

Ep #63: Building a Culture of Success within Your Business with Chris Clothier



Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

[Dentist Freedom Blueprint](http://www.DentistFreedomBlueprint.com) with Dr. David Phelps and Evan Harris

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You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

David: Hello everyone, this is Dr. David Phelps with the *Dentist Freedom Blueprint* podcast and owner and founder of Freedom Founders mastermind community. Back with you today with a great expert interview, a person who's become a good friend. Someone who I really value not only his expertise in real estate but really it's about his core values, his integrity and what he has learned in being a major partner in his company's business.

This person is someone who has gone up through the ranks in learning how to build a company and also a real estate portfolio. I found that we share a lot in common with the way we think. We're both part of another group, a mastermind community called The Collective Genius. This is where we both found out about each other although I had learned a lot about this gentleman through his writing on BiggerPockets.

So without further ado, let me introduce my guest today, Mr. Chris Clothier. Chris, how are you doing sir?

Chris: I am fantastic. How are you?

David: Very well, thank you. Thanks for sharing some time today. You know, Chris, I want to tell people a little bit more about you. Chris and his family, his dad, Kent Clothier, Sr., you guys started what's called today Memphis Invests

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

back in about 2003. As I recall you telling me a little bit about it, it was a little bit by accident.

Your dad has had very entrepreneurial career, starting back in Dallas, Texas with the Minyards grocery company. You spent some time there as well. Your dad rose through the ranks at a very young age really to the top position in that company before he went on to do other things.

Somewhere around the early 2000s started getting involved in residential real estate and you and your brothers kind of jumped in at different times I believe. But you said it was kind of by accident, can you just talk a little bit about that?

Chris: Sure. It was him going and speaking at different real estate investor groups about his success finding, renovating, and then renting out single family homes. He's always been one to share, which kind of made him I guess unique among business people because he didn't see anything as being any great secret. He certainly didn't think he was going to hurt himself or his business by sharing with others how he was being successful.

So by doing that, what ended up happening was other investors approached him and asked if he would help them develop their own portfolios which they didn't have time to do. They didn't have time to do their job or they didn't have the knowledge and they weren't going to invest in the knowledge. So they simply asked, "Could you help us?" What he developed was a plan to basically do it for them, for a fee of course.

So we say that it was by accident, he never set out to build the company but he did it the same way that he's

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

taught us through the years to build anything. That is find something that people need, do it really well, and then offer that to them. That's what happened in this scenario.

David:

So now some thirteen years later Memphis Invests is, you're based out of Memphis but you have offices in Dallas and Houston. In fact, I had the privilege and the honor to go out and meet with your dad a few weeks ago in the Dallas, the Grapevine office, it was a lot of fun. Like with you, we didn't talk a whole lot about real estate.

I was so interested in his thinking and his vision in terms of how he has gone through his life, not just currently with Memphis Invests but back when he was younger as well and how he's developed leadership qualities and a very visionary approach. You shared a lot of those things with me. So I wanted to do the same thing and share some of that with our listeners on the podcast today because, Chris, so many people look for the magic bullet or the silver bullet in anything in business to fix a current problem.

I think we share what so many of the members in CG shares that we can learn how to do something technically pretty well, right? We can figure something out and get pretty good at it. But to really build a team, an organization, it takes a lot more than just some technical skill or some magic bullet in marketing or something. It takes that real culture. I know that that's what you guys have built. I can read it in you when I talk to you, I saw it in your dad.

In fact, I felt it when I walked in the door to the company a few weeks ago and right there people stand up, they acknowledge you. They're not busy on the phone or

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

looking down at paperwork. It's boom, they stand up, they look at you, they greet you. Then on everybody's desk is a stack of four or five books. Can you talk a little bit about that?

Chris: Yeah. We want the idea of our culture to be genuine. So we look for it in the people that we bring on, we look for it on a daily basis within our team to be genuine in the way we approach each other and other people around us, our clients, our team members, our vendors, our tenants within our business. So we studied books as a group that aren't meant to build culture, they're just meant to build our values. Our values are real high in customer service and customer experience.

As we studied these books, *Exceptional Customer Service*, *Becoming a Category of One*, *Be the Best at What Matters Most*, these are some of the books that we've studied. We ask our team to keep them on their desk and keep them available because at any given time we may pull, whether it's small group departments or the whole team together, and just talk about a topic from those books. These are the things we built our company on.

