage 2 Planning Partners. Certified financial planner, a serial entrepreneur, a writer, reader, thinker, he's a contributor to the *New York Times*, You're the Boss blog as well as the author of the Stage 2 Planning Partners blog titled Creating Value.

He's also the author of *Sustainable: A Fable About Creating a Personally and Economically Sustainable Business*. You can purchase that on Amazon or even go to [sustainablethebook.com](http://sustainablethebook.com)

and so I've learned that Josh is really an expert in helping people with their businesses, helping them understand the cashflow business and working with employees and all of us are business owners and need to understand the cash flow within our business and how we manage our employees and working with them.

He's going to help us understand some of that today. Josh, give the listeners a little more about who you are and let's jump in.

**[0:01:57.9] JP:** Give you a really fast background. I started off in business in 1976 after I graduated from college, which means I'm really old and I started off with a part time employee, grew that business, was a food service and vending company, we fed people who work in factories from one-part time employee to 90 employees for branches when we sold it in 1995.

During that 20-year period, I arguably made every single mistake a business owner could possibly make and during that period, I learned that mistakes are not necessarily terrible as long as you learn something from that. That's the first lesson that I want to bring to your listeners today is that stop beating up people about mistakes.

When a mistake happens, either that you make or especially if your employees make, all you got to do is ask them this simple question, what did you learn? You have to stay with that question until you get a good answer because mistakes are fine as long as we learn something from them, so we don't do the same stupid thing over and over again.

My big problem back when I first started and that was 26 years old was instead of taking responsibility for things that went wrong in the business, I would consistently blame others or justify why it wasn't my fault. Unfortunately, way too many business owners do that, especially new business owners, because we'd like to say to ourselves, life will be wonderful if it wasn't for those idiot employees?

Every time I hear that, I want to just take the person and shake them till they get some sense inside because the truth is, without your employees, without having great employees, there is no way in the world you can have a great business. The first thing you need to be thinking about as you build a business is how do I get those great employees?

For me, it starts with values. Because if you don't know what your values are, someone's going to put values that you may not want as being what your company is all about. And you not only need values but you also need clarifying statements around each of those values so people know what you mean.

Let me give you an example with me. One of my core values is personal responsibility. For me, personal responsibility means I don't blame others and I don't justify my actions when things go wrong, whether it was my fault or not. I take responsibility for it so I can get the maximum learning.

Now, people know when I say personal responsibility, they have context around it and I have a tool to use with my employees to help them do the right things. Does that make sense?

**[0:04:58.3] WS:** It does, I was thinking about that and I was trying to take in some notes about what you're saying there. Personal responsibility for maximum learning. I'm taking the responsibility so I'm learning from it and I understand like when I hire the next employee or I'm working with that same employee. I'm going to better understand how to direct them, how to train them, how to teach them and ultimately not make the same mistake again.

**[0:05:16.8] JP:** Right. Another one of my values is simplification. My definition very simply is we take the complicated and make it simple. We don't do what most MBAs do which is take the simple and make it complicated.

**[0:05:30.1] WS:** It has to be simple, right?

**[0:05:32.1] JP:** The reason I like blue collar businesses so much is that blue collar business owners tend to be no BS order guys and they're mostly guys. Sometimes there are women – but the owner of the business tends to be a no BS person because the truth is, blue collar industries are no BS industries. If you're going to try to you know, make yourself – you can't run a blue-collar business and be a wannabe.

You can run an information business which never goes anywhere and be a wannabe because it really doesn't cost you anything. But if you have a distribution company, you have trucks and warehouses and employees, if you have a construction company, you have materials and offices and employees and you're a manufacturing company, you have manufacturing equipment in building and employees and inventory and receivables and payables and hopefully you own the real estate you operate in but those sort of businesses, you can't afford to BS your way through or you won't be in business for very long.

**[0:06:33.0] WS:** I like that, yeah, no BS people – we don't have time for that, right? We don't, we don't have time for that, let's get to the point, right? Let's make it simple and get it done. Move forward, give us some examples that helping these businesses are common mistakes that they make in their cash flow or in working with employees or maybe we get both of those things that you see that people struggle with.

