



JAMESCHRAMKO

Mike Michalowicz on Running Your Business Like Clockwork

Mike Michalowicz's books offer ways to run businesses more effectively, with less stress. This interview looks at Mike's newly-revised title, *Clockwork*.



Mike Michalowicz

James: James Schramko here. Welcome back to my podcast. This is episode 946. Today, we're chatting with Mike Michalowicz, and we're talking about Clockwork, the revised edition. Welcome, Mike.

Mike: James, thanks for having me.

A refreshing take on name-dropping

James: You're a hilarious guy. I've been really enjoying your video content, also your website, especially all the famous people you've been able to hang around with, from Tony Robbins to Oprah, and Bill Gates, you know, not everyone has such a deep connection as you.

Mike: My neighbor, my neighbor.

James: He was your neighbor. So, obviously, you bring a lot of authenticity to what you do. Especially your bio was refreshing to hear you talk about some of the things that didn't go so well for you in your past. You've had a lot of things go well, but you also open up about things that didn't. And I think they were obviously formative into how you ended up creating the flotilla of books that you've mastered.

Mike: Thank you. I first want to share that, while Bill Gates was my neighbor, it's not the Bill Gates people are likely thinking of. His name happened to be Bill Gates, William Gates, but he's not the founder of Microsoft. And the celebrity pictures, you know, I had to poke fun at what I see other authors or influencers do when they say, Look at me, clearly, I'm significant and important, because I'm with Oprah in this picture. I'm with Anthony Robbins.

So the picture of me and Anthony Robbins is a picture of Anthony Robbins, and it's at an event and there's people in the crowd going back for miles. And the very last person in that row is me. So it's a little dot and I circle it and say, That's me.

James: I like what you said there, that, I yelled out, Anthony, I love you. And he probably heard me.

Mike: He probably heard me, right.

James: I love this the most because I've actually heard of some of those people who go to Richard Branson's Island and take a picture with Richard Branson. They're like, Here's my friend Richard Branson. And the first thing is like, No, you're not, you're not friends with Richard, Richard Branson wouldn't remember your name five minutes after you left the island.

But I've actually heard someone say that they got sent a cease and desist letter to take down the picture of them and their good friend, Richard Branson, which I thought was hilarious.

Mike: That's funny.

James: You know, when I read your page, I'm like, This is so refreshing. This is incredible. Yeah, fantastic.

Mike: Oh thank you. Hey listen, there's an intention behind that, too. I'm not discounting that other people haven't met those individuals. And I know what they're looking to do. It's authority by association. But for me, I believe, and I wrote a whole book on the subject, that when you do something that's polar opposite, the common approach is distinguishable and gets noticed.

I do like to joke around just for fun, I like to goof on myself and be self-deprecating. And I saw all these other authors putting themselves with the famous people. So I'm like, what's the opposite? Well, it's the disassociation. So that's why I give a little jab at that kind of genre or approach.

James: My audience are going to love this, because they are super authentic. You mentioned something also that really resonated with me - and we will get to Clockwork, trust me - is you said that during the time of building out your business, you've had four multimillion dollar businesses, you've sold two of them, one to private equity, another to Fortune 500.

Beware of arrogance and ignorance

So incredibly successful. But you said, During that time, I repeatedly fell victim to my own arrogance and ignorance. This is what my mentor drummed into me. He said, That's what brought down the Titanic. He said Captain Smith was arrogant and ignorant. And he actually warned me against that through my formative years in growing a business.

At the time, we were running a \$100 million per year business. And he watered me against those two things, that you actually mentioned those two words. It was fascinating, again, super honest for you to say that, especially like, you know, lost your house, launched 10 failed businesses, suffered depression. It's a miracle that you're still walking the planet.

Mike: Well, you know, it actually is. I mean, I don't want to go too far into that story and be draconian. But there was a time, I remember, just to give some context, I built these two companies, I sold them. I thought I was a genius. I was in the right place at the right time. And I put effort into it, but it wasn't genius. And they were never sustainable when I was running them. I was in constant cash crisis. I made money on these exits.

So I fell in this trap saying, Oh, just pump and dump these businesses. So I started 10 companies simultaneously as an angel investor, no clue what I was doing. They collapsed. I'm collapsing. I eradicate all the cash I'd saved, I wipe it out. And I remember there was a commercial on the radio. And they said the average American has \$5,000 of credit card debt.

