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00:00 *INTRO* What if you could build a business in the modern world as big or as small as you want without having to compromise the things that were the most important to you in the very beginning? This is the Wealthy Consultant Talks podcast with Taylor Welch and Mike Walker. They share with you today their learning lessons from stories and their experiences over the past 10 to 15 years

00:24 *Mike Walker* and share with you right here, right now. Let's get into it. Hello, hello. What's going on, my friends? Mike Walker here with you and my friend Taylor. This, of course, is the TWC Talks podcast. Excited to have you on another episode. And we've got a good one today, Taylor. I'm excited to talk about this one. I can't wait. Take it away. Where are we going? We are going to talk about something that was honestly a revelation to me. I very vividly remember when this concept broke into my consciousness as an entrepreneur many, many years ago. And you brought it up just recently on an email. It was like, wow, this is great. This will help so many people. And that is how to handle scale and understanding the three bottlenecks and more specifically how to fix them, of course. But the concept, I want to kind of like share the visual here because I know that people are obviously listening in. So if you guys can just imagine a staircase and at the very peak of each stair is a little green check mark at the very corner, the outward peak of that stair, there's a green check mark. But on the inward part of the flat area of the staircase is a red X on each stair. It's like the flat plateau, if you will. Right. And as we talk about this, this is going to make sense, but I just want to have that visual in your brain that there are times in your business that you're going to be building for scale. And there's going to be times that you're going to actually be overbuilt. You're going to be over tooled for where you're at in the business. And this can cause issues. It can cause confusion if you're not understanding of it. So let's see if I set them up visually enough there, Taylor, on that one. But this concept of this plateau, this peak and plateau, peak and plateau and building and knowing when to scale, not to scale team and all these things, there's a lot going on there,

02:11 *Taylor Welch* man. Let's see if I can share if this works. You just tell me. Oh, no, it doesn't let me do it. Maybe we can put, we'll put the title of the post in the show notes so people can see it. You're talking about the law of the step. Essentially, it's the law of the step. And the problem with scaling anything is that scale is expensive. I don't know if you've ever listened to like Perry, not Perry Marshall's. It's who wrote 80 20. Gosh, what's his first name? 80 20 principle. Mike, I'm going to have to teach you how to read, bro. We're going to have to get you into, we're going to have to get you into books. Yes, I need to start reading. I've heard that I've heard it's a good thing. It is. Here it is. Here it is. Here it is. Pulling up Richard. Richard Koch. Richard Koch. It's his star principle. Thank

you everyone for patiently waiting for us to look that up. Star principles are the star businesses are the businesses that are growing faster than everyone else. And so if you can also picture traffic like you're stuck in traffic, everyone's going 30 miles an hour. And then there's a vehicle who's like on the side who's going 100 miles an hour, which is fast. And that's a star business. They're growing faster in their sector than everyone else. Stars eat cash. They are not profitable until they stabilize. So once that vehicle slows down, it's ahead of everyone else. And it begins to stabilize. Scale is expensive. And so the law of the step is basically like anything, anything that you're investing in for future scale is going to cost you current revenue. And people get stuck here because if you were taking, let's say, four clients a month, it's not that big of a deal. It's just four clients take care of them, do a great job. But then if you try to take eight clients, you can't do that. You have to hire staff. But when do you hire staff? Do you hire staff when you hit eight clients? Or do you hire staff before? Well, in most cases, you're going to hire to prepare for those eight clients. So you're going to have more staff than you need for a temporary period of time. And businesses get stuck here because they're unwilling to tolerate short term lower profits for long term higher revenues. And so when you are really scaling a business, you are investing profits back into the infrastructure of your company. And as such, you're going to experience the back of that step where you have more staff than you need. You have more resource, more resources tied up than you want to have. But your revenues haven't caught up. And so it's an issue of survival. You want to make sure you go all the way through to the other side, because businesses that try to go through, we're like, oh, no, no, no, no, like I'm losing profit. And then they go back and then they try it and they go back. They eventually just unwind because they never make it through to the next level. You know what I mean?

05:22 Mike Walker Yep. Yeah, totally. And that that was kind of what really, you know, again, dating myself here way over a decade ago, I was realizing that, you know what, it's actually, it's cost me money to grow. You know, I was in the stage of my business where it wasn't just a nice, organic jump to the next level. And like you just said, I brought in more clients and had more things going on. And I thought, well, naturally, I'm going to be making more money. And that was not true, because I had to bring in more people and more tools and different things to support that those new clients. And I realized, wait a second, it was actually more profitable for me to stay small. And so my first gut reaction, like, you know, the knee jerk reaction, I was like, oh, I should just stay small then I can't make money when I'm bigger. But to your point is, well, no, you need to break through that next level. And it's not just a, you know, one, then two, then three, it's more like one, then four, then 10. You got to find those next peaks of profitability. And if someone doesn't know that, though, you know, it seems really basic. Now I look back and like, you will do you know, but when you're in it for the first time, especially, it's pretty jarring when you bring in more money, and yet you've made less money. It's not necessarily that intuitive for somebody who's just experiencing for the first time.