**[0:06:53.5] JP:** Well, first of all, you have to realize, every mistake that people make affects their cash flow. This affects the way their business can run. For example, you either four areas we want people to be focused on cash flow. One is values which leaves a mission statement, leaves a purpose. The second is operational relevance which is delegation. The third is, recurring revenue which leads to marketing and sales and the fourth is systemization because no business runs well without systems.

The bigger you get, the more important systems are and there's a real disconnect between business owners and their employees around systems and that many business owners hate systems because they don't want to do things in a specific order. But their employees love them because it gives them a definition for what excellence is.

Your employees want to do a good job, you just need to help them get there. Let's start off with delegation because I think that's the biggest roadblock that keeps business owners from growing their business. The reason very simply is that, when you start to delegate, I mean, you know, Whitney, I assume you've delegated some time in your life?

**[0:08:03.5] WS:** Yes, I have numerous assistants or employees that are helping me on a daily basis.

**[0:08:09.2] JP:** And my bet is that when you first started delegating, it didn't go so well.

**[0:08:13.2] WS:** Yeah, I had to develop a system, it was a big learning curve.

**[0:08:16.2] JP:** Right. By the way, that's true for literally everybody. I mean, if you could work in a big company, the biggest complaint people have is my boss is a jerk. The reason the boss is a jerk is because the boss either micro manages or does what I call seagull management which is you know, they tell you what to do and then they fly back in and crap all over the place or they you know, the same thing is true with private business owners and said, delegation is not a natural act because we as human beings are not naturally trusting.

At least in my opinion. We don't tolerate mistakes very well which are the two pieces that have to happen for you to be a great delegator. If I delegate, I can't just advocate it. I can't walk away and then come back three weeks later and blow up because you didn't do what I wanted you to do.

There has to be an inspect function as part of delegating. Now, Whitney, when you delegate, I bet you go back now, the first couple of days after you delegated, just to check in to make sure things are going okay.

**[0:09:20.0] WS:** Yes, no doubt.

**[0:09:21.0] JP:** I bet that when you first started, you didn't do that.

**[0:09:24.5] WS:** Yeah, it's a process, right? I don't want to micro manage. You're talking about that seagull jumping back in and you know, because I have a tendency to do that and I try to jump back and say okay, actually this happened a couple of days ago, this is fresh on my mind and so I had an assistant that was doing something and I jumped back in and said, could you do this, could you do that? She ain't got the task done yet.

She was going to do it so finally, she said, yeah, I'm going to do that and I just said, you know what? Let me get out of your space for a minute, you know? Let me leave you alone, let me remember why you're doing this and let you do your work.

**[0:09:56.3] JP:** Yeah, we as business owners, if we want to grow our business, have to work through others and you can't work through others unless you learn the art of delegation. In my opinion, delegation is more an art than it is a skill because people are different. When things don't go well, do you tell her or do you ask? In other words, what would happen if my very favorite question in the world. When someone says, well I can't do this and I say, what would happen if you could?

It sort of changes the conversation completely and then they often will say to people, I don't know. You know what my question then is?

**[0:10:37.3] WS:** What?

**[0:10:38.3] JP:** Why don't you pretend you know? When people pretend they know, it's actually the real answer to the question anyhow. It doesn't matter whether they tell you or they pretend they're telling you, it's still the same answer.

**[0:10:53.4] WS:** I really like the question, what would happen if, that's good.

**[0:10:57.2] JP:** That's my very favorite question in the world. I probably use it with myself several times a day and I use it with people that work with me several times a week. Because all it does is it opens up possibilities and it's too easy for us to say that won't work, I can't do it, it won't work here, our customers don't like it and if I say, well what would happen if our customers actually did like it?

What would happen if we went to our customers and we talked to them about this or what would happen if I put together a customer advisory board and had them help us craft the offer that we have for them? These are all sort of ways of using that question is three different scenarios right there but what would happen if there's a really powerful question?

**[0:11:46.8] WS:** What would happen if we learned to delegate, right?

**[0:11:50.4] JP:** Right. This is Mike Row.

**[0:11:53.4] WS:** Yeah, that's right. You might gain more time to do more important tasks, right?

**[0:11:58.1] JP:** By the way, another thing which might fit in with your listeners is of creating a cash flow positive or cash flow flush business? Is making sure that your price what you're doing effectively. One of the things I think in real estate which I just don't understand is people buying investment real estate that doesn't cash flow.

