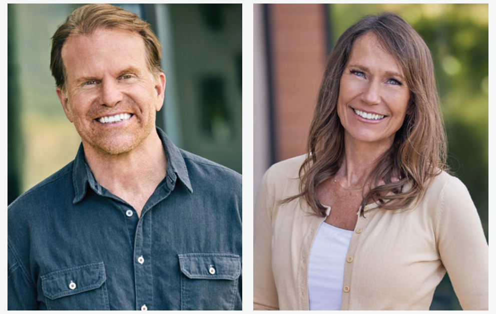

About the Authors

Rich and Kathy Fettke have been business partners for over twenty years and happily married for almost thirty years. They co-founded and built a successful enterprise business for real estate investors, helping more than 7,000 clients obtain more than $1.3 billion in real estate assets. They are the co-hosts of the *On the Market* podcast with BiggerPockets and have shared their insights as speakers at BPCON.

Rich and Kathy have built a self-managing business, which now allows them to live life on their own terms. Their latest passion is hosting retreats for like-minded entrepreneurs who want to scale their businesses the smart way.

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SCALING SMART

"If you're looking for sustainable growth, personally and professionally, then *Scaling Smart* is the book for you. The advice is accessible, wise, and potentially life changing."

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New York Times best-selling author of
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HOW TO DESIGN A SELF-MANAGING BUSINESS

SCALING SMART

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SCALING SMART

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CHAPTER 1
WHY GROW?

If you want success in one to three years, you might be disappointed. Stick with it and be consistent. Getting 1 percent better every week compounds to incredible lengths, but only if you let the compounding progress.

—SCOTT TRENCH, CEO, BIGGERPOCKETS

What would you rather have: a company that earns $10 million and spends $12 million every year or a company that earns $5 million and spends $4 million every year? One company sounds like it's in debt. The other sounds like it has profit, reserves, and funds for further growth.

We like the second company.

Debt is not a bad thing if it helps accelerate your growth and if you have a plan to pay it off with increased revenue. Many business giants like Zillow, Pinterest, and Lyft have been running at a loss for years. But how sustainable is that?

We understand why so many people get ahead of themselves when it comes to growing their businesses. It's tempting to want to be a big shot, and it looks so easy when others are doing it right. Plus, in the business world, "growth" is the big buzzword. If you're not growing, you're dying.

But *sustainable* growth is the key to survival. Business giants like Amazon, Apple, and Berkshire Hathaway have been able to sustain meteoric growth, despite challenges, because they know how to grow and they know how to scale.

GROWTH VS. SCALING: WHAT'S THE DIFFERENCE?

Let's break down the differences between "growth" and "scaling."

Growth: Think of it like this—you put in some resources (money, people, technology), and in return, you get more money. Sounds good, right? But the more you grow, the more resources you need to maintain that growth. For instance, if a real estate brokerage gets more clients, they'll probably need to hire more people. And then the brokerage will need to keep all those clients, or get even more clients, to make enough money to keep everyone employed. Yes, growth is important, but you need to be careful of *how* you grow. We'll talk more about that in this chapter.

Scaling: Now, scaling is where the magic happens—your business makes more money by using cost-effective strategies to scale up. You still grow, but without spending a lot of additional resources (money, people, technology) to achieve this growth. For example, if you send an email to one hundred people, it wouldn't really take much more effort or money to send it to 100,000 people, right? Or if you want to host an event, you could put on a webinar and your costs would be pretty much the same no matter how many people attend. However, if you held the event in person, that would involve a room rental, and your costs would increase as the number of attendees increased.

Both growth and scaling are important, but the trick is knowing when to focus on which. If you only focus on growth for too long, there's a good chance you could end up allocating too much capital and resources trying to constantly up your goal. You might end up growing your business broke.

The Tortoise and the Hare: Regus vs. WeWork

Let's look at two case studies of growth: WeWork and Regus.

WeWork is a great example of a company that took off like a rocket ship. They started with a great idea to build collaborative, more affordable workspaces to support budding entrepreneurs. They grew and grew, and SoftBank invested billions of dollars into the company. The company was valued at $47 billion during its peak in 2019. However, a few months after this valuation, WeWork filed for an IPO. Documents showed that the company was losing $219,000 every hour! The losses skyrocketed in 2020, when the pandemic hit and office spaces were shut down. They still went public in 2021, at a $9 billion valuation, despite the filings showing billion-dollar losses. Not surprisingly, WeWork filed for bankruptcy in 2023.

