**TBP 274 Design and Build Edited (1)\_Transcription**

[Daniel Hill] (0:00 - 14:37)

You would not build a house without a solid set of plans. So why would you attempt to build a business with anything less? In this podcast episode, I'm gonna take you through the design and build blueprint, which emphasizes the importance of understanding that the high quality, strategic, high value work is actually done in the design of the business, whereas the build, much like building a house, is just heavy lifting, turning up and swinging the bat.

If you feel like you're working hard, but you're not getting the results you want, the design and build blueprint shared in this podcast episode is the one for you. Welcome to the blueprint podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I use to build a 10 million pound portfolio and retire with financial independence at the age of 35.

You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable. Let's get into the next blueprint. So recently, I shared this with our board members on property entrepreneur, and I was taking them through the chairman blueprint to understand how to actually build a business.

And the reality is, most entrepreneurs are running around building businesses that don't make money, because they're just turning up and they're working hard now in business. That's fine, because it's possible you can turn up, start creating a website, creating products, services, figuring it out as you go along. And yes, in the current market, you would be able to, in most cases, make money to pay the bills.

The problem is, this is what most entrepreneurs are settling for. They're going out there, they're working hard, stress, high workload, putting lots of personal and professional energy, effort, risk on the line. But actually, all they're doing is they're paying the bills, they're making money, they're paying the mortgage, they're putting the food in the fridge, but that's all they're going to actually achieve.

And the reason that this is happening is because they haven't designed the business before they built it. Now, on Property Entrepreneur, we do a thing called Sunday Sanity, which is planning your week. In business, we do things called strategy days, AGMs, business plans.

And the main reason for this is the value is in the planning, and planning your week, planning your strategy, planning your year for your business before you actually start. Jim Rohn's got a great quote, which says, don't start until it's finished. And what we're looking at here is the design and build element.

So the build element is what most entrepreneurs are doing, running around, being busy, running a company and just about paying their bills. Great, you know, it gives you independence to run your own company, but it's never going to make you wealthy. It's never going to buy back your time.

It's never really going to give you the returns that you could get if you did it properly. Whereas when you build a house or a block of apartments, it has to be built in a certain way. And this is where the difference between the design and the build comes.

Because when you're building a house or a block of flats, you have to design it before you can start building it. You have to design it from a planning point of view. You have to design it from a building control point of view.

And most importantly, you have to design it from a structural point of view, because there's certain materials that have to be used. There's a certain construction method and process that has to be adhered to. And if you don't use the right thing in the right place and build it as intended, the building just won't stand up.

It won't be structurally sound and it won't actually deliver the outcome you want. And the business is exactly the same. If you just turn up and throw people and money and time, energy and effort at a business, it's never actually going to build the outcome that it could.

So when we're talking about the structure, if you think about building a house, you've got to look at a few things. You've got to look at the design of it. What's it going to look like?

How many stories is it? How big is it? How deep is it?

What's the access? What's the entry? What's the exit?

All of this stuff has to be calculated. And the people who do the design, you'll normally find are highly paid professionals. They're architects, they're structural engineers, structural surveyors.

There's construction methods and different types of calculations that are used depending on whether you're using, let's say you're going up a few stories and you're just doing a timber frame or traditional sort of block and brick. If you want to go much higher, you're going to need some sort of either prefabricated modular build or a steel frame. There's certain methods that have to be used to build certain businesses.

And it's that expertise that decides whether they actually make money or not. And what we want to do is take that logic of how to design a house or a block of apartments and apply it to our business because you have to design a building before you build it. In my opinion, you have to design a business before you actually start it.

And I look at loads of different businesses. I'm constantly pitched for investment opportunities. And before people tell me about their growth plans and the brand and all this, I just want to see the business model, or rather there's a few things I want to see.

And this is what I'm going to take you through. The structure and design of a house is the same as the design and the model of a business. And the main message here is don't start until it's finished.

Don't start building a business until you've got the design and structure absolutely nailed because there's 99% of businesses will never work, but there's 1% that do. And what you'll normally find is the 1% that do were designed, they were structured, there was a model, there was a strategy, there's a critical mass, there's these sweet spots. And it's all very intentional.

You know, before you start building that house, whether it's going to stand the test of time or not. People who don't do that for the business don't really even stand a chance of buying back their time or even making any money. So there's three things I would recommend for your business.

And the first would be a business model. The second is a budget and forecast. And the third is an organizational chart.

So the model is the same as the construction drawing or the structural engineers report. The business model shows is this business actually ever going to make money? And if you go back and listen to the business model blueprint, which is another podcast episode, I'll take you through that.

I'll talk you through how to make 40% net profit on a business where most companies aren't even making 10 or 15%. And the model is the first thing. The model that you design for the business is a spreadsheet before it's a product.

It is a load of data before you go out there and actually start to create brand impacts and websites and starting to pitch and sell and actually make sales. The business model is does this actually work? And it'll include things like your product range, your price point, quantities of sale, include your cost of sale, your gross margin, after your gross margin, your target net margin that will give you your operating overhead budget.

You allocate the overhead operating budget. And as long as you stay within that, you'll deliver your net profit, ideally of 20 to 40%. Now, immediately, those of you that listen to this that don't have a business model, you basically don't have a design.

You don't have that structural engineer drawing, which you wouldn't be allowed to build a house with, without, let alone want to. And it's the same in the business. If you've not done that, you're building a business with no design, which means you're basically trying to turn the tap on, keep the water coming, and make sure that the water coming out of the tap is quicker than it is falling or flowing out of the bucket.