**[0:12:17.6] WS:** Doesn't make any sense to me either.

**[0:12:18.9] JP:** The reason they buy the real estate is, well, they say that this is what they tell me they say. Well, it's going to go up in value. It's going to go up in value enough to overcome the deficit cash flow that you're taking money out of your pocket to do that with. You know, that's an example of pricing being bad with the investment that you're making and one of the things that you always need to be doing in fact almost, my work with any business that has less than five employees. I can almost guarantee the pricing model stinks.

Unless they fix that pricing model, they are never going to have enough effect as cash in their business to allow them to hire the people to grow.

**[0:12:58.9] WS:** So, elaborate on what we're pricing, you know? Or like, is this something we're selling, is this something we're – the way we're paying employees, what exactly?

**[0:13:07.9] JP:** This is around what we're selling. If I'm investing in real estate and I'm going to buy a 10-unit apartment house and I spend two million dollars on this property. My cash flow doesn't pay for my cost, they gave me a reasonable return that allows me to actually have a business out of it. My answer for that investment needs to be "no". Because, I'm not really sure whether that property's going to go up in value or down in value. What I am sure about is I have a bank note to pay every month. I have property taxes to pay every month.

I may or may not have utilities to pay and if I can't pay those things, I have to take money out of my pocket. I'm on the road to bankruptcy, I'm not on the road to financial freedom.

**[0:13:58.5] JP:** Yes.

**[0:13:59.0] WS:** Because we can't control the market and you don't know what it is going to do for sure so yeah, I couldn't agree with you more and cash flow is one of the biggest things. One of three big things that we always talk about you got to buy for cash flow not appreciation but yeah and the other aspects of the business as well.

**[0:14:14.0] JP:** Appreciation if it happens it's great but you know if I bought the house, I bought for appreciation. I would be sorely disappointed. If I bought this house 34 years ago and is barely doubled in price since I bought it that is a stupid investment.

**[0:14:29.5] WS:** You got to have a house right but yes, so if you were looking at it as an investment.

**[0:14:33.6] JP:** Well you've got to live some place so I didn't buy it for appreciation but, as it turns out, you know, and if I sell it I'm not going to go live in a tent. So, the house that you live in is not a financial asset really.

**[0:14:47.5] WS:** So would you help us to better understand maybe some ways that you have delegated things on a daily basis that we are probably working on as well to create more time for yourself or help us to be better at delegating like you talked about because really it is not so much as skill or maybe you can elaborate on how you said that again.

**[0:15:05.8] JP:** Well here is some first question I want people to ask, I like you to write down everything that you do during the week and then I want you to write down next to all of those things you do during the week, how much you would have to pay somebody else to do it, and if anything comes up that is 15 dollars an hour or less, you need to delegate that today because if you're working for 15 bucks an hour, and that is where you think you need to spend your time, there is no way you can build a sustainable business.



You want to be thinking about what can I do that is worth \$5,000 an hour not where can I do this worth \$15 an hour and then after you delegate all of those \$15 an hour jobs then you want to go up to \$20 an hour jobs and up to 25 and then you finally want to keep raising that number until the only thing that you are actually doing in your business are things that create at least a thousand dollars per hour.

**[0:16:08.0] WS:** That is good. That is really good.

**[0:16:09.9] JP:** So that is a really good way to start thinking about what I should be delegating because the truth is what you should be delegating is going to be different for every business, but every business can figure out what it would cost for somebody else to do that particular activity and if you start taking saying let's say I have five hours per week worth of work and I am going to delegate that to somebody else because it is \$15 per hour, I have now created five hours of time for me to work a strategic activities, which move the needle.

Tactical activities just product a product and other people should be doing that if you are going to build a sustainable business as somebody else wants to own. You know at the end of the day, people don't buy your business for you. They buy your business for your systems, your people, your cash flow, all sorts of things but not you. So you need to get yourself out of the day to day operations if you want to have a business that somebody else would want to own at some time.

It doesn't mean you want to sell it. It just means you have done that and by doing that you have made yourself, your business and your cash flow a lot more valuable.

**[0:17:18.1] WS:** I like that. You know really to having the exit in mind, right? I mean as you are going through this process and how people are going to buy your business because of the systems that you have in place and it is for those systems go down to the employees as well it is going to make it successful right? Make it grow.