At that point, I had almost 100,000. And I was just sitting there saying, I wish I was average, I was average. And the thought crossed my mind, and I ran the numbers and it's like gosh, if I wasn't on this planet, I may be worth more. It was just a really dark period for me. And I share that, not because I'm proud of it, but I think it's the journey for most entrepreneurs.

It was a roller coaster ride, and the most afflicted community with depression is the entrepreneur community. So first of all, the first step was to acknowledge I was depressed, and then seek out help. I found some tools and resources that served me. I now have a therapist just to stay on top of my game and not slide back into that.

James: Well they say that sometimes we create the solutions that we need the most. I think, you've produced all these fantastic resources and tools, I know you're on a mission to help entrepreneurs. I coach people like that. There are single moms who are feeling the weight of the world on top of them.

But like, I've had one of your friends, clearly, [Gino Wickman](#), he's been a guest on the show, too. And he said that, you know, not everyone should be an entrepreneur to start with. And a lot of the entrepreneurs I work with, they tend to be high visionaries, or you'd hear them talk about self-diagnosing with ADHD and stuff. They do have more of a mental rollercoaster, perhaps, than an average person.

So thank you for creating these amazing tools. I remember reading Profit First in the sauna at an old place that I used to live before someone left it on and...

Mike: That's a very intimate time between me and you, I didn't realize.

James: And melted there. I know you well, I've had you in my mind. Again, you were talking about something my grandfather taught me, like pay yourself first. And I'm like, it's incredible that so many people weren't looking after their finances, but you created a fantastic guide.

Mike's biggest authored success

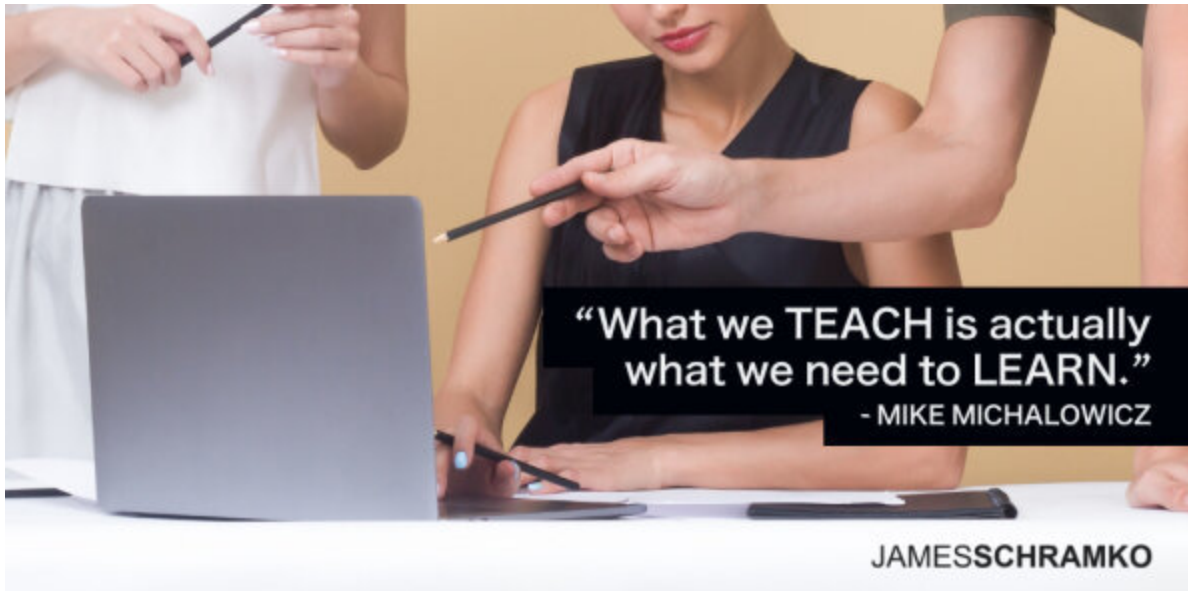
Now, which of your books would you say has been the most commercially successful?

Mike: Oh, Profit First has, by a longshot. It's sold now about a million copies, in the two versions and the multiple languages. So it's in, I think, 27 or 28 different languages besides English. And it's hard to track all the numbers. But it's solidly over a million bucks. And then the other books have done well.

If I had to rank them, Profit First is number one, Clockwork is number two. And that's why I'm doing a revised expanded edition. And then The Pumpkin Plan is probably number three in its overall performance.

James: Yeah, nice. And you got The Toilet Paper.