So it's just interesting that as we were doing this, we were never setting out to build a particular culture. We were setting out to build kind of a style of the way that we approach each day. As I said, the way we approach each other and all the different groups, people we come in contact with. One day we looked up and realized that we had this culture where people would stand up from behind their desks.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

Like you didn't have to tell people. They just understood instinctively that we want to be gracious. We want to be welcoming. We want to be attractive to those that are going to want to do business with us. It's amazing how it kind of came together and how it happened. So today it just really happens almost on its own. It's nothing that we have to coach or teach anymore.

David: So Memphis Invests as a company I think you told me will do north of 600 turnkey rental properties. For those who don't understand exactly what that is that are listening today to our podcast interview, that's where Memphis Invests, your company, goes out into specific markets that you've identified, like we say, Memphis, Dallas, Houston, that are what we call good cash flowing markets. The price points relative to the rental income that can be procured from good properties or the right markets.

So you locate through your lead generation, you find the right properties, right neighborhoods, the right floorplans that you know make the best rental properties. You provide the rehab and you provide also the backend management which I feel like is really the key that's broken in most other models that I see, Chris. So your company as a whole will do north of 600 some.

You said this is a year where you're actually kind of putting growth on hold because you as a company are kind of going back and just retooling some things. Is that something that you think every company that's in a growth mode needs to do from time to time in your experience?

Chris: I will tell you that I found it is the most difficult thing for any company to do because it runs counter to what we

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

always think we have to do. We have grown tremendously and there's a quote that we live by from Truett Cathy that if you focus on getting better every day, your clients will demand you get bigger. That's really what's happened to us.

We've grown through this high demand from our clients. They've helped us push each year and, yes, you're correct. We did 632 transactions in 2015 and we came into 2016 and said, "You know, as a company, we are not going to grow. We're going to set in and plan on doing 630 to 650 deals again." Our focus is going to be on improving the entire conveyor. The whole conveyor belt from start to finish. Whether it's our internal communication, our external communication, upgrade our systems.

We're going to hire in positions where we feel like we may be lacking and we're going to retrain everyone from start to finish so that as we prepare to grow again, and we do, as entrepreneurs we want to. We want to continue to grow, that's part of the challenge for us. It's not about making more, it's about how great can we be?

So in order to be truly great, we had to make sure that everything runs and operates the way we want it to run and operate. So to be direct, I tell you, it was the hardest decision for us to make because it ran completely counterintuitive to everything we've done in the past. But I'm really glad that we did.

Our team has loved it because it's really put the pressure on them to improve I guess beyond excellence. I mean, we expect excellence. That's what this year is all about.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

To really make everything we do as top notch as it can be.

David: Well, Chris, we have a lot of medical professionals that listen to the podcasts that we put out. As you're listening today, I want you to think and listen through the lens of what Chris is talking about. Not just because he and his family do not have a dental or medical practice, but they have a business. Business is business. Your culture and how you treat people is the key.

Chris, you told me that at first when your dad was kind of first getting things started and finding that people came to him because he was out there giving. He was serving. He was helping other people with what they wanted to do with real estate.

As your company started to build for the first few years into the I guess 2008, 2009, maybe 2010, you told me that you guys kind of focused on a lower-end product and on paper it looked like that product should provide really good returns. But in reality, it did not. So you said instead of staying in a lower denominator price point which meant you were kind of competing kind of like Walmart does today, right?

Chris: Sure.

David: A low price point leader. You made a conscious change. I want, again, as you talk about the change that you all decided to make and not apologizing for being a higher price point provider but because of the service you provide there are people that do business with you over and over again, they're not looking for low price point.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

I want the doctors to listen to this because doctors today, Chris, are feeling squeezed by insurance companies. The healthcare industry is compacting, it's consolidating. There's a lot of corporate rollups going on today and the doctors are feeling like they have to compete on price. Talk a little bit about what you guys discovered in taking a totally different vantage point and how that's served you in Memphis Invests over the last six years.

Chris: Yeah, we redefined what our value was. Before we were mistaken in thinking that our value was all about price and being a competitor with other people on price. Ultimately what we concluded was that we wanted to do business with a certain percentage of the population that put a higher value on their experience and on their comfort and the level of engagement that they would have with us as a company.

We guessed correctly because we were right. That once we made that change and we decided that no one was going to compete with us on treating our clients better. On providing them with a top notch, highest level experience that they could have. We changed the way that we renovate houses to eliminate a term called deferred maintenance so that our clients weren't constantly being hit with bills every month.