06:35 *Taylor Welch* Yeah, you dated yourself for real. You talked about a decade. That's crazy, man. Mike, Mike, I know that he read the richest man in Babylon on scrolls. Pyrus scrolls. Yeah, so I was the one that wrote it. Interestingly enough, we had to call with with some clients yesterday that kind of brought this up. And it's someone who's growing really quickly. She's she's actually a little bit at the back of the step right now. But she's about to break through to the next to the top of the next step. And what she was considering is like, do I slow down revenue? Because I feel like, you know, I'm having to pick between do I keep growing or do I slow down and take care of clients? So that's the issue. She asked if is it normal to have to tolerate a lower experience for clientele so that you can scale the next level? And I said, No, I don't think that that's a good trade ever. Anything that passes along liability to the client rather than benefit or asset to the client is always a bad trade. But I said that, you know, be careful not to just throw bodies at the problem. Right. No, you don't want to just hire, hire, hire, hire, hire. So broken, we break it broke it down into three compartments, if you will, that I've seen from my data with working with several thousand of these experts that can stop you from breaking through to the top of the next step. So you want to talk about what you want, we want to break into what those are. Do you want to just hit

08:10 *Mike Walker* them quickly? Or how do you want to cover those? Yeah, let's break them down. I think this is going to be an important distinction for people. These three bottlenecks that we've referred to at the top of the call today, number one team, you know, this can mean your team is bad. It can mean it's lazy. I mean, there's a lot of, you know, there's a lot of elements there that, like you said, you can't just throw bodies at the problem. And this is something I see all the time, you know, working with our NBC clients is their question is, I don't know if I have an A player or not. And how do I know if I have an A player and if they're really the right one and inevitably, the, the, they kind of answer their own question, because if you're asking that, then you kind of already know the answer. But too many chefs in the kitchen, you know, is a legitimate threat. And to your point, it's not just, oh, well, I just need more people. And I know she brought that up yesterday on the call, like, well, do I just keep hiring more people? And it's like, well, no, let's go create, make sure we have the best team. But then secondly to that, this number two is systems. Make sure you actually have systems to support that growth. You know me, dude, I'm all about systems. But what are your thoughts when it in pass in reflection back? Are there any things that you know, helped you break through some of those plateaus with systems?

09:31 *Taylor Welch* Yeah, I think the point of the system is to reduce complexity for humans. So that's the real point of systems is in systems doesn't just mean technology, but it can include technology. When we talk about systems, we mean that there here's a here's something that has to be done every single time. The same way with the small margin of deviation, you know, small margin of error. And so a good system is something that can take what would normally be a bandwidth intensive activity and

condense it down to zero bandwidth for the person who's running that system. So when you think about like a basketball team, they have a set amount of plays that they use. And yes, there is there is agility and there's deviation inside of those plays. But when they run into it, when they snap into a play, it's muscle memory, their brains are not thinking, they are in flow. And so they're not using bandwidth to decide what to do. When it comes down to it, most business owners don't take the time on the front end to develop good systems. And this isn't even something that, you know, our team needs, we need to do a better job of this. And you're you mean you're a tag teaming a lot of this approach of like, look, stop making decisions, build a system because you're making the same decision every single time and you're having to use your your creative power to look at all the various, it's not necessary. And so with with this client in particular, you know, one of the things that will cause you to need to overstaff and have too many people is not spending the time developing solid systems. If you develop a system incorrectly, then you're going to have to have more people to fix the system. If you have no system, then you have to have more people to account for the lack of system. So it's really important that we nail this and we nail it correctly. And you can see that in even arena like I am coming into arena, I'm just removing and chopping off any complexity because we do the same thing every week. We show up, we teach people get inspired. They realize that they're, you know, they're going to be okay. They get motivated. And then some people don't attend and they need to see the replay. That's it. That is literally it. There's nothing else that has to go into that product. And so when you develop a system, you're really needing to say, look, how do I reduce Mike's bandwidth for this from an 80% to a 10%? And I need the system to take the rest of it. And the business gets more efficient. You ultimately need less people to have the same level of output. That's how I think about systems. And I had to learn this the hard way. There are several people on our team, like, you know, Cathy is systemology licensed right now. She's going through Six Sigma. I mean, she's the systems person. And it takes a certain type of person. If you're not this type of person, you need to find these types of people and hire them