So the business model is does this design actually stack up? Is this business ever going to make money? And I can tell you now, seven times out of 10, when I sit down and do a business model with somebody, their business is never going to fly, and they're wasting their time trying to get it off the ground.

So you want to get that first. When you're designing it, what's the business model? Will it actually work?

The second is the budget and the forecast. So the budget is in order to hit your 30, 40% net profit, what do you need to be selling at? What's your gross margin?

What's your operating budget? And then what's your net margin? And that will then track over 12 months.

And what you can do is you're designing it, and it will show you, right, in order to get to the first sweet spot, which might be 100 grand revenue or a million pound revenue, whatever it is, you have to go through a process. And it's the same as building a block of apartments. If you know you're going to do a block of 100 apartments, you're going to build them and rent them out.

Yes, once they're built, refinanced, and rented out, they could make you 30,000, 50,000 pound a month in cashflow. But in order to get there, you've got to fund it. You've got to go into the dip.

You've got to acquire the site. You've got to fund the build. You've got to pay the professional fees.

And actually, it's completely front loaded. Most businesses never get to the completion certificate because they don't have the awareness, the time, the budget, the finance to enable them to get there because you have to invest in things like a website, employees, systems, design, brand, products, whatever it is, ad spend, before you even see the revenue. So you need that budget and that forecast for the first 12, 24 months to show, yes, in order to step change and build a block of apartments and go through the journey, how do we actually get there?

And that will show you the journey you're going to go on. And I remember when I built MultiLet UK, and we put 180 grand in, I had a burn rate of 18 grand a month. And the plan was when I was burning 18 grand a month, employing loads of people that I didn't have enough revenue for, could I get the revenue up and grow the business quicker than my burn rate would eat through the capital that I'd injected?

And that would give me what I needed to get out the other end. And one month, we lost 11 grand. And someone said, oh, how do you feel the fact you've lost 11 grand?

I said, oh, I'm well chuffed because we were forecast that we're going to lose 13. And it's that whole thing of it doesn't matter if you're investing money, and the bank balance is going down, or you're going into a dip, or you're forward funding, as long as you can see clearly what's going to be the case when you come out the other side. And this is designing the journey before you build the business.

That's, again, it's how the world works. It's how Amazon was built. It's how Tesla was built.

They lost money for 10 years, because they were building something up. There's nothing wrong with that, as long as it's part of the design, it's part of the plan, and it ultimately results in the build that you want. And then the third is the organizational chart.

And this is really your game changers, your gatekeepers, understanding where's that budget going to go. So once you've got your business model, and you've got your budget, it will show you how much money you've got to spend. You've then got to figure out where to spend it.

And there's two objectives. One is you want to achieve the desired outcome. So you're going to have to have people in there to do it for you.

And the second is you want to have that done without putting your time in, because at the beginning of your journey, you don't have any money. So you put in your time towards the more developed periods of your journey. As soon as you've got money, you don't want to be putting in your time.

So it's figuring out who are the gatekeepers who are going to stop the noise landing at your desk when you do your organizational chart? And then who are the game changers? Who are the people that are going to deliver the results?

And how much do you need to pay them and incentivize them to deliver the build? You've designed it. They're going to go and build it.

Who are the people you need to go and build it for you? But most importantly, how do you incentivize them and pay them so they're doing it because it's in their own interest, not just because they're doing it for you? This is the main sentiment, really.

Whether it's the business model, the forecast, the budget, the organizational chart, the lines of reporting, regardless of what it is there, the main thing is that you're doing it proactively rather than reactively. And the main message from this blueprint is, the design and build blueprint is exactly that. You want to design the business before you build it.

Don't start until it's finished. And the value is in that design bit. That design bit to understand what strategy to do, what pricing to go for, what growth trajectory to go on, what sweet spot to aim for, what products and services to actually sell, what niches, what crest of the way.

That design bit of the business, the positioning, the product or service is actually where the money's made. Those professionals that charge thousands, tens of thousands, hundreds of thousands in some cases is where the value is made. The build bit is just hard work, it's stress, it's heavy lifting, it's pressure, it's growth, it's recruitment, it's management, it's leadership.

It's all that stuff. It's sales, it's marketing. That's just heavy lifting.

The people who actually build the buildings are trades. The sleeves are rolled up, they're doing the heavy lifting on a couple hundred pounds a day. It's heavy lifting, hard work.

But the design element where the money is actually made is the professionals. That's where the value is created. And the thing to take from this blueprint really is don't start until it's finished.

Make sure your design of the business, the partnership, the venture you're going into is 100% designed, defined, signed, sealed before you start. And then just acknowledge the rest of it is just hard work and heavy lifting. But all of that's pointless if you're building, if you're setting out to build a building with a plan or a design that is fundamentally flawed and doesn't work.

That's the design build blueprint. I hope you enjoyed it. Best of luck putting into practice.

And as we head into 2025, this is where your focus and effort should be through January, February, March as we build the businesses through the winter and get ready to take them out of the track from the spring onwards. So I wish you the very best of luck. Success and failure with this are 100% predictable.

And I'll see you on the next episode. I hope you enjoyed this blueprint podcast episode. If you're not already subscribed, sharing these, this is my lifetime's work.

And every Tuesday, I'm giving you one blueprint away for free. These things are unique. They're proven.

They've enabled me to build over a 10 million pound portfolio in a few short years. And over the last 20 years, start, systemize, scale and sell over 40 different companies. If you like them, share them, subscribe, make sure you don't miss a single episode.

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I'll see you on the next episode.