We hired positions within our company whose sole responsibility was customer outreach and communication. Which was a big hang-up for investors to invest far away from home because they were worried about communication. Each of these investments required money on our part. They required us to raise our price point. It required us to improve the value that we were providing.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

Ultimately what happened, I think I shared this with you is that we began to attract the part of the investor population that valued the experience they were going to have. They valued their ability to sleep well at night knowing that they had a top level company working with them and not just a cheap low-priced investment.

When we say proud, we're proud in the fact that we developed a business model that there is no competition. We know that we're the highest price. We're not just proud that we can charge the highest price. We're proud that we don't discount the value of our company by dropping the prices and trying to compete low price.

So we went to better neighborhoods that have a better client demand from the tenant aspect, so we're getting a more stable investment for the investor, which that raised our price point. We did better investments, which raised our price point. We added many more services on the backside which raised our price point and in the end we looked up and said our business continued to grow. A couple years there, grew almost 100 percent two years in a row. So we were right.

There are people out there that will value the experience and the comfort level that they have and also the relationship that they get. Because our clients, they are, we say friends, and that's an odd way to say it but they are. We know them intimately. It's not just someone who has a number with us and gets a check. We know who they are. We know their families. We know what's going on in their livelihoods.

We know about them because we took that time to get to know them and that's who we attract now to our business

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

are people that value that. They value that more than just a low price and a high number on paper. They want the real return.

David: So that's something that every business owner, every doctor, dentist, chiropractor can take away today. That is, Chris, you can't be all things to all people, can you in any business?

Chris: No. Not at all.

David: You have to decide as you said, what your values are. Who you want to be in the business or in the industry and in your case, certainly not everyone is a fit for Memphis Invests. There are people who, and I think a lot of new investors who are looking at real estate and I'm sure you've had this experience over and over again because you speak a lot.

You're kind of a spokesperson for Memphis Invests, you're on BiggerPockets, I've read a lot of your great, very good articles. If someone today is listening and want to pick up on more of Chris' great information about real estate go to BiggerPockets.com and just type a search for Chris Clothier, C-L-O-T-H-I-E-R. Great articles there.

But you know a lot of times people will pick on you or other people who talk about the value that you provide. A lot of investors, particularly new investors who want to get involved in real estate, I don't think they value their time very much. Do you, Chris? Because they're chasing this yield.

They're chasing what they think they should get a return on their money and they're forgetting the fact that when you can sleep at night and you don't have to worry about

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

where your capital is invested, when you've got a company like Memphis Invests behind you, putting you in the right product and providing that backdrop, that is huge. That's huge. And until they get out there and they get their noses bloodied by maybe doing it another way, they don't appreciate it.

Chris: I tell you, think about it like this. We're looking for an investor who's going to appreciate the fact that we're willing to tell them no, that we are not a good fit together if we're not a good fit together. I would rather not sell a property to an investor that doesn't value the team that we put together and the time and effort that we put into this investment so that I can focus all of my energy, and when I say I, I mean us as a company, on our clients that are the most value to us.

So we're willing to say no to anyone anytime if they're not the right fit. So that when we say yes, those people have an amazing experience. When people know that about you, in any business again as we said, you tend to attract the right client. You tend to attract the people that are going to help your business grow and help you stay in business long term because they know you're not just going out there looking to serve everyone. You're truly serving the client that fits best with what you are.

David: Excellent points, Chris. When I was speaking to your dad a few weeks ago, he talked about as a leader, as the visionary of a business or a company about learning how to get out of the way. To empower a new generation of leaders who can come up in the organization, whether you have three or four people on a team or you're building a company that has 20, 30, 40, or 50.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

Learning how to be a good leader is something that very few of us, I certainly didn't have the advantage of having any training in owning a business, running a business, or certainly being a leader. I think that's again something that a lot of doctors have trouble with, Chris, because we're taught that the business and the service model revolves around us. That we are the doer, but now we're also this business owner. We're trying to wear all these hats.

Chris: Right.

David: We're not very good about empowering people. To kind of pick up with what your dad was talking about and how do you see that work in Memphis Invests about you on the leadership team, yourself, your dad, your brothers, and your leadership position? How do you get out of the way and empower other people, the right people, to come up through the ranks and let you guys do what you do but let them do what they should do?

Chris: Well I tell you it starts with giving people a voice and being genuine with them and listening to what they have to say. When you listen to your team around you, you'll be surprised at the good ideas they can come up with. There's some specific ways that you can do that and I'll share those here in a minute.