Mike: That was the first book I ever wrote. That's sold 100,000 plus copies. And other ones I've done, I've written have done well, but Profit First is the bell cow. And it's funny in reflection, I asked myself why, because I feel, if I just alluded to it a minute ago, every book I write is actually intentionally trying to solve an issue I have with entrepreneurship.



What we teach is actually what we need to learn. And I get that. So all these subjects are things I need to learn. And I'm getting better, I feel. Not perfect, I mean better at learning, better at codifying knowledge and documenting it. So basically, every book I write, I'm like, Oh, this is a better version of me, this is a better book, but it doesn't mean they sell or perform better.

So then I'm like, Well, why does one book sell better? You know? And it's pretty obvious, the bigger the need, meaning the broader the need, the more people that can be served by that, the simpler the solution, and the more impactful the solution. So I can see immediate impact, significant impact, with little effort, and it's the biggest problem I have, well, that's the solution.

And in retrospect, it's pretty clear that businesses, most businesses, almost all small businesses struggle with profitability to some degree. But the majority, I would say, it's over 80 percent. Actually, I know it's over 80 percent, but 83 percent are in check-to-check survival. And the solution that I teach in Profit First is not something that I created out of thin air.

It's established concepts. This is since BC. Pay yourself first. The envelope system. And modern authors and influencers have created phenomenal systems around this for personal finance. I just hadn't seen an application applied to business finance. So it's like, oh, that's the solution for me, that's the solution for others. And I've learned now this is a solution that a lot of business owners need.

Reworking an already great book

James: They definitely need it. But I also think Clockwork has an amazing place in the scheme of things. I've heard you talk about, that we need sales like oxygen, that we need to be profitable like nutrition, that this one's about recapturing time. And again, you resonate with me talking about anti-grind, anti-hustle.

My book is actually called [Work Less, Make More](#). So I'm in the same category as you in that regard. I'm all about freeing people up. I've partnered with a friend of mine, [Lloyd](#). He's got a whole business around this called [VirtualDOO](#), and I send him in to fix up my visionaries who are just out of control.

So I keep supporting this kind of material on this podcast. We've had [SYSTEMology](#), we've had [Traction](#), you know like, I love this topic. I want to dive into a couple of your key topics, because obviously, I'm going to recommend anyone who's listening to this should absolutely go and buy Clockwork. I was kindly sent the revised edition. I do want to ask you, what were the significant changes for the revision?

Mike: Yeah, great question. It is 60 percent brand new content. And the impetus behind this was, once I introduced the book, we also started a service entity behind it. We surpassed our thousandth client going through it from this.

James: Congratulations.

Mike: Thank you. We learned what was right and what was wrong. And that's probably not even the right choice of words. We learned what was efficient in teaching and what wasn't. There were stumbling blocks, there's points of confusion. So what I did was take the original framework, I still believe it is the right framework, but repackaged it where it's more consumable.

We can get through it faster, and that required a full rework. My publisher, and he's a mainstream publisher, when I told him I wanted to revise and expand it, they said, Okay, it's authorized, let's do this, please give us the manuscript in two months. I said two months, it's going to take me a full year to write this. And they're like, What, are you writing a brand new book? I said, Yeah.

Most revised and expanded editions are a new first chapter, a new closing chapter. New bread, same meat. I decided to do everything new. So 60 percent new content, 40 percent restructured content. So some of the stuff is this concept called the QBR. This is the heartbeat of a business. By definition, there can only be one most important activity in any business.

Question is, what is it? And if you don't know what it is, your business will constantly be floundering, because you're not taking care of the heart. So how do you identify it? So I teach a system to find it faster. I found in the original book, this was absurd - there was owners of businesses reading this and saying, Well, I need to do this but can't tell my team.

I'm like, but you need your team engaged. They said, No, because it's written for owners. They'll think I'm going down to the beach to go surfing and drink Mai Tais. And I'm not thinking about the business.

James: My team know I do that. [laughs]

Mike: [laughs]

James: QBR by the way, it's Queen Bee Role, I just want to point that out.

Mike: And I would argue, not knowing your business, I think your employees don't feel you're slacking off. I bet yours, two things are happening, I bet you they feel empowered that you trust them, that you can be away from the business, that they have it.

James: Oh, yeah.

Mike: But additionally, I bet you come back with ideas. I bet you find the perfect pocket on the perfect wave. It suddenly hits you in your mind like, I got it. And you bring that back.