While you could certainly blame the company's challenges on the pandemic, its competitor Regus has a different story. Regus experienced major losses during the pandemic too, but it was able to bounce back and have even higher returns in 2023 than before the pandemic.

What was the difference?

You could call WeWork the hare. They came out fast and flashy. While coworking spaces weren't new, their "cool" factor, targeting a young, hip demographic was. Investment money poured in, but instead of using it to vertically integrate and improve the core business, WeWork used it to create an array of new businesses: WeLive, WeGrow, Rise by We, WeWork Labs, and WeWork Food Labs. The result: high debt, poor accounting, and contracts that couldn't be fulfilled. They simply tried to do too many things at once, not giving energy and focus to the core business.

Regus, on the other hand, took the tortoise approach. The company is no-frills. You get access to a normal office, a shared conference room, and support from the front desk receptionist. You share the coffee maker, not shots of Don Julio 1942 tequila. While perhaps not as exciting, Regus stuck with the model of providing a place to do business, not throw parties.[2]

You may be wondering if this tortoise-versus-hare debate applies to you if you're not planning to build a multibillion-dollar business. We say it does.

Through the years, we have seen smaller entrepreneurs with great ideas do the same thing: They try to grow too fast by taking on too many expenses and too much debt, only to find themselves cash poor and, eventually, bankrupt or broke. They get cocky before they have experience or a track record, and before their business has been tested against the inevitable ups and downs of life. Not only have we seen others do this time and time again, we've even done it ourselves. It's no fun to have to tell your employees you can't pay them this month when they have mouths to feed at home.

Nothing beats the peace of mind of having reserves. No idea is worth going into debt for if you don't have a clear path to get out of it. And, most importantly, no business or idea is worth taking you away from the things that matter most to you, only to end up worse off than when you started. This is why we are so passionate about helping you take your great idea and scaling it the smart way.

2 Sarah Jackson, "'Activate the Space': WeWork Foundeer Adam Neumann Made Staff Sit at Empty Desks, Throw Parties, and Play The Notorius B.I.G. When Investors Toured Buildings, New Book Says," *Business Insider*, July 20, 2021, https://www.businessinsider.com/wework-staff-throw-parties-fill-empty-desks-cult-of-we-2021-7.

THE DANGERS OF GROWING TOO FAST

At business events and on social media, it can feel like everyone's shouting, "Let's 10x this baby!" It's like a viral dance challenge, but for businesses. It can be intoxicating, but it can make you feel like a loser if you're not on the Inc. 5000 list of fastest-growing businesses every year.

We are not knocking the 10x goal. In fact, we've 10xed our own business a few times—and it does feel great to be on the Inc. 5000 list three years in a row! What we're saying is that if you try to 10x without the right systems and processes in place, you could end up in the same place as WeWork—spending more money than you're making and eventually filing bankruptcy to restructure things the way you should have in the first place.

We have been to many events where a newbie comes to us and says, "I want to be a real estate syndicator like you and raise money from investors. How do I do it?" We then ask, "How much experience do you have in real estate?" Oftentimes, we discover they are just starting out. This is a recipe for disaster! Few people can scale a company smartly if they don't really know the business they are in or how to run a business at all.

Seeing new business owners wanting to hit that 10x (or, dare we say, 100x) in a flash worries us like parents hearing their kid say, "I'm going to jump into the deep end of the pool!" when they still don't know how to swim.

Aiming for the stars is cool. But (and it's a big but) you've gotta be real about your timeline. Zooming your business into hyperdrive has its pitfalls. Let's break them down.

OPERATIONAL OVERLOAD

Imagine trying to run a marathon in the same old tennis shoes you've had for the last ten years. That's your old system trying to handle your mega expansion. Rapid expansion can stretch—and break—the capacity of your company's operations. The infrastructure, systems, and processes that worked for your company when it was smaller might not handle the demands of a larger organization.

QUALITY SLIPUPS

Speeding up can sometimes mean slipping up, and the quality of your products or services takes a nosedive. Compromising the quality of your products or services during rapid expansion can upset your loyal customers and mess with your brand's reputation.