But you know, in a very general idea, listen to those around you. Take the time to sit down and you've identified leaders, you know people who they have your back. They share your approach to business. They share your ideals and your ethics. So you already, most of us, already know who the leaders are.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

Now, enabling them is a different story. That's where it just starts with listening, allowing them a seat at the table to express themselves, ask them questions, try to get them involved. It's a process. So over time a trust begins to develop. You hear good ideas that you want to implement. Every once in a while, as those of us that want to have our hands in everything, we have to let go and say, "Okay, I'm going to allow you to implement this idea. Then report back to me on how it goes."

You start with small things. Things designed to save your office money. That's what we had done. They would come back and let us know how proud they were that they had implemented something that we wanted them to do, it saved the company money, and then that's how people earn your respect. It's how we learn to begin to listen and identify those that are going to come up with good ideas and can implement things and get things done.

Yeah, pretty soon you look up and suddenly it's, "Okay, every Tuesday we're going to have a meeting of our leadership team and we're going to discuss bigger ticket items." You know, bigger issues. Whether it's customer growth or client retention or things that really matter to the future and growth of the company. Suddenly it's no longer about how can you save us some dollars on materials for the supply closet.

Now it becomes, how can we work together to really build something big? That's how leaders develop. It just develops over time of listening, giving them a venue to speak, then truly implementing something that they say. Then suddenly some of the people they just want to take off because they really feel empowered.

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

David: And setting the vision of the company is just key. Again, I think, and I can look at myself and say the same thing, more so in the past, I'm better today because I understand the importance of it. But I used to think, Chris, that everybody just thought like I did. So I can be a good communicator but many times I am not. I just assume people get it. I found over many years of trial and error that that's not true. That people don't get it because unless I was explicit and really shared a vision and a reason why.

Again, it's not growing a company just for the fact of growing it. Bigger is not always better. But having that reason why which goes into your values and having the right people. When I learned to be a better communicator then by that increase in communication by itself made me a better leader. Things started to fall into place better. Is that what you found? Would you embrace that?

Chris: Oh, 100 percent. That if people don't know where you're going, they cannot help you get there. It's a classic trap of business owners and operators all the time of, "I'm the owner. I'm the operator. The buck stops with me." And your vision never gets out to your team. So they can't help you get where it is you want your business to go.

People have to know, and when they know, they believe. If they don't know, it's not that they don't believe, it's just they don't where they're going. They don't know where you're going. They can't support you in any way because you haven't communicated to them, "Hey, this is what we're trying to do." This year, deciding to take a step back and not grow intentionally this year was, that's a big thing. We had to communicate that to our team so that

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

everyone understood exactly what we were doing and why.

Otherwise they would have been, possibly they could have been fearful. They could have been wondering what's happening. What's going on? How come we're not pushing? How come we're not growing? What are they doing? But we're very open and honest and communicated that with everyone. Then it gives everyone just a chance to get on board and go.

David: You know, I've had doctors who are trying to get out of the way in their practice. They're building a practice where there are associate or maybe partner doctors coming on board and very wisely these doctors are wanting to be better leaders for their team and really get to practice or do the kind of treatment on patients that they really enjoy but not do it full time, to again be more of a leader.

Without communicating exactly why and what they wanted, their team was unknowingly sabotaging that effort because they thought, "Well gosh, Doctor Jones, he said he didn't want to see patients on Wednesday mornings anymore but he never told us why. So we better fill his schedule or he's going to be unhappy. He's not going to have enough revenue. He's going to take it out on somebody or someone is going to get laid off." Because it was never communicated to them as to where he was going and why.

Chris: Absolutely.

David: So let's talk for a minute a little bit about the millennial generation. There's a lot of bashing in the media about millennials and I think a lot of it is not true. There's just generalities about any group whether it's age

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

demographics or otherwise. Certainly there's I think a lot of young people who are a little bit disenfranchised, disillusioned about maybe what was promised to them going through school. But in any group, there's a lot of sharp ones.

I know with Memphis Invests, I think you told me 30, 35 percent of your total team is with the millennial generation. What have you found there that's been a benefit and how have you leveraged the good aspects of some of the great young people that are coming onboard to better grow the team?

Chris: Well I tell you one thing for sure, that is there's with the team that we brought in, there is no lack of enthusiasm and self-belief. It could be that we just tapped into a really good vein, I'm not sure, but we have an incredible group of millennials that work here for us.

Some have gone to college, some have not, which is amazing in and of itself so it's not like we're hiring college graduates that are coming out of high institutions. I don't mean that we're not, I'm just saying that it doesn't really matter where they come from. What's happened is we've hired some really good people that have good, strong work ethics.