A unique sort of symbiosis

James: Oh, yeah. We know what our roles are within the business. So I think we'll get to your four D model, because that explains what my team's doing. Like, it was very clear to me the difference between deciding and delegation. I'm extremely good at asking for people to own their outcomes and do it however you want, use whatever software you want, do it whenever you want, collaborate with whoever you want.

I don't mind about any of that stuff. What I'm looking for is a consistent outcome. Like, I want seven-day-a-week support for someone who asks us a question. I want our podcast to go out regularly on a consistent schedule. I want a minimum level of quality for our blog posts and emails. And my role in the business is I have to be a great coach, and I have to get incredible guests onto our podcast. That's the bit I do. And I have to own that responsibility.

So we have a symbiotic relationship. But I do say to them in our team meeting, I want you to have a great life. I want you to take your kids to school, I want you to go to the cafe with your partner, I want you to go and watch a movie during the week or take a week off or two weeks off, whatever you want, whenever you want.

We actually don't have vacation days, sick days, or overtime or whatever. I don't know what their hourly rate is. We just have a consistent payment schedule and then an agreed output of what we want done. And they have maximum independence. But here's the crazy thing, the average tenure of my team now is over 10 years. There's six of us.

Mike: Oh. I'm actually not surprised.

James: The newest person in my team has been with me for over 10 years. So we've got a good solid little team.

Mike: I love that. I'll give you a perspective. Two things I want to share. One is a statistic that may kind of blow your mind and another one is maybe why you may want to consider instituting vacations to take it a little bit further. So the first thing is a statistic. Research identifies that about 14 percent of the population will ever start a business or build a business, 14 percent.

And only 20 percent are successful, meaning it's a financially viable business after five years of initiating that business, which means only three percent of the population builds successful, good companies, companies that are sustainable. And you shared it, employees want to live a good life. They too want to work for a good company.



Our job as entrepreneurs is not to do the job. It's to be the creator of jobs for people who want to work for a good company. That's our job. So if we're doing the work, we're stealing the job from people who actually want to work for a good company. That's lesson one.

What a four-week vacation does for a company

The second thing is vacation. I used to do, like instituted it with Clockwork, take a four-week vacation. I still do, every year. It's an intentional disruption for my business. I'm not taking a vacation for my business, as much as my business is taking a vacation from me, so it breaks that dependency.

But here's the thing - the president of our company, she came to me, this is now two years ago and said, Mike, now that you leave the business every year, we don't need you here, we're not dependent on you. You can reassert yourself, I can be the spokesperson doing what we're doing now, and you can write books.

But she goes, Now there's dependency on the other people that's disproportionate. If other people leave, we're in trouble. So she goes, I want everyone taking a four-week vacation. Now we have a small company, between, I've actually two locations, we have 20x, 20, 23 employees collectively, so we're tiny.

But every single person takes a four-week consecutive vacation. It's an intentional disruption to that job responsibility they have. So we have one person that is our primary social media guy, Jeremy, he's leaving next week to go on this amazing trip with his friends, hiking, and so forth. As a result, he's had to train our two backups, Jake is one and Izzy is another.

They are trained, and they're doing the work that he does. He's created the system so they can do it. But what's beautiful now is when Jeremy leaves, we keep on running unabated. But the reality is, Jeremy one day may leave, because he has another job opportunity, or maybe he gets sick or maybe he decides to retire. It's going to happen that he's going to depart at some point.

Now we have the redundancy in place for him and we have it in place for everybody. Everyone's backing up everybody. That's why we institutionalized vacation. By the way, when we told people, Ah, just take unlimited vacation whenever you want to take it, people didn't take it.

James: I do have to align them with that. I tell them when I'm going to be away, and I suggest strongly that that's a good time for them to have time. But we definitely have policies in place. We have a Noah principle, two people know everything.

Mike: Oh, I love that. I love that.

James: As it turns out, out of six people in my business, I'd say four to six people can do every single role in our business, except for my podcast and my coaching. Like, we have so much redundancy built in that they can take - I had a lady take three months off with a difficult pregnancy, and the team just covered it, you know? It's like taking your head out of a bucket of water, it just reforms. And they're incredible. We support them, they support the business.

But I love what you're talking about here, the holiday, you know, I just made a video like, yesterday, before I reread your revision, and I was saying that you learn the most about your business when you come back from it. You've got that unique perspective of being an outsider.

I've heard you talk about that the trouble you might have to deal with is the ego that they may not actually need you, which is a wonderful concept, that you can then get in there and make decisions that are not revealing themselves to you when you're in the business. You can find out, you know, when you come back, pay attention to what you love about it, what you dislike about it, what broke, who stepped up, you know, what innovations were there.