TOO MUCH FINANCIAL INVESTMENT

Aggressive scaling can require significant financial investment. But not all of these will give you the returns you dream of, which can sting the wallet. If your risky investments don't provide the anticipated returns, you make your company financially vulnerable.

STRETCHING THE TEAM TOO THIN

Pushing for quick growth can feel like you're all pulling all-nighters, which can lead to burnout and saying unexpected goodbyes to your team members. Rapid growth can strain your team, potentially leading to high turnover rates and challenges in maintaining your company culture.

CULTURE SHIFTS

Remember the vibe when you first started? Rapid growth can bring in new people who might not embody the original values and ethos of your company and jell with that original spark. Maintaining a solid, connected company culture during rapid expansion can be tough.

DEBT DILEMMAS

To fund turbocharged growth, some business owners take on debt or sell parts of the business to raise equity—which can be a dicey game of higher interest payments, reduced profitability, or dilution of ownership for existing shareholders.

CUSTOMER SERVICE ERRORS

More customers can lead to more problems. With a surge in buyers or clients, your company's existing service infrastructure might get overwhelmed, leading to potentially unhappy customers.

DECISION-MAKING BOTTLENECKS

With growth can come the "too many cooks in the kitchen" problem. Making choices might take longer, and not always in a good way. As the company grows, decision-making can become slower or more bureaucratic, impacting agility.

SUPPLY CHAIN OR CONTRACTOR SURPRISES

Growing too fast may mean you'll become more dependent on your current suppliers and contractors, or that you'll need to find new suppliers and contractors to meet your increased demands. This can introduce some major new challenges if your current vendors can't meet your needs, or you can't find suppliers and contractors who can.

EXTERNAL CURVEBALLS

The world's a wild place. Recessions, international drama, and pandemics can throw off your scaling plans. Whether it's an economic downturn, a geopolitical issue, a global health crisis, or something else, unforeseen factors will impact your company. Scale too fast and you won't be prepared to handle these curveballs.

"Speed Kills": Explosive Growth Can Sabotage You

One of the dangers of trying to grow a business too fast occurs when damaging forces beyond your control happen—and sooner or later, they *will* happen.

Brian Scrone had a very successful BRRRR (buy, rehab, rent, refinance, repeat) company in California with about twenty employees. He sold all his properties for top dollar in 2006 and 2007. Then, instead of taking time to breathe and evaluate his options, he plunged right into his next project.

"I was young, and the business had millions of dollars coming in. I wasn't married, I didn't have any children, I was very flexible. I liquidated out of California and plowed millions of dollars into Florida in 2006 and 2007. And then, 2008 happened and I got crushed. I had done our homework; I had identified a market in Jacksonville with sound fundamentals. But [it was] the wrong neighborhood and wrong timing. I was using way too much leverage or debt with the banks. To be candid with you, I should have sat on the sidelines, but I didn't have that crystal ball to show the 2008 crisis looming around the corner.

"There's a saying that 'speed kills.' If I had taken my time, I would have had a ton of breathing room, as much as I needed again. But I grew up around New York City and Wall Street, where it's very fast-paced and very competitive. Like, get out, get after it. That was just part of the way I was raised. Grind, grind it out.

"But now I don't. I am still a huge fan of having a really good work ethic, but now I'm much more of a fan of working smart. And I think there's a healthy hybrid of those two. Once you have a mature business, you can probably work a lot smarter and a lot easier."

Brian learned some valuable lessons, got clear on what's important to him, and decided to scale down. Now, with a wife and kids, he wants time for himself and his family. His company is still making plenty of money but with a much smaller staff and the bulk of his team on commission, so the company can scale based on the season.

"I learned a lot about being able to scale and having a good-size team and a good-size portfolio but not a lot of fixed overhead. We are now very conservative with debt, and I have a much smaller portfolio of homes that are low leveraged. Now if there's a downturn, I'm not scrambling."

GROW WISELY, NOT FAST AND FRANTIC

Inch by inch, life's a cinch. Yard by yard, life is hard.

—UNKNOWN

FOMO is real. The fear of missing out got a lot of people in trouble in 2022. Due to low interest rates in 2021, apartment owners were selling their properties for often twice what they'd paid. New investors flocked into the business with the hopes of reaping similar rewards. Unfortunately, for many, they were too late to the game.