**[0:17:33.7] JP:** Yeah, you know you don't have to build your business to sell it by the way. There are other strategies you can use. They get the financial independence that does not include selling your business but if your business is sell-ready, you are going to make a lot more money from it. You are going to have a lot more fun and you are going to have a lot less

headaches than if you are running your business on a day to day basis and your job as a head fire fighter and you do all day is put out fires. That is how people get burned out.

**[0:18:02.0] WS:** I know you started with one employee. You went to nine employees but now someone getting started starting their own business how do you recommend we learn some of these things that we need to put in place? How do we learn how to work with employees and start to know what we need to delegate because I know initially it seems like it is such a big task and you really laid it out there, write everything down but how do we start to understand how to operate a successful business if we have never operated a business before?

**[0:18:25.7] JP:** That is a great question and a lot of is trial by error and the truth is most people aren't curious enough to learn how to run a good business. So the business always stays small and let me give you a couple of statistics which I think are really important to know when you are talking about building a business. It was 28 million businesses in the United States, only six million businesses have any employees at all.

That means 22 million businesses have no employees only 300,000 do more than five million dollars in sales and only a 150,000 businesses do more than \$10 million in sales. So that shows that less than 1% of business owners ever learn how to delegate because if you are going to want a \$10 million business you have to know how to delegate. You know I had a client that had a nice little \$6 million wealth management firm, they had 15 employees, everything ran through the owner.

She wouldn't give up any responsibilities at all so as a result their business is stuck at the size it is. It can't grow because she is not willing to let others take a ball and run with it. Everything has to run through her. Now she's got a nice little business, but it is not especially sellable. Now I bet you when the time comes to buy, she will find a buyer because an opportunity to grow the space was a bunch of dumb buyers.

**[0:19:50.2] WS:** It goes back to that trust and allowing people to make mistakes, doesn't it?

**[0:19:54.1] JP:** Yeah, if you made a mistake with her, she would excoriate of you. You should just tear you apart. I remember I made a bad mistake with that and it was something that was

right before I ended up getting cancer so I couldn't actually fix the mistake before it became bad and it was like, even though I had helped them grow from a profitable 140,000 to two million dollars a year, this \$300,000 mistake was the worst thing that could ever happen in the world. It really wasn't a mistake, it was a bad hiring we made.

We all make bad hires. But in – I have an assistant that really cuts that down and didn't have to work in that particular time but between the time we hired and the time they let them go, I ended up getting cancer so I couldn't really be involved as much as I wanted to with this client. But still all, it didn't make me want to get out there and take any risk because my head got chopped off.

That's the thing you can't do, I mean, this is something I did which was terrible was at my first four years of business, anytime somebody made a mistake which was every day, I would scream at him. Now, all they did was hide the mistakes which is really bad or plot to get even with me which is really bad also. Either one of those outcomes was a really bad outcome.

It was my fault for doing that and after I stopped screaming at people. People kept thinking I was a screamer, but the truth was I watch in their actions changed and they started to tell me the truth more and more. Or at least they would have a conversation with me about that. It's really important that if you're going to grow, I mean, first of all, it's a really rare person that grows a business that big and the people who do all are curious, they get involved and their trade associations which all have training how to become a better business owner.

They get into masterminds where they're working with other business owners in a small group like this stage or Young Presidents' Organization or just do an informal peer to peer group and they get together and say hey, I've got a problem with this employee, what should I do? They get advice from their peers and they read books and they go to programs and they learn what best practices are and they're willing to be uncomfortable while they're learning new skills because you know, when you learn a new skill, I'm going to bet that you don't do it really well right out of the box.

**[0:22:18.1] WS:** That's pretty safe to say.

**[0:22:21.8]JP:** I could say that with everybody. You know, when you write a bike, you not fall off a few times at first and what do you do? You get up, you've learned from like fall on you, go and learn how to ride a bike. Well, it's the same thing as we're adults, we have to learn how to ride a bike and frankly, we're going to make mistakes along the way, and we need to learn how to do that.

**[0:22:41.7] WS:** Wow, well Josh, unfortunately, we are running low on time but a few more questions before we have to go, I like asking every guest, how you've recently improved your business that we could apply to ours, is there recently you've done that's like okay, every business has to do this.