The four Ds a business needs to navigate

So I'm totally on board that. You've talked about the QBR, the Queen Bee Role.

The other thing I think would be an essential discussion is your four Ds, because that really speaks to a lot of my audience who might be listening to this podcast, they're still feeling like they're doing far too much in their business.

But they're saying to me things like, Why, my team just can't think for themselves. Or they just, you know, I asked them to do something but they keep coming back and pestering me about it. And I think your four Ds perfectly explains what's happening there.

Mike: So the four Ds are the four elements that a business must always be navigating. But we, as the leaders or entrepreneurs of a business, we need to navigate to the highest level. So the foundational level, the first D is Doing. These are the activities that the business must do to sustain itself, delivering the services or products, the administrative work behind it. It's the majority of work that's done is doing activity. It allows us to bring our services and products to market. But there's a couple of other elements.

The next level up from doing is Deciding. Deciding is where there's an individual making decisions for other people so we can move things along. Typically, the business owner gets trapped in this. So my first thought on my business, I'm doing work, I'm doing the billable work, I'm doing the administration.

I hire my first admin, maybe to do invoices. And I tell her, Here's our best practice, go do it. She comes back with questions like, how should we sort these invoices? And I say, Well, I think we should do it by last name. That's how we've always done it. I start making decisions. The best way to visualize this is there's a Hindu goddess named Kali who's a single female head with eight arms, that's what our business becomes.

One mind, the owner's mind controlling everyone else, we're task rabbiting. Now, the danger here is we say, Oh, I'm delegating work. You're not delegating work, you're assigning tasks, because the next level is Delegation. Delegation, James, you explained it perfectly. It's the assignment of mutually-agreed outcomes.

Here's my intention for the company. Here's the role you're serving. Do you agree that this is what we want to achieve? Tell me why. And when the employee participates in, we want to bill on time quickly, they say, because this is fair to our clients, they have an accurate record of what we've done timely, and we get paid on time. This is a good outcome.

Once we agree to that, then my job is to assign them that outcome, get us there, there's a best practice that historically has gotten us there. But when you run into road bumps, navigate us through it. And they will come back with questions. That's the default protocol for them. And we have to reject answering questions.



We say, You know, I hired you for that thing on your shoulders, that brain of yours, find the solution to that outcome. They will make mistakes. And this is the danger for many entrepreneurs, we see mistakes happen, and we want to go in and fix it, which actually degrades their ability to have control over outcomes, and they go back to being a task rabbit, and you go back to deciding. Don't decide for them. Bite your tongue, let them make mistakes.

James: And even if they do it wrong, that's like something you said, what I say to them, if you make a decision out of the best interests of the company, and looking after the client, with no malicious intent, then you can never be sacked for that. So the big thing I found, especially the culture of my team who are based in the Philippines, generally, they're safety-focused out of the box. When you get them they're safety focused, and they need that income, and they don't want to make mistakes. So they'll err on the side of not doing something instead of doing something.

So when I took the restrictor off and said, You know what, you can break things, you can blow stuff up, you can tell the customer they can have this, but as long as you're doing it because you think it's the best thing to do, I'll never be upset with you about it. We can certainly talk about what you might have done instead, after the fact, and we'll do it in a really nice way. We're not going to lose our sh*t and just go crazy. And once you do that, they take on a whole new world of responsibility. That's when I think you really move from one D to the next D.

Mike: I agree. I agree. Yeah, if you undermine their confidence in themselves by trying to correct mistakes, you destroy your company's growth. So we have to give them enough rope. So the last level is Designing. And designing is where we are doing strategic thinking. Our job as entrepreneurs is to have a vision and then choreograph resources to make that vision a reality.

It is the hardest work. And that's why we avoid it. It's easier just to dig a ditch than sit and solve that puzzle. And there's no question, I like the sauna too. I have a sauna. And I do a lot of work in there. I sit there and just ponder, and it takes a lot of energy. There's a lot of what ifs that go on. And sometimes, it's hours of work.

But the best CEOs in the world are paid for making two, maybe three strategic decisions per year. Those key decisions, putting the ship in the right direction, is the game changer. And so we need to start behaving that way. The last thing I want to share is in the new book, I revealed a fifth D, and it's intentional downtime, we refer to it as the intentional disruption of having a fortification.