In 2022, the Federal Reserve hiked interest rates, bringing the commercial real estate industry to its knees. Anyone on an adjustable-rate mortgage saw their payment more than double, which cut their cash flows in half. One investment group was hit so hard, its bankruptcy filing made headline news in the *Wall Street Journal*: "Houston Apartment Owner Loses 3,200 Units to Foreclosure as Multifamily Feels the Heat."[3] The article goes on to explain how the owners, Applesway Investment Group, had borrowed nearly $230 million to acquire four apartment complexes during the pandemic. But by 2023, the interest rate on those loans had gone way up—one of the properties went from 3.4 percent to 8 percent! Investors lost everything.

It would be easy to blame this failure on the fact that the chief executive of the investment group, Jay Gajavelli, was a new syndicator with only a few years of experience as a multifamily operator. But larger, more experienced firms faced a similar fate. Veritas, a San Francisco–based private equity firm, defaulted on a $448 million loan on their apartment

3 Will Parker and Konrad Putzier, "Houston Apartment Owner Loses 3,200 Units to Foreclosure as Multifaimly Feels the Heat," *The Wall Street Journal*, April 11, 2023, https://www.wsj.com/articles/houston-apartment-owner-loses-3-200-units-to-foreclosure-as-multifamily-feels-the-heat-fb3d0e75.

portfolio[4] at about the same time, and the Blackstone Group was negotiating its debt for properties in New York.[5]

Similar companies that had either locked in fixed-rate debt or took on less debt survived the rate hikes, since demand for apartments had not waned. To play the long game, you have to think long term.

The Applesway Investment Group had been very successful on prior projects, due to great timing. They didn't need to take unnecessary risk. Had they slowed down a bit and opted for slower, more sustainable growth, they would be in a cash-rich position instead of bankrupt. Many people in business have a strong desire to grow fast and be "uber successful," but they often don't know why that is their goal, and they end up self-sabotaging like the companies we just mentioned. Before you get caught up in chasing success, make sure you take some time to look at your "why," which we'll discuss more in Chapter 2.

Scaling, One Step at a Time

Kevin B. Rosenbloom is a sports pedorthist and biomechanist who helps patients with foot, leg, hip, and back pain. As CEO of KevinRoot Medical in Southern California, he empowers clinicians worldwide to help patient performance and outcomes with innovative orthotic and shoe gear technology.

How did he scale from a scrappy start-up to a multimillion-dollar company in just ten years? Kevin says he found success by keeping expenses and debt down and cash reserves up, which allowed him to seize big opportunities when they came along. At age 27, Kevin was a rep for an orthotics company selling custom-made, medical-grade shoe inserts you buy from your doctor. When the company shut down, Kevin went to his doctor clients to see if they would still like to work with him if he opened his own lab. Some said no, but a few said yes. That's all he needed to get started.

He got another sales job to cover his overhead and on the side built a lab to manufacture orthotics. "I decided I'd be the best at one thing," he says.

4 Kevin Truong, "San Francisco's Biggest Landlord Defaulted on a Massive Loan," *The San Francisco Standard,* January 13, 2023, https://sfstandard.com/2023/01/13/san-franciscos-biggest-landlord-defaulted-on-a-massive-loan/.

5 Jack Sidders, "Blackstone Reaches Deal With Bondholders on Defaulted Nordic Debt," *Bloomberg,* December 15, 2023, https://www.bloomberg.com/news/articles/2023-12-15/blackstone-reaches-deal-with-bondholders-on-defaulted-nordic-debt.

Kevin didn't have fancy scanning technology, so he rented a garage and bought the basic supplies he needed. He focused on taking great care of each client, which turned into many more referrals. He made it a high-service business, scaling one raving client at a time.

"I wore a suit and tie to doctors' offices, and said, 'Let me make an orthotic for you, doc,' and I'd give him one," Kevin explains. "I'd teach doctors how I did it and how I could help their patients."

He wanted to buy scanning equipment, but it was too expensive. He had befriended a sales tech for a CAD (computer-aided design) technology company, who referred him to a business owner who had already bought all the equipment and now wanted to sell his company. Kevin was able to buy it with money he'd saved, gaining $300,000 worth of equipment for $160,000—plus access to another ten clients.

That's when Kevin learned he could really scale his business by buying other businesses. This could include failed businesses or those from retirees or owners' widows. "I never got a loan, though they're available. I just did cash buys, seller financing, and sometimes took over businesses for a share in profits," he says.