They have had jobs as teenagers. They've had jobs into college years. It's not like this is the first time they've ever worked. They are coming in, they love clear communication. That is one thing that I can tell you for sure with the millennials. They just love to be told, "Hey, this is what's happening, what's going on, and what I need to do to be a part of it."

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

Then what's been amazing is as we've looked to build our team out, we've turned to some of them who we've already tapped as future leaders in our company and said, "Hey, we want you to bring to us job candidates that share your mentality. That share your work ethic. People that you know that we would like and that you would love for us to know." So don't bring us people that are going to embarrass you. Don't bring us people that are going to bring a different mindset. Bring us those that you like being around because they motivate you.

What's happened is we've probably made between ten and twelve hires and I would say 80 to 90 percent of those have worked out. We've had a couple that haven't. As with any business now with over 60 people, that's going to happen. But for the most part, they have surrounded themselves with other really great people. They brought them in, they go through the same hiring process and in the end they end up having great morals, great values, good work ethic, it's not the stereotypical they want everything for free or they want to be the leader today.

It's much more a case of if you'll show them a vision and show them how they can make this into something that's going to last for 10, 15, 20, 25 years that they can work here for a long time, man, they just jump in and get going. They love it. They've been a blessing to us to be honest because they're very invigorating for us to be around because they're lots of energy, lots of ideas.

So they just kind of jumped in with both feet. It's been a neat thing to watch within our company because up to this point, we were an older group. Our team just tended to be a little bit older, a little more mature than the new team

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

we've brought on. And by mature I just mean number of years, I don't mean the way that they act.

David: Right.

Chris: It's been refreshing.

David: Great insights. So Chris, I purposely kept this call or topic more off real estate and more on business and culture and leadership because again, I feel like that's so foundational. Real estate is something that you and I both love and we both know it's a great vehicle for wealth building and equity and passive cash flow. That's really a big reason why a lot of our doctors come to Freedom Founders because they know we've got great connections, great people like you.

We'll do some follow-up podcasts and we'll dive more into real estate but just one quick question because everybody wants to know today is that we feel like we're back into kind of a bubble again. Where real estate prices overall since 2010, 2011 have climbed back up again and I see a lot of retail properties going for high price points in various markets. If you could sum it up in a paragraph or two, what's your philosophy with Memphis Invests in terms of dealing with the cycles of real estate?

Chris: Well we have always focused on value, the way that we define it. That is we expect to deliver a consistent and reliable return with a very high level of communication and comfort for that investor on the backside. So for investors looking to get involved in this market, more than ever they do need to redefine value. For those that are really focused in on getting their hands dirty and try to drive as much price value as they can, then patience is

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

going to be required. You're going to have to be digging a lot more.

For those that are going in a more passive, hands-off approach, more than ever, it's really important that they match their needs with what they're receiving. So now the prices up, and they are higher, the yields are being compressed because there's price pressure on all sides. So more than ever investors need to focus in on what's the true value they're getting.

That would be the value of the service, the value of the home itself. Then the value of the team, so your long-term play. Is this a viable team that's going to be in business? Because I want to own this house for five to ten years. Are they going to be here for that amount of time?

This is more than ever right now investors really need to drill down into what's my long-term value of this investment? Not just my price. Not just my return, but what am I really getting out of making this particular investment? Because everything costs more today than it did two to three years ago. Doesn't mean it's a bad investment. It just means you have to really define what your value is.

David: Excellent. That was worth the whole podcast right there. So people go back and listen to that again. What Chris just said is sage advice. Chris, I mentioned people can find you on BiggerPockets where you've written a ton of articles over the years. What's the best way to connect with the company Memphis Invests?

Chris: The best way to connect with us is, there's a variety of ways. Info@MemphisInvests.com is one that comes directly to our entire leadership team. So will not get

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

Ep #63: Building a Culture of Success within Your Business with Chris Clothier

missed. If you want to connect with me directly, you can always connect with me at Chris@MemphisInvests.com.

Then our offices are open five days a week if you ever wanted to call the office, you wanted to see what we were doing or even take a chance to come in and meet with us one on one. We do it all the time. We have investors constantly in our offices in Memphis and in Dallas and even down in Houston. So you can dial us at (901) 751-7191. I give that number because it comes directly into our Memphis offices but Memphis can connect you to wherever it is that you want to speak with.

David: Perfect. Well, Chris Clothier, I appreciate your time today. You gave some great tips on business and culture differentiation, being a category of one, and also a little bit of sage advice about investing in the current markets. So thank you so much. It's a pleasure to know you, to know your company, and what you stand for.

Chris: Hey, I appreciate it very much, David. It was my pleasure to be here. So thank you.

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