12:41 Mike Walker and let them do it. Yeah. Yeah. It's a whole different. It's a whole way of looking at things at life in general, I would venture, you know, so yeah, finding that that systems thinking person,

12:54 Taylor Welch if you're not that person, it can feel very daunting. But one other, you know, one other thing, sorry to interrupt you. One other thing I just have to say before you forget is, is if you're listening to this, and you're very entrepreneurial, here's your risk. Your first risk is you don't have any systems. Your second risk is that you build the system and then decide to ignore it. And just keep that in mind, the system is only good as good as your ability to work the system. Like you can be great, I can sit down and I can develop my we call it maps, you know, my my 2023 map and I can make it beautiful and it's perfect. And when I'm designing it, I'm like, this is the best thing ever.

And then I can wake up the next day and completely ignore it. And it's not going to be good. And so when when you develop a system, work the system, and it will take you 30 days to feel good about the system. I'm just letting you know now, you're not going to feel good about it day one or day two or day 10 or day 15. You've got to run

13:52 *Mike Walker* data through the system and then make small tweaks. Yeah, love that for sure. So bottleneck number one, obviously, we have a team bottleneck number two systems. Lastly, bottleneck number three clients and this might surprise people. Yes, clients can actually be a bottleneck. And this is something that you know, we talked about all the time, there's there's really two main things that can break a business in particular in our space, because we are so much partnered and closely aligned with our clients, but you can have bad team and bad clients. And either of those create a pretty awful experience for the client. So let's jam on that a little bit about understanding

14:34 *Taylor Welch* what that looks like and how you can make better decisions about clients. Yeah, well, I think I think that when you take money from the wrong person, and then you're forced to work with them, it will really hamper your enthusiasm and your creativity. Creativity a lot of times is linked to enthusiasm. So keep this in mind. When a client of ours is struggling to have creative solutions to problems, I usually look at are they lacking enthusiasm? Do they have an exciting vision? Because nobody wakes up depressed and builds great creative solutions. Like is nailed back. Yeah, you usually have to be sort of enthusiastic about what you're what you're solving. So when you're when you're a founder, trainer, educator, coach, consultant, whatever you want to call yourself. Part of the ingredients is like, who do you work with on a daily basis? And if you have clients that you despise and you get bitter and you don't like them and you they're they're a drag on you, you're not going to be able to mobilize at scale. You're going to hate your job. Here's what I've learned about the human brain and the subconscious and the human spirit is we can say we want something at a conscious level. But at subconscious level, if we are afraid of the thing we say we want, we will run from it. So if you're in a position right now where you don't enjoy the clients you're working with and you don't enjoy what you're doing with your time, but you're saying I want to double my business, never going. It's never going to happen because your subconscious is your protector. That's what it is. And it's saying, look, listen, I'm going to protect you from this shit because you hate your job now with five clients. You're really going to hate it with 15. All right. And so this is a big deal because people will just they'll they'll take they'll sell out for the money. I'll take you as a client. What we're really good at over here is, you know, hey, this is not a great fit for you and it's not a great fit for us. And maybe you could do this instead. But we do not take money from folks that we don't believe should grow or will grow with our help or we don't like. I mean, it sounds mean. It's like, look, I'm going to spend a lot of time with the people that are in my circle and I'm going to

17:06 *Mike Walker* make sure that that circle makes me excited. You know? Yeah. Yeah. I love that. And I'm yeah, looking back, I've had more than one experience where you finally get through that euphoria phase of like, yeah, close new client excited. And then you go, Oh, no, now I'm now I'm kind of married to this person a little bit. And you're like, Oh, this is why did I do this? You know? So yeah, be careful out there, guys. You know, don't don't just be going for the money. Make sure you're energetically connected and excited with that person to help them on their journey because that is exceptionally true as a bottleneck. For sure. Bad clients. There is such a thing. Awesome, man. I love this. I think this was going to be really helpful, guys will, of course, you know, make sure that this graphic but just consider the staircase and understand with clarity where you are at in your business. Don't be scared to grow, but just understand that there's going to be seasonals, seasons and cycles in your business where profitability at some points actually does dip down a little bit in preparation for the next big phase of growth. And you just need to understand those cycles and and take them as as for what they are, which is preparation for the next big thing. You can't have peaks if you don't have some valleys, right? 100% Alright, guys, adios. Cool. We'll see you in the next episode, guys. See ya.