It has been more than twelve years since Kevin opened his lab, and he now works with professional athletes worldwide. He travels the globe to assess materials and technologies, studying with the best of the best to ensure his clients are getting the most premium products and service, and has a top-notch staff helping his company soar.

"I have a twenty-year goal to be the most well-known orthotic company," he says. "I want to help people perform better. I want to work with more professional athletes and team up with doctors of the top athletes in the world."

Meanwhile, Kevin continues to scale his business. "I've had offers over eight figures. But I'm not ready to sell yet. I'm still building."

THE TRAP OF "BIGOREXIA"

Back in the eighties, when I (Rich) had a flowing red mullet and neon baggy pants, I was also a competitive bodybuilder. (Figures, right?) For ten years, I entered competitions ranging from the tiny Salisbury Beach Physique Competition all the way to Mr. Massachusetts (where I placed second). Bodybuilders are not really known for their humility. They can come off as vain and uber confident. They seem like they could be the main characters in an action movie called *Mirror, Mirror on* *the Wall*. But trust me, beneath those rock-hard pecs and biceps, many of them have a soft, insecure heart pumping, often whispering, "Am I swole enough?" From my experiences and conversations with many of my fellow Arnold Schwarzenegger wannabes, there is often a "not good enough" thought process going on in their minds.

We called it "bigorexia" back in the day—just the opposite of its better-known sister, anorexia. For many bodybuilders, the bigger they get, the more they feel not big enough. Even when others are saying, "Dude, you're looking so buff you're scaring children"—or in the case of my ever-so-delicate Nana, "Rich, you look grotesque"—many bodybuilders can't hear it. Their inner critic's volume? Turned up to eleven.

So rather than walk around in a T-shirt or tank top, people who suffer from bigorexia will wear oversized sweatshirts and baggy pants to try to hide their perceived lack of size. It really is a syndrome that I used to have, along with many of my gym-rat brothers.

Why do I share this? Because now that I've been a business owner for more than thirty-five years and have coached hundreds of business owners and spoken with many more, I've seen that bigorexia can also be a syndrome of entrepreneurs! Nope, it's not about flexing biceps; it's about flexing their business might. No matter how many zeroes are added to their profit, a gnawing thought persists: *Still not enough*. No matter how much growth they experience, there's this belief that it's never enough. (We will discuss ways to battle business bigorexia in Chapter 2.)

UNDERSTANDING YOUR INNER VOICE

What's causing that need to be bigger, faster, and flashier? It could stem from an underlying, deep-seated belief that we don't measure up. A little voice inside our heads, a voice that we may not even be aware of, whispering, "It's true, you aren't enough. No matter how hard you try, I know the truth. You're a loser."

We call this little voice the Gremlin. Many people spend their entire lives trying to prove it wrong. Sometimes they numb it with drugs and alcohol or other addictions. Sometimes they become workaholics to prove they're not losers—chasing status, wealth, and achievement.

Why does the Gremlin exist?

The first eight years of our lives are said to be our most formative years, when our belief systems set in. And let's face it, children aren't always the nicest to each other. Some adults aren't either, for that matter.

For me (Kathy), I was the youngest of five children. I grew up hearing, "You can't play with us. You're not good enough." Or as my sister, who has since apologized on many occasions, would say, "You're ugly. You have buck teeth, so you can't play Miss America with us!"

While I had what most would consider the perfect middle-class upbringing, I still processed these insults as if they were true—even after I got my teeth fixed!

Rich grew up with blazing red hair and freckles. He didn't look like a Ken doll. Add to it that he was hyperkinetic and couldn't pay attention, flunked most classes, and his teachers sent home notices saying he "lacks what it takes to succeed." (Yes, this was allowed in the '70s.) He grew up believing he was ugly and stupid. Now you see why he was working out so hard and getting those spray tans—he wanted to prove the Gremlin wrong.

Unfortunately, our subconscious is way more powerful than our conscious mind. That means no matter how hard we consciously try to overcome our childhood traumas, our subconscious wins every time. That is … until we become conscious of our subconscious.

Remember the monster under our beds that terrified us as children? What happened when we turned on the lights? No Gremlin. Nothing to fear. The same is true of our inner Gremlin. As soon as we shine light on it, it disappears. In other words, the more we can recognize the inner voice criticizing us or scaring us, the less power it has.