**[0:22:57.6]JP:** Well, I won't say every business has to do this, but I would say, you need to have a way of being found and you need to have a way of putting together a business model that doesn't have you working one-on-one with people.

The thing we're putting together right now is an online course, followed up by a membership which is going to help blue collar businesses learn how to crack the cash flow code in their business. They're going to learn the skillset they can do over an eight-week period and after that eight-week period, if they want help, now we're going to have a membership that they'll be able to join where they'll be getting ongoing coaching for solving the issues that will allow them to have a business that creates excess cash.

Not one that ease cash and always wondering where the next paycheck is coming from.

**[0:23:50.0] WS:** Good stuff. What is the one thing – if you had to pick one thing that's contributed to your success?

**[0:23:56.5] JP:** Getting clear on my values.

**[0:23:58.2] WS:** Interesting.

**[0:23:59.4] JP:** If your values led in values driven, life becomes a whole lot more fun that you just start working with people who don't fit in with what your belief system is. In other words, one

of my core values is win/win or don't play. If we're not going to have a relationship that's going to be a win/win. I'm not going to get into it.

**[0:24:19.3] WS:** I love that. Win/win or don't play, I like that a lot. Tell us – before we have to go, tell us how you like to give back?

**[0:24:25.3] JP:** You know, it's really interesting is that, my non-profit, really isn't non-profit. I work with businesses for nothing who I really like their mission. I like what they're doing. I give back in that way because I think that business is actually the strongest force for good in the country. Now, when I say business, I'm talking about privately held business. I'm not talking about public companies because I don't believe that they actually add value to the communities a lot except for jobs.

But if you go to a local business like you, you're concerned about your local reputation, you're concerned about what makes your business great and I want to work with businesses for free that get that message out to other people. For example, I work with an organization called Purposeful Planning Institute. Their job is to help other advisors do purposeful planning with their clients, they were cash flow negative, if they didn't get to cash flow positive, they wouldn't stay so I work with them on getting the cash flow positive.

I work with another group called the sudden money institute and with sudden money, they're about transitions and frankly, we as individuals handle transitions really badly and Susan Bradley, the founder of that group has put together a great set of tools for helping people manage transitions.

I believe in that mission, I believe this is an important thing to do. She wouldn't be able to hire me for my normal fee, so I work with her on a semi trade. She gets a lot more value than I do out of it, as far as monetary goes, I get the satisfaction of watching her group move out into the world and provide value to other people through her members.

**[0:26:10.8] WS:** Nice, thanks for doing that, ensuring that Josh, that's incredible and very important, tell the listeners how they can get in touch with you, learn more about you, how to connect and even how to get a copy of your book again, you might remind them.

**[0:26:22.0] JP:** I have like 19 websites, you're ready for all the websites? My main website that deals with creating excess cash in the business is [www.sustainablebusiness.co](http://www.sustainablebusiness.co). Now, sustainablebusiness.co, I have a podcast there, I've got my videos we do on a weekly basis there, I have a blog there, I have tons of information that you can get so that's the main place to go.

If you're interested in doing my little quiz to find out if you're on the road of financial independence, go to the [cashflowcode.com](http://cashflowcode.com) and you can take the quiz, it takes about seven minutes, if you want to find the book, it's at [sustainablethebook.com](http://sustainablethebook.com) or at Amazon. If you buy the [sustainablethebook.com](http://sustainablethebook.com), you get a free 20 minute coaching session with me and I wrote a 38 page little eBook and how to implement all the stuff I talk about in the book *Sustainable*.

By the way, if you want to just email me, you can go to [jpatrick@stage2planning](mailto:jpatrick@stage2planning), that's the number two. [jpatrick@stage2planning.com](mailto:jpatrick@stage2planning). Lots of ways of finding me.

**[0:27:26.8] WS:** Awesome.

**[0:27:28.5] JP:** Or just put Josh Patrick and Google and I pretty much fill the first three or four pages.

**[0:27:32.8] WS:** Awesome, all right, that's it, cool. Thanks a lot Josh, that turned out to be a great show.

**[0:27:37.3] JP:** Yeah, thank you.

[END OF INTERVIEW]

**[0:27:39.5] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

**[00:28:07] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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