There's also a study that came out of Europe, the UK specifically, that identify the average knowledge worker is productive 3.2 hours per day, regardless of the hours worked. So you can work eight hours or five, or four, and the output is 3.2 hours a day. The reason is we have this emotional battery. That's why there's things like decision fatigue. We can only sustain at a high level so much. So we should be intentionally allowing our teammates to recover so they can be optimized.

James: Isn't that crazy? But I just worked out my average workweek is 15 hours.

Mike: There you go. You're nailing it, then. There you go.

James: But I do it in three days a week, and I have four days off. So it's Wednesday morning, 10am. This is my last call for the week. I have nothing until next Monday.

Mike: And you're hitting the waves. I love it. I love it.

Hierarchy versus a web-like structure

James: Final question, and then I'll find out what web resource you'd like us to have a look at as well.

Mike: Sure. Sure.

James: Tell me, what do you feel about the difference between hierarchical structure and more of a flat structure when it comes to, you know, you're talking about empowering people to match their strengths and whatever? So I'm wondering how you feel about that.

Mike: Yeah, I consider it like a web-like structure. I was reading a magazine called Popular Mechanics. And this was many years back. And they showed me something that opened my eyes to this. They took those old Roman columns made out of marble that can carry all this weight. And they asked a supercomputer how to use the same material, but using the least marble possible.

And what the supercomputer did was designed a column that was like a web-like structure. I can't really describe it, it wasn't balanced, necessarily, but it was a web like structure. It just took out piece after piece of marble, but the rigidity and strength never went away. Got to about, I think it was one third or something of the material needed to give the exact same strength. I was like, Oh, my gosh.

In our businesses, we have this hierarchy that's a very rigid hierarchy. What if we have a web-like structure? And the solution I found is, most businesses match people's talents to a title. You're my receptionist, you better be skilled at communication and data entry and so forth. But the web-like structure, the optimized structure is not meeting talent to titles. It's meeting talent to tasks.

What I mean, if I have someone who's a good communicator, you're not my receptionist. You may be answering the phone, but you also may be my frontline salesperson, because I need good communicators there. And you match up their super strengths to all the different titles or areas that need it, and you have a web-like structure.

And our business has basically eradicated titles. We have a few people, like we have a president, just so that we have a hierarchy. But other people really don't have titles. They fill the roles that they're optimized for.

James: It's perfect. I've often said, like a role is just a collection of tasks. We don't have titles. The same girl who does my bookkeeping also does my social media and sends my emails, you know?

Mike: Perfect example.

James: And what you're talking about sounds a lot like geodesic domes, that self-supporting structure that Buckminster Fuller invented. It's like, you know, the one at Disney World.

Mike: Yes, yes, yes.

James: I love it. This has been such a refreshing chat. I'm going to recommend [Clockwork](#). It's an awesome book, especially your concepts, the Ds, the queen bee role. Your own story is inspiring. I know you've walked the talk, you've got the successes. I've enjoyed reading it. I'm looking forward to sticking a hardcopy on that bookshelf when it gets built.

Mike: Thank you.

James: It's coming really soon, my audience have been hearing about this forever. So where would you like people to go? What would you like them to do?

Mike: Well yeah, invite them if you want to get the book, you can go to any bookstore and choose [Clockwork](#), revised and expanded. It is circulating globally. And if you want to learn more about the book specifically on the web, you can go to [clockwork.life](#). And because I believe it's a lifestyle that's why I picked that domain, so [clockwork.life](#).

James: Thank you so much. Mike Michalowicz. Awesome to chat. I hope we can chat when you have your next book or any other books you want to talk about. It's been great.

Mike: Oh, you got a deal, man. That would be awesome, mate.

James: Alright. Thank you so much. This is episode 946. It's up there at JamesSchramko.com. Get in touch with Mike, read the book. And also, if you happen to bump into Mike at one of his events, whatever, say hi, tell him you heard him on the [James Schramko podcast](#).

Mike: I'd like that.

A desk setup featuring a computer monitor displaying a collage of various illustrations and drawings. To the left of the monitor is a large potted plant with broad green leaves. Above the monitor is a black desk lamp with a conical shade. On the wall behind the desk are several framed pieces of art, including a mirror and a colorful abstract painting. A small wooden figurine is visible on the desk to the left of the monitor. The overall scene is lit with soft, natural light, creating a calm and creative atmosphere.

JAMES SCHRAMKO
Would you like
to run your
business
without it
running your
life? James can
help

[CLICK HERE](#)