Suffice it to say that our addictions to money, power, status, and even drugs stem from old stuff that was thrown at us when we were young and too small to be able to handle it. As we grow up, we can overcome it because we are older, wiser, and more powerful. We just need to be able to hear and recognize that inner voice, so we can have a conversation with it, instead of letting it control us.

Conversations with our inner voice? Sounds crazy, but crazy is what happens when we don't engage and understand where that inner voice comes from. In this book, we hope to help you recognize the voice of the Gremlin, or any other voices that are not authentically yours. We don't want you or your business to be held back.

If you keep listening to that inner critic, you will constantly feel frustrated, overwhelmed, stressed out, and like you are not doing enough. Be careful of your inner critic—don't let it twist your negative thoughts into false beliefs.

FOR THE SAKE OF WHAT?

Years ago, Rich was at a coaching conference where the keynote speaker was a consultant who specialized in working with companies and government agencies to improve their effectiveness as they continued to grow.

The speaker shared a story of how he was hired to work with the elected leaders of a county to help them organize and clarify their annual plan. They told him they were focused on rapid expansion in the next two years by adding new residents and more retail and increasing tax revenue.

He wisely asked the leaders, "For the sake of what?"

That led to hours of discussion around that question. By the end of it, the officials realized they still didn't have a good answer. They eventually decided to ask the residents to vote on what they wanted. The results? The residents wanted a slow growth plan for the county instead.

When you think about your goals and vision for your business, you must ask yourself: For the sake of what? Why do I want this? Why is this important to me? What difference will this make for my customers or clients?

Once you get that perfect answer (because you do know the answer, deep down), ask yourself the following questions to get some clarity on your business growth plan:

1. What's the rush? Why do I need to achieve this goal by a specific date?
2. What will I have to say no to if I say yes to this?
3. How is this in alignment with my values and my purpose?

Here's an example of how to use these questions to find clarity.

Rich came to one of our leadership meetings with an idea. He had met someone at a mastermind who offered mindset coaching to people who weren't ready or able to invest in real estate. This coach told Rich he would pay our company 30 percent of any revenue he earned if we referred clients.

"For the sake of what?" asked Amy, our director of marketing. She had been well trained to ask this question and was also the one who usually ended up saddled with more responsibilities whenever a new idea needed to be implemented.

Rich replied that only about 20 percent of our members at RealWealth are able to invest in property, so this program could help the other 80 percent.

“Do we need to do this now? Is there any rush?” Amy asked.

“No, not really,” Rich replied.

“Okay, when would you want this done, and what would I have to say no to if I say yes to this?” she asked. She was already booked solid with initiatives from our quarterly goal-planning meeting.

That’s when Michael, our director of finance, jumped in. “Hey, wait, aren’t we reading *10x Is Easier Than 2x,* by Dan Sullivan, right now? He said to focus on the 20 percent of our business that brings in the most results. Isn’t that where we want to focus, versus the 80 percent of our members who aren’t as engaged?”

Rich laughed. “Well done! You’re right. You all have done your homework so well. We will scale much faster if we focus on our core business and give excellent service to the people who want what we offer. If we scatter our attention, we can’t be as great at the main thing that we are known for: simplifying the process of investing for busy professionals.”

Next time you or someone on your team has a brilliant idea they want to tackle, before jumping in, be sure they consider how it will affect the other initiatives already underway. At RealWealth, we put all our new ideas through the BOA, which we’ll discuss in Chapter 9.

For the visionaries and dreamers out there, you may want to work with someone to help you answer these questions. I (Kathy) am lucky enough to be married to an experienced business coach, so I am constantly challenged on my never-ending desire to grow.

Whenever I have a new idea or a new project I want to take on, Rich will ask me the questions above. Often, it becomes clear the new ideas are not supportive of the goals we already set and would be distracting to the teams. This doesn’t mean the idea gets thrown out. It just gets added to the wish list of things to do, which can be discussed at the next quarterly goal-planning session. That way, the team can make sure an idea fits into the big picture of what we want and what our clients need.

The Entrepreneurial Virus

Dan Coleman, our business coach, is a strategic guide and leadership team coach who helps companies perform better. In the past ten years, he’s coached more than seventy companies, with revenues ranging from $3 million to $350 million. He works with growth-minded entrepreneurs who are very coachable and willing to invest in their team and do the work.

One problem he often sees is something he calls the "entrepreneurial virus."

"It's entrepreneurs who can't decide between what they *should* be doing and what they *could* be doing," he says. "This is a hugely critical point, because entrepreneurs are like hammers looking for a nail. Just because we can be doing something doesn't mean we should be doing something. That's a critical point a lot of entrepreneurs miss. I know there are always budgets in mind, but the entrepreneurs that go big and get the best results are focused on the who, not the how. You've got to fight the entrepreneurial virus of thinking you can do it. Because, to quote Seth Godin, 'Busy is not the point.'"

LET'S BE CLEAR: WE LOVE GROWTH!

Just to clarify, we're not trying to be downers or rain on anyone's parade. We're super passionate about businesses that bring positive change and truly light up your spirit. We just think it's worth mentioning that speeding things up too much can sometimes backfire. We hate to see anyone feeling overwhelmed or facing setbacks. Slow and steady often wins the race and can make the race more fun, full of joy, and lucrative. Growing our business has brought amazing results for us. But we also discovered along the way that growing too fast without the right systems in place can bring lots of pain. We want to help you avoid that.

So, what's the play here? It's simple: Plan, reassess, and double-check that growth timeline of yours. Going big is awesome, but do it at a pace that doesn't throw you off track or starve your entrepreneurial soul.

CREATING A GROWTH PLAN

Do you have a growth plan for your business?

Every January at RealWealth, we look at where we'd like to be in three years and then in ten years. Three years is easier to imagine; ten years can feel like a stretch. But that ten-year goal is what can really get the team excited. For example, in our inaugural ten-year-plan meeting, our team came up with a goal to give $1 million to charity through profits and to help our members acquire over $1 billion in real estate investments. Ten years later, we are almost there! While it was a stretch and we haven't quite made it yet, we wouldn't have come close without this plan.

Here are some things to consider when coming up with your growth plan:

- Who's your target market? Has it changed since you last planned or since you started your business?
- How are you best serving them? How can you do more of it and take it to the next level?
- What is your competition doing, and how is your company different?
- What have you been able to accomplish successfully in the past?
- What are some new opportunities your business could pursue that align with your core business focus?
- What are some obstacles/threats/risks that could challenge this plan?
- What do you see as income/cash flow from this new plan?
- What added costs do you anticipate?
- Who can help you get the word out about your awesome product or service?

Note that this plan will change over time as your business grows. You can attack the plan with quarterly goals and then reevaluate your current growth plan once a year, making changes to ensure your plan reflects where you are in your business.

Scaling for Real Estate

Elaine and Nick Stageberg of Black Swan Real Estate scaled their real estate portfolio from one rental to more than 1,200 units in just ten years.

In 2014, they had saved enough money to buy their first fixer-upper. It was after the housing collapse of 2008, and properties were still relatively cheap, especially in Oklahoma City where they lived. They bought a foreclosure for just $35,000 but only had $15,000 left for renovations, so they chose to use their credit cards to cover additional costs.

They were all in at $65,000, but the property appraised for $100,000. They were able to do a cash-out refinance at an 80 percent loan-to-value and get all their money back, pay off their credit card balances, and still have an extra $15,000 in profit. That's the day they realized they needed to do this over and over again.

*****NOTE:** It is important to evaluate your own finances and credit score before making a decision to use credit cards in lieu of cash.

Then they discovered the power of leverage to scale their real estate business. After moving to Rochester, Minnesota, they bought an old duplex in need of repair for $125,000. They hired handypeople to help them get the renovations done faster, and the duplex appraised for $250,000. Again, they did a cash-out refinance and got all their money back, plus more. After doing a few more of what is now called a BRRRR (buy, rehab, rent, refinance, repeat), they'd built a small team of handymen and created relationships with roofers, plumbers, and HVAC technicians.

They needed money for more deals to keep growing, so they began securing loans from friends, family, and coworkers. Nick got his real estate license so they could look at properties at night after work, have access to available properties they didn't know about before, and keep the commissions they had been paying to agents.

Their small pool of private lenders grew to $1 million, and their rental portfolio blossomed to thirty-five properties. It became clear they could no longer manage everything themselves. They started a property management company to manage their growing portfolio and began hiring contractors, then employees. Elaine and Nick could focus on what they were good at and let others do what they were good at.

They scaled again by managing multifamily properties along with their single-family properties. When they learned that small multifamily properties weren't that different to manage than single-family properties, they reached out to their private lending partners and asked if they wanted to do joint ventures instead of lending.

Hiring the right team and becoming deeply vertically integrated also helped them scale. Instead of using other companies, they hired their own maintenance teams, cleaners, snow clearers, landscapers, and trash removers.

In 2021, they found a ninety-five-unit building for a great price. However, they needed much more money up front to both acquire and renovate the units than could easily be raised through a small joint venture. It was time to look at syndicating.

*****A real estate syndication is a group of investors who acquire assets together, managed by the general partners.*****

Elaine and Nick decided to set up their first private equity fund in the same way they had structured their joint ventures: with no general-partner-level fees, all profits first going to return investors' capital, and a 50/50 split thereafter. Syndicating became a reality for them. They grew from a few hundred units to over a thousand in just a few years.

Sometimes, scaling means not taking external action. When multifamily prices peaked in 2023 and interest rates also spiked, inventory in Elaine and Nick's target markets dried up and acquisitions ceased. Instead of trying to make the numbers work, like so many other operators did at the time, Black Swan Real Estate focused on improving their internal systems and processes, so they could operate their buildings as efficiently and profitably as possible. This was the year they expanded their vertical integration into cleaning, lawn care, snow removal, and minor landscaping. By 2024, when multifamily prices came down—as much as 30 percent in some areas—they had new and improved processes and were ready to get back into acquisition mode. Today, they have fifty full-time employees in Rochester and nine virtual assistants.

Elaine attributes their staggering scale in a relatively short period of time to the following principles:

"First, you must have a vivid vision of the future. See your goals as though they have already happened, and then work your way backward. Second, always remember that your number one job is to create massive value. As your journey unfolds, this changes in scope: In the beginning, it was hustling, doing sweat equity renovations ourselves, and taking big risks on distressed properties, and today, it's working with investors, building, training, and leading teams, and understanding both micro- and macroeconomics to guide the portfolio. Finally, real estate will always be a team sport. Your job is to find A+ players who have goals aligned with yours and bring together their talents and resources so that the sum is greater than its parts—contractors, property managers, investors. As the leader, your job is to go back to point number one: Cast a vivid vision of the future and show everyone how their contributions move you all toward that compelling future."

CREATING A SCALING PLAN

We've talked about growing your business, and in the next two chapters, we'll discuss creating personal and business visions. In Parts II, III, and IV of this book, we are going to focus on how to consistently, wisely, and methodically *scale* your business with an emphasis on helping you achieve those visions. We'll make sure you have your systems down, that you know how to create smooth communication within your company, that you know how to grow leaders who can scale, and that you'll be more prepared when opportunities present themselves.

We will also discuss some of the key tips for scaling your business effectively, such as:

- How to cherish your culture: With more people, it's easy for your company's core values to get lost. We will go over how to not let that happen.
- The importance of ditching the tiny tasks: If you're aiming big, focus on the big, important stuff. Delegate or ditch the rest.
- How to create systems and processes: If you've got a routine for something, write it down or create a video. Make it digital. Make sure anyone can pick it up without needing a demo.

It's too early to make a scaling plan for your business now, as the rest of this book will provide you with the information you need to create one. For now, we want you to focus on absorbing the information in the next chapters so you can learn how to scale smart.

TAKEAWAYS

- ▶ Superfast growth can backfire. *Sustainable* growth is the key to survival.
- ▶ Growth involves putting more resources (money, people, technology) into your business to make more money. Scaling involves using cost-effective strategies to scale up your business—still growing but without spending a lot of additional resources to do it.
- ▶ Both growth and scaling are important. The trick is knowing when to focus on which. If you only focus on growth for too long, you could end up allocating too much capital and resources trying to constantly up your goal.
- ▶ Be realistic about your growth timeline.
- ▶ Beware the trap of "bigorexia," where no matter how much growth you experience, it never feels like enough. Keep your ego in check and stop listening to that inner critic.

- Think about your business goals and vision and then ask yourself: For the sake of what? Use your answers as a springboard to get clarity on your business growth plan.
- Create a growth plan for your business.